



財華社  
FINET

## FINET GROUP LIMITED

### 財華社集團有限公司

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8317)**

*Executive Directors:*

Ms. Lo Yuk Yee

Ms. Chen Weijie

*Independent non-executive Directors:*

Mr. Wong Wai Kin

Mr. Wong Kwok Yin

Mr. Chu Ka Chung

*Registered office:*

Clarendon House

2 Church Street

Hamilton, HM 11

Bermuda

*Head office and principal place of  
business in Hong Kong:*

30/F, Fortis Tower

77-79 Gloucester Road

Wanchai, Hong Kong

28 June 2023

*To the Qualifying Shareholders,*

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

Dear Sir or Madam,

### **RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD ON RECORD DATE**

#### **INTRODUCTION**

References are made to the Announcement, the announcement of the Company dated 25 April 2023 and the Circular in relation to, among other matters, the Rights Issue, the Set-Off and the Underwriting Agreement.

The purpose of this Prospectus is to provide you with, among other things, (i) further details of the Rights Issue, including the procedures for acceptance of the Rights Shares provisionally allotted to the Qualifying Shareholders; (ii) financial information of the Group; (iii) unaudited pro forma financial information of the Group; and (iv) other information of the Group.

At the SGM held on Wednesday, 14 June 2023, the necessary resolutions for approving the Set-Off and the Underwriting Agreement were duly passed by the Independent Shareholders.

## **RIGHTS ISSUE**

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.10 per Rights Share, to raise gross proceeds before the Set-Off of approximately HK\$33.3 million (assuming no change in the number of Shares in issue on or before the Record Date) and up to approximately HK\$33.8 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date) by issuing not less than 333,269,387 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) and not more than 337,969,387 Rights Shares (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date) to the Qualifying Shareholders.

Maxx Capital, a controlling Shareholder, which is interested in 391,597,678 Shares, representing approximately 58.75% of the issued share capital of the Company as at the Latest Practicable Date, has conditionally agreed to fully underwrite all the Untaken Rights Shares, on the terms and conditions set out in the Underwriting Agreement. The Company will ensure that there is sufficient public float as required under the GEM Listing Rules upon completion of the Rights Issue.

### **Issue statistics**

Basis of the Rights Issue:	One (1) Rights Share for every two (2) existing Shares held on the Record Date
Subscription Price:	HK\$0.10 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	666,538,774 Shares
Number of Rights Shares:	not less than 333,269,387 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) and not more than 337,969,387 Rights Shares (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date)
Aggregate nominal value of the Rights Shares:	HK\$3,332,693.87 (assuming no change in the number of Shares in issue on or before the Record Date) or HK\$3,379,693.87 (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date)

Number of Shares as enlarged by the allotment and issue of the Rights Shares:	not less than 999,808,161 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) and not more than 1,013,908,161 Shares (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Number of Rights Shares Underwritten by the Underwriter:	115,741,519 Rights Shares, being the minimum total number of Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date), or up to 120,441,519 Rights Shares, being the maximum total number of Rights Shares (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date) to which the Qualifying Shareholders are entitled pursuant to the Rights Issue, being not less than 333,269,387 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) and not more than 337,969,387 Rights Shares, (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date), less the aggregate of 217,527,868 Rights Shares that will be provisionally allotted to and subscribed for by Ms. Lo and Maxx Capital pursuant to the Irrevocable Undertakings
Gross proceeds to be raised from the Rights Issue before the Set-Off:	approximately HK\$33.3 million (assuming no change in the number of Shares in issue on or before the Record Date) and up to approximately HK\$33.8 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date)
Gross proceeds to be raised from the Rights Issue after the Rights Shares Set-Off:	up to approximately HK\$24.5 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date)

As at the Latest Practicable Date, there were 9,400,000 Outstanding Share Options granted under the Existing Share Option Scheme. Assuming full exercise of the Outstanding Share Options, the maximum number of new Shares that would fall to be allotted and issued under the Existing Share Option Scheme on or before the Record Date would be 9,400,000, which would result in the allotment and issue of an additional 4,700,000 Rights Shares.

Save for the aforesaid, the Company did not have any other options outstanding under any share 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 there is no change in the number of issued Shares on or before the Record Date, 333,269,387 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 50% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 33.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

### **Subscription Price**

The Subscription Price is HK\$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price of HK\$0.10 per Rights Share represents:

- (i) a discount of approximately 52.4% to the closing price of HK\$0.21 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 52.4% to the average of the closing prices of HK\$0.21 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 41.2% to the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of approximately 42.2% to the theoretical ex-rights price of HK\$0.173 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.21 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 17.97% to the existing Shareholders if they elect not to participate in the Rights Issue, which is calculated based on the theoretical ex-rights price of approximately HK\$0.178 per Share and the benchmarked price of 0.217 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price of the Last Trading Day of HK\$0.21 per Share and the average of the closing prices per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day of HK\$0.217 per Share);

- (vi) a premium of approximately 61.3% over the audited consolidated net asset value per Share of approximately HK\$0.062 (based on the latest published audited consolidated net asset value of the Group attributable to owners of the Company of approximately HK\$41,043,000 and 666,538,774 Shares in issue as at 31 March 2022); and
- (vii) a premium of approximately 63.9% over the unaudited consolidated net asset value per Share of approximately HK\$0.061 (based on the latest published unaudited consolidated net asset value of the Group attributable to owners of the Company of approximately HK\$40,687,000 and 666,538,774 Shares in issue as at 30 September 2022).

The net Subscription Price per Rights Share (after deducting the relevant expenses) will be approximately HK\$0.098 per Rights Share (assuming no change in the number of Shares in issue on or before the Record Date) or approximately HK\$0.098 (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, (i) the market price of the Shares; (ii) the prevailing market conditions; (iii) the Group's current financial position; and (iv) the amount of fund the Company intends to raise under the Rights Issue. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its existing shareholding in the Company.

In determining the Subscription Price, which represents a discount of approximately 52.4% to the closing price of HK\$0.21 per Share on the Last Trading Day, the Directors have considered, among other things as mentioned above, (i) all Qualifying Shareholders will be offered the same opportunity to maintain their proportional interests in the Company; (ii) the average trading volume of the Shares in the past three months before the date of the Announcement was very low with an average daily trading volume of the Shares for the past three months ranging from no Shares to 80,000 Shares, representing no trading volume and approximately 0.012% of the Company's total number of Shares in issue; (iii) the historical financial performance of the Group is unsatisfactory with a continuously loss-making position for the year ended 31 March 2022 and the nine months ended 31 December 2022; and (iv) the discount of the Subscription Price to the prevailing market price of the Shares was necessary to encourage the Qualifying Shareholders to participate in the Rights Issue, especially when liquidity in the trading of Shares is thin and the historical financial performance of the Group is unsatisfactory.

In view of the above, despite the discount of the Subscription Price to the closing price of the Shares, after a balanced consideration, the Directors (excluding Ms. Lo who has a material interest in the Set-Off and the Underwriting Agreement) consider the Subscription Price which was set at a discount to the closing price will enhance the attractiveness of the Rights Issue, and therefore, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

### **Qualifying Shareholders**

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

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

In order to be registered as members of the Company at the close of business on the Record Date, transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the Latest Lodging Time.

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

### **Rights of Overseas Shareholders and Non-Qualifying 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.

According to the register of members of the Company as at the Record Date, there were 3 Overseas Shareholders with registered addresses located outside Hong Kong, details of which are set out below:

<b>Jurisdiction</b>	<b>Number of Overseas Shareholder(s)</b>	<b>Number of Shares held by Overseas Shareholder(s)</b>	<b>Approximate percentage of issued share capital of the Company</b>
The PRC	1	460	0.0001%
The United States	2	990,597	0.1486%

In compliance with Rule 17.41(1) of the GEM Listing Rules, the Company has made enquiries regarding the legal restrictions under the laws of the PRC and the United States and the requirements of the relevant regulatory body or stock exchange in order to determine the feasibility of extending the Rights Issue to the Overseas Shareholders.

On the basis of the results of such enquiries obtained, the Directors are of the view that it is necessary or expedient not to offer the Rights Shares (in their nil-paid and fully paid forms) to Overseas Shareholders with registered addresses in the United States due to the time and costs involved in the registration or filing of the Prospectus Documents and/or approval required by the relevant authorities in the United States and/or additional steps the Company and/or Overseas Shareholders need to take to comply with the relevant legal or regulatory requirements in the United States.

On the other hand, based on the results of the enquiries obtained by the Company, given that the Company does not fall under the following conditions: (1) 50% or more of the Company's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by subsidiaries of the Company in the PRC; and (2) the main parts of the Company's business activities are conducted in the PRC, or its main places of business are located in the PRC, or the senior managers in charge of its business operation and management are mostly PRC citizens or domiciled in the PRC, there are no legal restrictions under the laws of or requirements of any regulatory body or stock exchange in the PRC with respect to extending the Rights Issue to the Overseas Shareholders in the PRC as at the Latest Practicable Date. As such, the Directors have decided to extend the Rights Issue to the Overseas Shareholders having registered addresses in the PRC and such Overseas Shareholders are considered as Qualifying Shareholders.

The Company will send this Prospectus (without the PAL) and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence,

if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will, if possible, be placed by the Placing Agent under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties and, if not successfully placed out, will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

#### **Basis of provisional allotment**

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) existing Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date 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.

#### **Fractional entitlements to the Rights Shares**

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number) and will be sold by the Company in the open market if a premium (net of expenses) can be obtained.

#### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots (if any) of the Shares arising from the Rights Issue, the Company has appointed the Placing Agent as an agent to provide odd lot matching services, on a best effort basis, to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares to a full new board lot during the period from Monday, 24 July 2023 to Monday, 14 August 2023 (both dates inclusive). Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. Shareholders who wish to take advantage of this service should contact the Placing Agent at Room 101, 1st Floor, On Hong Commercial Building, 145 Hennessy Road,



Wanchai, Hong Kong or at telephone number (852) 5313 9888 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period. Shareholders who are in doubt about this service are recommended to consult their professional advisers.

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

Subject to the fulfillment of the condition of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered addresses at their own risk on or before Friday, 21 July 2023. If the Rights Issue is terminated, refund cheques in respect of the applications for Rights Shares are expected to be posted on or before Friday, 21 July 2023 by ordinary post to the applicants at their own risk.

### **No application for excess Rights Shares**

No application for excess Rights Shares will be offered to the Qualifying Shareholders. Any Untaken Rights Shares will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

The Board considers that since each Qualifying Shareholder will be given equal and fair opportunity to maintain their pro rata shareholding interests in the Company through the Rights Issue, the additional work which may be required to prepare for and administer the excess application arrangement (such as printing excess application forms and incurring professional fees to process and handle the excess applications) may not be justified. In addition, given that the Company has put in place the Unsubscribed Arrangements as required by Rule 10.31(1)(b) of the GEM Listing Rules, details of which are set out in the paragraph headed “Letter from the Board — Rights Issue — Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements” below, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

In light of the above, the Board believes that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders.

### **Procedures for application and payment or transfer**

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by not later than 4:00 p.m. on Wednesday, 12 July 2023 (or, under bad weather conditions, such later time and/or date as mentioned in the section headed “Expected timetable — Effect of bad weather or extreme conditions at the Latest Time for Acceptance” in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker’s cashier

orders which must be issued by, a licensed bank in Hong Kong and made payable to **“FINET GROUP LIMITED”** and crossed **“ACCOUNT PAYEE ONLY”**. It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Wednesday, 12 July 2023, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company 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 applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its 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 to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Tuesday, 4 July 2023 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that stamp duty is payable in connection with a transfer of rights to subscribe for the Rights Shares.

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 or banker’s cashier orders will be presented for payment following receipt and all interest 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 banker’s cashier order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the banker’s 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 PAL in respect of which the cheque or banker’s cashier order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if the condition of the Rights Issue as set out in the paragraph headed “Condition of the Rights Issue” below is 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 Rights Shares in their nil-paid form have been validly transferred or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Friday, 21 July 2023.

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

## **Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements**

Pursuant to Rule 10.31(2) of the GEM Listing Rules, as Maxx Capital, being a controlling Shareholder, shall act as the underwriter of the Rights Issue, the Company must make arrangements as stipulated in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of any Unsubscribed Shares not validly applied for by the No Action Shareholders by offering such Unsubscribed Shares to independent placees for the benefit of those Shareholders. With such compensatory arrangement in place, there will be no excess application arrangements in relation to the Rights Issue as stipulated by Rule 10.31(1)(a) of the GEM Listing Rules.

Any Unsubscribed Shares (which comprise (i) Rights Shares that are not subscribed by the Qualifying Shareholders; and/or (ii) Rights Shares which would otherwise have been in the assured allotments of the Non-Qualifying Shareholders) will be first placed by the Placing Agent under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis. If any of the Unsubscribed Shares are not successfully placed out, those Unsubscribed Shares will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro-rata basis (but rounded down to the nearest cent):

- (a) the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- (b) the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

In order to comply with the GEM Listing Rules, on 13 April 2023 (after trading hours of the Stock Exchange), the Company has entered into the Placing Agreement with the Placing Agent to place the Unsubscribed Shares at the Placing Price. Any unplaced Unsubscribed Shares will then be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

On 24 April 2023, the Company and the Placing Agent has entered into the Supplemental Placing Agreement, pursuant to which the parties agreed to amend the definition of "Set-Off" under the Placing Agreement following the relevant amendments made to the Underwriting Agreement pursuant to the Supplemental Underwriting Agreement.

Principal terms of the Placing Agreement are summarised below:

- Date: 13 April 2023 (after trading hours of the Stock Exchange) (as amended and supplemented by the Supplemental Placing Agreement on 24 April 2023)
- Placing Agent: Aristo Securities Limited
- As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are (i) Independent Third Parties; and (ii) independent of the Underwriter.
- Placing commission: The Company shall pay the Placing Agent a fixed commission fee of HK\$20,000.
- Placing Price: The placing price of the Unsubscribed Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Shares during the placement process.
- Placing Period: The period from Friday, 14 July 2023 up to 4:00 p.m. on Monday, 17 July 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements.
- Places: The Unsubscribed Shares are expected to be placed to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties.
- Condition precedent: The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional (save for the condition that the Placing Agreement has become unconditional).

The Placing Agent shall, on a best efforts basis during the Placing Period, seek to procure placees who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties for all (or as many as possible) to subscribe for the Unsubscribed Shares and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis.

The Unsubscribed Arrangements are in compliance with the requirements under Rule 10.31(1)(b) of the GEM Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) given that the Unsubscribed Shares will be first offered to Independent

Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company.

The Underwriter confirms that it will not be involved in the screening and selection of placees in relation to the Unsubscribed Shares.

The Placing Agent confirms that it is an Independent Third Party, and that there is no other arrangement, agreement, understanding or undertaking with the Underwriter in relation to the Shares. The terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.

The Company considers that the Unsubscribed Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that the Company has put in place the Unsubscribed Arrangements as required by Rule 10.31(1)(b) of the GEM Listing Rules, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

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

The Company has applied to the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be 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 stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealing 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.

### **Condition 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.

## **UNDERWRITING ARRANGEMENT**

### **Underwriting Agreement**

On 13 April 2023 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter and Ms. Lo, 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 Maxx Capital and Ms. Lo pursuant to the Irrevocable Undertakings.

On 24 April 2023 (after trading hours of the Stock Exchange), the Company, Maxx Capital and Ms. Lo entered into the Supplemental Underwriting Agreement, pursuant to which the parties agreed to amend certain terms of the Underwriting Agreement to the effect that only the Subscription Price in respect of (i) the 92,578,947 Rights Shares to which Maxx Capital is entitled under the Rights Issue in respect of the 185,157,894 Shares which are registered in the Registrar under Maxx Capital's own name; and (ii) the Underwritten Shares, will be settled by way of firstly the Set-Off against the Shareholder's Loan and after the Set-Off of the Shareholder's Loan in full, by cash.

It is further agreed among the Company, Maxx Capital and Ms. Lo that (a) the Subscription Price of approximately HK\$10.3 million in respect of (i) the 103,219,892 Rights Shares to which Maxx Capital is entitled under the Rights Issue in respect of the 206,439,784 Shares which are deposited in CCASS; and (ii) the Subscription Price of approximately HK\$2.2 million in respect of the 21,729,029 Rights Shares to which Ms. Lo is entitled under the Rights Issue in respect of the 43,458,058 Shares which are deposited in CCASS will be settled in cash by Maxx Capital and Ms. Lo respectively; and (b) subsequently a sum of approximately HK\$12.5 million would be paid out of the net proceeds of the Rights Issue to Ms. Lo for the repayment of the Shareholder's Loan.

The principal terms of the Underwriting Agreement are summarised below:

Date: 13 April 2023 (after trading hours of the Stock Exchange)  
(as amended and supplemented by the Supplemental Underwriting Agreement on 24 April 2023)

Underwriter: Maxx Capital

Maxx Capital is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Pablos International, which is in turn wholly and beneficially owned by Ms. Lo, the chairlady of the Board and an executive Director.

Maxx Capital is a controlling Shareholder which beneficially holds 391,597,678 Shares, representing approximately 58.75% of the issued share capital of the Company as at the Latest Practicable Date. It is not in the ordinary course of business of Maxx Capital to underwrite securities.

As such, the Underwriter complies with Rule 10.24A(2) of the GEM Listing Rules and the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Number of Rights Shares: not less than 333,269,387 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) and not more than 337,969,387 Rights Shares (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date)

Number of Underwritten Shares:	115,741,519 Rights Shares, being the minimum total number of Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date), or up to 120,441,519 Rights Shares, being the maximum total number of Rights Shares (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date) to which the Qualifying Shareholders are entitled under the Rights Issue, being not less than 333,269,387 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) and not more than 337,969,387 Rights Shares, (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date), less the aggregate of 217,527,868 Rights Shares that will be provisionally allotted to and subscribed for by Maxx Capital and Ms. Lo pursuant to the Irrevocable Undertakings.
Underwriting commitment of the Underwriter:	Pursuant to the Underwriting Agreement, Maxx Capital as the Underwriter has conditionally agreed to underwrite the Rights Shares (other than the Rights Shares agreed to be taken up by Maxx Capital and Ms. Lo under the Irrevocable Undertakings) which have not been taken up by the Qualifying Shareholders and which have not been placed out by the Placing Agent under the Unsubscribed Arrangements. Accordingly, the Rights Issue is fully underwritten.
Underwriting commission:	No underwriting commission will be payable by the Company to the Underwriter under the Underwriting Agreement.

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

The Underwriting Agreement is conditional upon the following conditions being fulfilled:

- (a) the passing by the Independent Shareholders at the SGM of ordinary resolutions to approve the Set-Off, the Underwriting Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules by no later than the Prospectus Posting Date;
- (b) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of their dealings;



- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively 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 (Chapter 32 of the Laws of Hong Kong) 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 purposes 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 obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (f) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (g) the compliance with and performance of all the undertakings and obligations of Maxx Capital and Ms. Lo under the Irrevocable Undertakings.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed.

As at the Latest Practicable Date, the above condition (a) had been fulfilled.

At the SGM held on Wednesday, 14 June 2023, the necessary resolutions for approving the Set-Off and the Underwriting Agreement were duly passed by the Independent Shareholders. Maxx Capital and Ms. Lo and those Shareholders who have a material interest in the Set-Off and the Underwriting Agreement different from other Shareholders had abstained from voting on the resolutions to approve the Set-Off and the Underwriting Agreement at the SGM.

As Ms. Lo is the ultimate beneficial owner of Maxx Capital and has a personal interest in the Shares, Ms. Lo had abstained from voting on the board resolutions to approve, among other matters, the Rights Issue, the Set-Off and the Underwriting Agreement and the transactions contemplated thereunder. Save for Ms. Lo, none of the Directors holds any Shares or has any material interest in the Rights Issue, the Set-Off and/or the Underwriting Agreement.

## **The Irrevocable Undertakings**

### ***Maxx Undertaking***

Pursuant to the Maxx Undertaking, Maxx Capital has given an irrevocable undertaking in favour of the Company that:

- (i) it will subscribe for 195,798,839 Rights Shares which comprise the full acceptance of its provisional entitlement in respect of the 391,597,678 Shares wholly and beneficially held by it;
- (ii) it will not dispose of any of the 391,597,678 Shares comprising the current shareholding in the Company owned by Maxx Capital, and such Shares will remain wholly and beneficially owned by it up to and including the Record Date;
- (iii) it will lodge or procure its acceptance of the 195,798,839 Rights Shares, which will be the number of Rights Shares provisionally allotted to it nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and
- (iv) take appropriate steps, including, the disposal of such number of Shares necessary to ensure that sufficient public float exists in the Shares in compliance with the GEM Listing Rules upon completion of the Rights Issue.

### ***Lo's Undertaking***

Pursuant to the Lo's Undertaking, Ms. Lo has given an irrevocable undertaking in favour of the Company and the Underwriter that:

- (i) she will subscribe for 21,729,029 Rights Shares which comprise the full acceptance of her provisional entitlement in respect of the 43,458,058 Shares wholly and beneficially held by her;
- (ii) she will not dispose of any of the 43,458,058 Shares comprising the current shareholding in the Company owned by Ms. Lo, and such Shares will remain wholly and beneficially owned by her up to and including the Record Date;
- (iii) she will lodge the acceptance of the 21,729,029 Rights Shares, which will be the number of Rights Shares provisionally allotted to her nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and
- (iv) she will procure Maxx Capital to take appropriate steps, including, the disposal of such number of Shares necessary to ensure that sufficient public float exists in the Shares in compliance with the GEM Listing Rules upon completion of the Rights Issue.

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, the Board had not received any information or irrevocable undertaking from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

#### **CONNECTED TRANSACTIONS IN RELATION TO THE UNDERWRITING AGREEMENT AND SET-OFF OF THE SHAREHOLDER'S LOAN**

In order to maintain sufficient cash level for the operational needs of the Group, on 1 April 2022, Ms. Lo, as the lender, and the Company, as the borrower, entered into a loan agreement pursuant to which Ms. Lo granted the Shareholder's Loan of up to HK\$30 million in favour of the Company, for a term of 12 months.

The Shareholder's Loan is unsecured and interest-free and the maturity date of the Shareholder's Loan was 31 March 2023. As at 31 March 2023, the total outstanding principal amount of the Shareholder's Loan amounted to approximately HK\$24.2 million, which remains outstanding as at the Latest Practicable Date.

Pursuant to the Underwriting Agreement, Maxx Capital, Ms. Lo and the Company have agreed that the Subscription Price in respect of (i) the 92,578,947 Rights Shares to which Maxx Capital is entitled under the Rights Issue in respect of the 185,157,894 Shares which are registered in the Registrar under Maxx Capital's own name; and (ii) the Underwritten Shares, will be settled by way of firstly the Set-Off and after the Set-Off in full, by cash. The Set-Off and the Underwriting Agreement constitute connected transactions on the part of the Company.

Pursuant to the Underwriting Agreement, it is further agreed among the Company, Maxx Capital and Ms. Lo that (a) the Subscription Price of approximately HK\$10.3 million in respect of (i) the 103,219,892 Rights Shares to which Maxx Capital is entitled under the Rights Issue in respect of the 206,439,784 Shares which are deposited in CCASS; and (ii) the Subscription Price of approximately HK\$2.2 million in respect of the 21,729,029 Rights Shares to which Ms. Lo is entitled under the Rights Issue in respect of the 43,458,058 Shares which are deposited in CCASS will be settled in cash by Maxx Capital and Ms. Lo respectively; and (b) subsequently a sum of approximately HK\$12.5 million would be paid out of the net proceeds of the Rights Issue to Ms. Lo for the repayment of the Shareholder's Loan.

Although the Rights Issue is fully underwritten, the exact amount of the Shareholder's Loan to be set-off for such aggregate Subscription Price depends on the number of Rights Shares to be taken up by the Qualifying Shareholders and the total number of Unsubscribed Shares to be placed by the Placing Agent to the independent places pursuant to the Unsubscribed Arrangements.

### **Scenario 1 — Assuming all Qualifying Shareholders having taken up their Rights Shares**

Assuming all Qualifying Shareholders having taken up all his/her/its entitlements under the Rights Issue, the treatment of the Shareholder's Loan would be as follows:

- (i) the Subscription Price of approximately HK\$9.3 million in respect of the 92,578,947 Rights Shares to which Maxx Capital is entitled under the Rights Issue in respect of the 185,157,894 Shares which are registered in the Registrar under Maxx Capital's own name, would first be set-off against the Shareholder's Loan; and
- (ii) approximately HK\$12.5 million would be paid out of the net proceeds of the Rights Issue of approximately HK\$23.2 million (assuming no change in the number of Shares in issue on or before the Record Date) or approximately HK\$23.7 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date) to Ms. Lo for the repayment of the Shareholder's Loan.

After the Rights Shares Set-Off of approximately HK\$9.3 million and the repayment of the Shareholder's Loan of approximately HK\$12.5 million, approximately HK\$2.4 million of the Shareholder's Loan would remain outstanding, and it is expected that the Shareholder's Loan will be extended on such terms as may be agreed between the Company and Ms. Lo.

### **Scenario 2 — Assuming no Qualifying Shareholders would take up any of their Rights Shares and no Independent Third Parties would take up any of the Unsubscribed Shares**

Assuming (i) no Qualifying Shareholders would take up any of his/her/its entitlements under the Rights Issue except for Maxx Capital and Ms. Lo pursuant to the Irrevocable Undertakings; and (ii) no Independent Third Parties would take up the Unsubscribed Shares under the Placing Agreement, such that all the Unsubscribed Shares would be taken up by the Underwriter under the Underwriting Agreement, the treatment of the Shareholder's Loan would be as follows:

- (i) the Subscription Price of approximately HK\$9.3 million in respect of the 92,578,947 Rights Shares to which Maxx Capital is entitled under the Rights Issue in respect of the 185,157,894 Shares which are registered in the Registrar under Maxx Capital's own name, would first be set-off against the Shareholder's Loan;
- (ii) approximately HK\$2.4 million would be further set-off by the same amount of the Subscription Price in respect of the Underwritten Shares; and
- (iii) approximately HK\$12.5 million would be paid out of the net proceeds of the Rights Issue of approximately HK\$20.8 million (assuming no change in the number of Shares in issue on or before the Record Date and after the

Underwritten Shares Set-Off) or approximately HK\$21.3 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date and after the Underwritten Shares Set-Off).

After the Rights Shares Set-Off of approximately HK\$9.3 million, the Underwritten Shares Set-Off of approximately HK\$2.4 million and the repayment of the Shareholder's Loan of approximately HK\$12.5 million, the Shareholder's Loan would be repaid in full after the completion of the Rights Issue. The actual Subscription Price payable by the Underwriter in cash in respect of the Underwritten Shares (after the Underwritten Shares Set-Off) would be approximately HK\$9.2 million (assuming no change in the number of Shares in issue on or before the Record Date) and up to approximately HK\$9.6 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date).

For details of the use of proceeds, please refer to the paragraph headed "Letter from the Board — Reasons for and benefits of the Rights Issue and intended use of proceeds" in this Prospectus below.

Completion of the Set-Off, which is subject to the same conditions as the Rights Issue, shall take place simultaneously with the issue of the Rights Shares by the Company pursuant to the terms of the Rights Issue.

#### **Reasons for the Set-Off and the entering into of the Supplemental Underwriting Agreement and Supplemental Placing Agreement**

The Directors consider that the Set-Off will enable the Group to repay the Shareholder's Loan without cash outflow and will allow the Group to reduce its gearing level.

The Set-Off was agreed after arm's length negotiations between the Company as issuer and Maxx Capital as underwriter. In the event of the absence of the Set-Off arrangement in the Rights Issue, Maxx Capital will have an additional cash outflow of approximately HK\$20.9 million under the Rights Issue (assuming (a) no Qualifying Shareholders would take up any of his/her/its entitlements under the Rights Issue except for Ms. Lo and Maxx Capital pursuant to the Irrevocable Undertakings; and (b) no Independent Third Parties would take up the Unsubscribed Shares such that all the Unsubscribed Shares would be taken up by Maxx Capital) and this will affect the willingness of Maxx Capital to act as underwriter for the Rights Issue. Given that Maxx Capital will not charge any underwriting commission and the Shareholder's Loan were utilised towards the general working capital of the Group, the Company considers that the Set-Off arrangement is fair and reasonable. Taking into account (i) the Set-Off arrangement in the Rights Issue was one of the key factors affecting the willingness of Maxx Capital to act as underwriter for the Rights Issue; and (ii) the maturity date of the Shareholder's Loan, the Directors consider that the Set-Off is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As disclosed in the announcement of the Company dated 24 April 2023, upon further enquiry by the Company, there is a foreseeable technical difficulty for implementing the Set-Off of the Subscription Price in respect of the 103,219,892 Rights Shares to which Maxx

Capital is entitled under the Rights Issue and the 21,729,029 Rights Shares to which Ms. Lo is entitled under the Rights Issue, through the CCASS system, where the CCASS system can only carry out a rights issue application by a shareholder in a normal manner (i.e. the shareholder paying the required amount of cash in respect of the number of rights shares applied) and is not able to process a rights issue application by a shareholder if the cash amount for the number of Rights Shares is not paid upon application. In light of such technical difficulty, the Company, Maxx Capital and Ms. Lo agreed to entered into the Supplemental Underwriting Agreement to the effect that (i) Maxx Capital would first settle the aggregate Subscription Price in respect of the 103,219,892 Rights Shares of approximately HK\$10.3 million in cash; and (ii) Ms. Lo would first settle the aggregate Subscription Price in respect of the 21,729,029 Rights Shares of approximately HK\$2.2 million in cash, and subsequently, a sum of approximately HK\$12.5 million (which is equivalent to the aggregate Subscription Price to be settled by Maxx Capital and Ms. Lo in cash) would be paid out of the net proceeds of the Rights Issue to Ms. Lo for the repayment of the Shareholder's Loan.

Taking into account that (i) the sole purpose of the entering into of the Supplemental Underwriting Agreement and the Supplemental Placing Agreement is to deal with the technical difficulty for implementing the Set-Off through the CCASS system; (ii) the gross proceeds from the Rights Issue before the Set-Off will remain to be the same; and (iii) the estimated amount of net proceeds from the Rights Issue to be allocated for the expansion of the IR Business in Hong Kong and the PRC and the general working capital of the Group will remain to be the same, the Board considers that the terms of the Supplemental Underwriting Agreement and the Supplemental Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As disclosed in the announcement of the Company dated 14 June 2023, the resolutions approving the Set-Off and the Underwriting Agreement and the transactions contemplated thereunder were duly passed by the Independent Shareholders at the SGM.

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

The Group is principally engaged in (i) the provision of financial information; (ii) advertising and financial public relationship service (including media business); (iii) the securities business that specialises in the provision of brokerage, underwriting and asset management; (iv) money lending business; and (v) property investments.

As disclosed in the third quarterly report of the Company for the nine months ended 31 December 2022, although the IR Business continues to be affected by the prolonged impact of the novel coronavirus (“COVID-19”) pandemic during the period, as the COVID-19 pandemic is becoming under control and the relevant anti-pandemic restrictions are gradually being lifted, the Company expects the IR Business to become the Group's profit stream in the coming years. As such, the Board has resolved to boost and expand the development of the IR Business in Hong Kong and the PRC, including but not limited to recruiting additional personnel, purchasing IT equipment and provide reserves for operating fund.

In light of the financial performance of the Group which remains to be loss-making for the year ended 31 March 2022 and the nine months ended 31 December 2022 as well as the above expansion plan of the Group, the Board considers that it is vital for the Group to have access to additional funding and working capital in order to maintain its competitiveness in the market.

Assuming full subscription of the Rights Shares, the gross proceeds from the Rights Issue before the Set-Off is expected to be approximately HK\$33.3 million (assuming no change in the number of Shares in issue on or before the Record Date) and up to approximately HK\$33.8 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date).

The exact amount of net proceeds depends on the number of Rights Shares to be taken up by the Qualifying Shareholders and the total number of Unsubscribed Shares to be placed by the Placing Agent to the independent places pursuant to the Unsubscribed Arrangements.

#### **Scenario 1 — Assuming all Qualifying Shareholders have taken up their Rights Shares**

Assuming all Qualifying Shareholders have taken up their entitlements under the Rights Issue, the net proceeds from the Rights Issue (after deducting the estimated expenses of approximately HK\$0.8 million, and after the Rights Shares Set-Off of approximately HK\$9.3 million) is estimated to be approximately HK\$23.2 million (assuming no change in the number of Shares in issue on or before the Record Date) or approximately HK\$23.7 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date).

The Company intends to apply the aforesaid net proceeds from the proposed Rights Issue as follows: as to (i) approximately HK\$12.5 million for the repayment of the Shareholder's Loan; (ii) approximately HK\$9.6 million (assuming no change in the number of Shares in issue on or before the Record Date) and up to approximately HK\$10.1 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date) for the expansion of the IR Business in Hong Kong and the PRC; and (iii) the remaining balance for the general working capital of the Group.

#### **Scenario 2 — Assuming no Qualifying Shareholders would take up any of their Rights Shares and no Independent Third Parties would take up any of the Unsubscribed Shares**

Assuming (i) no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Maxx Capital and Ms. Lo pursuant to the Irrevocable Undertakings; and (ii) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Maxx Capital, the net proceeds from the Rights Issue (after deducting the estimated expenses of approximately HK\$0.8 million, and after the Rights Shares Set-Off of approximately HK\$9.3 million and the Underwritten Shares Set-Off of approximately HK\$2.4 million) is estimated to be approximately HK\$20.8 million (assuming no change in the number of Shares in issue on or before the Record Date) or approximately HK\$21.3 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date).

The Company intends to apply the aforesaid net proceeds from the proposed Rights Issue as follows: as to (i) approximately HK\$12.5 million for the repayment of the Shareholder's Loan; (ii) approximately HK\$7.5 million (assuming no change in the number of Shares in issue on or before the Record Date) and up to approximately HK\$7.9 million (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date) for the expansion of the IR Business in Hong Kong and the PRC; and (iii) the remaining balance for the general working capital of the Group.

The estimated net subscription price per Rights Share before the Set-Off and after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.098 (assuming no change in the number of Shares in issue on or before the Record Date) or approximately HK\$0.098 (assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date).

The Company has considered (i) placing of new Shares; (ii) debt financing; and (iii) open offer as fundraising alternatives in comparison to the Rights Issue. However, placing would only be available to certain placees and debt financing would result in additional finance costs and increase the Group's liabilities burden. The Board is of the view that while additional debt financing will increase the Group's gearing ratio, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company. On the other hand, the Board considered that the fundraising by way of the Rights Issue will improve the financial position of the Group immediately. The Board has also considered that open offer is less favorable to the Shareholders compared to the Rights Issue due to the flexibility of the Shareholders being able to sell their entitled nil-paid rights when they do not wish to take up the entitlements under the Rights Issue.

The Rights Issue is an offer to existing Shareholders to participate in the enlargement of the capital base of the Company and enables the Shareholders to maintain their proportionate interests in the Company and continue to participate in development of the Company in the future should they wish to do so. However, those Qualifying Shareholders who do not participate in the Rights Issue to which they are entitled and the Non-Qualifying Shareholders should note that their shareholding interest in the Company will be diluted.

The Directors (excluding Ms. Lo who has a material interest in the Set-Off and the Underwriting Agreement) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the proposed Rights Issue, including the Subscription Price, to be fair and reasonable and in the 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; (ii) the proposed Rights Issue provides the Qualifying Shareholders with 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; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.



## CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

For illustration purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Rights Issue is set out below:

### (i) Assuming no change in the number of Shares in issue on or before the Record Date

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders take up all his/her/its entitlements under the Rights Issue)		Immediately after completion of the Rights Issue (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Ms. Lo and Maxx Capital pursuant to the Irrevocable Undertakings; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements) (Note 4)		Immediately after completion of the Rights Issue (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Ms. Lo and Maxx Capital pursuant to the Irrevocable Undertakings; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Maxx Capital) (Notes 4 & 5)	
	No. of Shares	Approx.	No. of Shares	Approx.	No. of Shares	Approx.	No. of Shares	Approx.
		percentage %		percentage %		Percentage %		Percentage %
<b>Controlling Shareholder</b>								
Maxx Capital (Note 1)	391,597,678	58.75	587,396,517	58.75	587,396,517	58.75	703,138,036	70.33
<b>Executive Director</b>								
Ms. Lo	43,458,058	6.52	65,187,087	6.52	65,187,087	6.52	65,187,087	6.52
<b>Public Shareholders</b>								
Broadgain International Limited (Note 2)	47,052,000	7.06	70,578,000	7.06	47,052,000	4.71	47,052,000	4.71
Mr. Wang Yuan (Note 3)	39,000,000	5.85	58,500,000	5.85	39,000,000	3.90	39,000,000	3.90
Independent places	—	—	—	—	115,741,519	11.58	—	—
Other public Shareholders	145,431,038	21.82	218,146,557	21.82	145,431,038	14.55	145,431,038	14.55
<b>Total</b>	<b>666,538,774</b>	<b>100.00</b>	<b>999,808,161</b>	<b>100.00</b>	<b>999,808,161</b>	<b>100.00</b>	<b>999,808,161</b>	<b>100.00</b>

#### Notes:

1. Maxx Capital is an investment holding company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Pablos International, which is in turn wholly and beneficially owned by Ms. Lo, being the chairlady of the Board, an executive Director and a controlling Shareholder.
2. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Broadgain International Limited and its ultimate beneficial owner(s) are and will remain to be Independent Third Parties as at the Latest Practicable Date and upon completion of the Rights Issue.

3. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Wang Yuan is and will remain to be an Independent Third Party as at the Latest Practicable Date and upon completion of the Rights Issue.
4. Further announcement(s) will be made by the Company as soon as practicable when the total number of Unsubscribed Shares to be placed by the Placing Agent to the independent placees and the number of placees are confirmed.
5. Assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Ms. Lo and Maxx Capital pursuant to the Irrevocable Undertakings; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Maxx Capital, upon completion of the Rights Issue, there will be 231,483,038 Shares held by public Shareholders, representing approximately 23.15% of the total issued Shares of the Company as enlarged by the allotment and issue of the Rights Shares, which will be below the minimum public float requirement of 25% under the GEM Listing Rules. In light of the above, the Company will closely monitor its public float percentage to ensure its compliance, at all times, with relevant requirements on public float as stipulated under the GEM Listing Rules and the Underwriter undertakes to dispose of such number of Shares necessary to comply with the public float requirements under the GEM Listing Rules either directly dispose in the market, transfer, or engage a placing agent for the placement of the Shares held by the Underwriter as soon as possible following the completion of the Rights Issue.
6. Certain percentage figures included in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

(ii) Assuming new Shares are allotted and issued upon full exercise of the Outstanding Share Options on or before the Record Date, but otherwise no other change in the issued Shares on or before the Record Date

	As at the Latest Practicable Date		Immediately after full exercise of the Outstanding Share Options but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date		Immediately after completion of the Rights Issue (assuming all his/her/its entitlements under the Rights Issue)		Immediately after completion of the Rights Issue (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Ms. Lo and Maxx Capital Undertakings; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements) (Note 4)		Immediately after completion of the Rights Issue (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Ms. Lo and Maxx Capital Undertakings; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Maxx Capital) (Notes 4 & 5)	
	No. of Shares	Approx. percentage %	No. of Shares	Approx. percentage %	No. of Shares	Approx. percentage %	No. of Shares	Approx. Percentage %	No. of Shares	Approx. Percentage %
<b>Controlling Shareholder</b>										
Maxx Capital (Note 1)	391,597,678	58.75	391,597,678	57.93	587,396,517	57.93	587,396,517	57.93	707,838,036	69.81
<b>Executive Director</b>										
Ms. Lo	43,458,058	6.52	43,458,058	6.43	65,187,087	6.43	65,187,087	6.43	65,187,087	6.43
<b>Public Shareholders</b>										
<b>Broadgain</b>										
International Limited (Note 2)	47,052,000	7.06	47,052,000	6.96	70,578,000	6.96	47,052,000	4.64	47,052,000	4.64
Mr. Wang Yuan (Note 3)	39,000,000	5.85	39,000,000	5.77	58,500,000	5.77	39,000,000	3.85	39,000,000	3.85
<b>Holders of the Outstanding Share Options</b>										
Options	—	—	9,400,000	1.39	14,100,000	1.39	9,400,000	0.93	9,400,000	0.93
Independent placees	—	—	—	—	—	—	120,441,519	11.88	—	—
Public Shareholders	145,431,038	21.82	145,431,038	21.52	218,146,557	21.52	145,431,038	14.34	145,431,038	14.34
<b>Total</b>	<b>666,538,774</b>	<b>100.00</b>	<b>675,938,774</b>	<b>100.00</b>	<b>1,013,908,161</b>	<b>100.00</b>	<b>1,013,908,161</b>	<b>100.00</b>	<b>1,013,908,161</b>	<b>100.00</b>

Notes:

1. Maxx Capital is an investment holding company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Pablos International, which is in turn wholly and beneficially owned by Ms. Lo, being the chairlady of the Board, an executive Director and a controlling Shareholder.
2. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Broadgain International Limited and its ultimate beneficial owner(s) are and will remain to be Independent Third Parties as at the Latest Practicable Date and upon completion of the Rights Issue.
3. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Wang Yuan is and will remain to be an Independent Third Party as at the Latest Practicable Date and upon completion of the Rights Issue.
4. Further announcement(s) will be made by the Company as soon as practicable when the total number of Unsubscribed Shares to be placed by the Placing Agent to the independent placees and the number of placees are confirmed.

5. Assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Ms. Lo and Maxx Capital pursuant to the Irrevocable Undertakings; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Maxx Capital, upon completion of the Rights Issue, there will be 240,883,038 Shares held by public Shareholders, representing approximately 23.76% of the total issued Shares of the Company as enlarged by the allotment and issue of the Rights Shares, which will be below the minimum public float requirement of 25% under the GEM Listing Rules. In light of the above, the Company will closely monitor its public float percentage to ensure its compliance, at all times, with relevant requirements on public float as stipulated under the GEM Listing Rules and the Underwriter undertakes to dispose of such number of Shares necessary to comply with the public float requirements under the GEM Listing Rules either directly dispose in the market, transfer, or engage a placing agent for the placement of the Shares held by the Underwriter as soon as possible following the completion of the Rights Issue.
6. Certain percentage figures included in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

## **EQUITY FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fundraising activity in the past twelve months immediately before the Latest Practicable Date.

## **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 is not limited to, the following:

### **Risks relating to the operation and industry of the Group**

*The Group's business and operations may be materially and adversely affected by the recurrent outbreak of the COVID-19 pandemic*

The global outbreak of the COVID-19 pandemic has disrupted the Group's operations since early 2020, as well as the operations of the Group's customers and suppliers. With the prolonged negative impact brought about by the pandemic on the global economy, the Group's customers and suppliers may be forced to close down their businesses, which may have a material and adverse effect on the Group's business, financial condition and operations. Despite the fact that the COVID-19 pandemic has been gradually under control, any recurrent outbreak or emergence of COVID-19 variants may be a threat to the overall economic and market conditions in Hong Kong and the PRC and the economic downturn and/or negative business sentiment may have an adverse impact on the Group's revenue and profitability.

***The Group's business mainly operates in Hong Kong and any adverse economic, social and/or political development affecting the market may have a material adverse impact to the Group's operations***

The Group's business operation and revenue stream were mainly based in Hong Kong. The Directors anticipate that Hong Kong will continue to be the principal place of business of the Group in the coming years. The business and financial performance of the Group is therefore heavily dependent on a stable economic, social and/or political development in Hong Kong. The Group's business is vulnerable to any adverse events such as economic recession, extensive social unrest, civil disturbance or disobedience that may cause devastating effect and/or cast uncertainty over the general stability or prospect of the business environment in Hong Kong. In the unfortunate event if such adverse event takes place in Hong Kong, it would render material adverse effect on our business and financial performance.

***The Group's proposed business strategies and expansion plans may or may not be materialised***

The business strategies and expansion plans as mentioned in this Prospectus are subject to a number of material factors which are beyond the Group's control, such as local, regional or global economic and political conditions, change in government regulations, audience behaviour and client preferences. If we are unable to manage our expansion and the costs associated therewith effectively, our financial condition and operation may be adversely affected and the Group cannot guarantee the materialisation of its business strategies and expansion plans.

***Material change in laws or regulations may affect the Group's operations and financial condition***

The principal business operations of the Group are based in Hong Kong and the Group has obtained all licences necessary for carrying on its businesses. Should there be any change in the regulatory requirements relating to the Group's businesses with which the Group is not able to comply in a timely manner or if compliance of those requirements would incur substantial costs, the business, operation and financial position of the Group may be adversely affected.

#### **Financial risks relating to the Group**

- (a) The Group has no significant transactional currency exposures except income from investment properties in the PRC, and these assets are also exposed to foreign currency translation risk. As at the Latest Practicable Date, the Group does not have a formal foreign currency hedging policy. However, the Group monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise;

- (b) the Group is exposed to the risk of changes in market interest rates which primarily relates to the Group's interest-bearing bank borrowings with floating interest rates. As the Group does not expect to significantly increase its level of interest-bearing borrowings, as at the Latest Practicable Date, it has not used any interest rate swaps to hedge its exposure to interest rate risk;
- (c) credit risk arises from trade and other receivables, deposits and other receivables and cash and cash equivalents of the Group. The Group monitors credit risk on an ongoing basis with reference to the financial position of the debtors, past experience and other factors; and
- (d) the Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### **ADJUSTMENTS IN RELATION TO THE OUTSTANDING SHARE OPTIONS**

As at the Latest Practicable Date, there are 9,400,000 Outstanding Share Options which are exercisable from 1 December 2022 to 3 September 2024. Pursuant to the terms and conditions of the Existing Share Option Scheme, 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 Existing Share Option Scheme, if any, upon the Rights Issue becoming unconditional. The Company will notify the holders of such share options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Existing Share Option Scheme and such adjustment will be certified by the independent financial adviser of the Company.

#### **WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

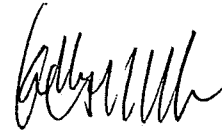
**Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the proposed Rights Issue may or may not proceed.**

**Shareholders and potential investors of the Company should exercise caution when dealing in the Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their own professional advisers.**

**FURTHER INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,  
For and on behalf of the Board  
**Finet Group Limited**

A handwritten signature in black ink, appearing to read 'Lo Yuk Yee', written in a cursive style.

**Lo Yuk Yee**  
*Chairman and Executive Director*