



NOIZ GROUP LIMITED

聲揚集團有限公司

(formerly known as “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)

Ms. Tsang Kwai Ping

Independent non-executive Directors:

Ms. Ng Ka Sim, Casina

Mr. Wong Wing Kit

Ms. Yeung Mo Sheung, Ann

Registered Office:

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Cayman Islands

Head Office and Principal Place of

Business in Hong Kong:

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111 Connaught Road Central

Central, Hong Kong

4 August 2023

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS IN RELATION TO

- (1) PROPOSED SHARE SUBSCRIPTION
UNDER SPECIFIC MANDATE A;**
- (2) PROPOSED ISSUE OF 2023 CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE B;**
- (3) PROPOSED EXTENSION OF THE MATURITY DATE OF
2022 CONVERTIBLE BONDS; AND**
- (4) NOTICE OF EGM**

INTRODUCTION

References are made to (i) the 2008 CB Transfer Announcement in relation to the transfer of the 2008 Convertible Bonds in the aggregate principal amount of HK\$14,068,000 by each of Mr. Jin Xiaobin and Mr. Shang Xiaodong to Team Sunny; and (ii) the Announcement, in which the Board announced that on 14 July 2023 (after the trading hours of the Stock Exchange), the Company and the Subscriber entered into (a) the

Share Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditional agreed to subscribe for 37,666,666 Subscription Shares at the Share Subscription Price of HK\$0.108 per Share; (b) the 2023 CB Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for the 2023 Convertible Bonds in the principal amount of HK\$10,000,000; and (c) the Amendment Deed to extend the maturity date of the 2022 Convertible Bonds from 12 August 2024 to the 2022 CB Extended Maturity Date (i.e. the date falling on the second (2nd) anniversary of the 2023 CB Issue Date) with all the terms and conditions of the 2022 Convertible Bonds unchanged.

The Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed are inter-conditional.

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider, and to advise the Independent Shareholders regarding the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and the transactions contemplated respectively thereunder, including but not limited to, the grant of the Specific Mandates for the allotment and issue of the Subscription Shares, the 2023 CB Conversion Shares and the 2022 CB Conversion Shares, and as to whether the Share Subscription, the 2023 CB Subscription and the 2022 CB Extension are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Alpha Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and the transactions contemplated respectively thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed and the transactions contemplated respectively thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed and the transactions contemplated respectively thereunder; and (iv) a notice convening the EGM.

I. THE SHARE SUBSCRIPTION

On 14 July 2023 (after the trading hours of the Stock Exchange), the Company and the Subscriber entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditional agreed to subscribe for 37,666,666 Subscription Shares at the Share Subscription Price of HK\$0.108 per Subscription Share. The Share Subscription amount payable by the Subscriber of HK\$4,068,000 under the Share Subscription Agreement shall be satisfied by way of setting off against the Share Offset Amount (i.e. HK\$4,068,000) under the 2008 Convertible Bonds.

Upon the Share Subscription Completion, the remaining outstanding principal amount of the 2008 Convertible Bonds is HK\$10,000,000, and such amount will be set off against of the 2023 CB Subscription Price as described under the section “II. PROPOSED ISSUE OF 2023 CONVERTIBLE BONDS UNDER SPECIFIC MANDATE B”.

The Share Subscription Agreement

The key terms of the Share Subscription Agreement are summarised as follows:

Date : 14 July 2023 (after the trading hours of the Stock Exchange)

Parties : (i) the Company, as the issuer; and

(ii) Team Sunny, as the Subscriber

As at the Latest Practicable Date, Team Sunny is a connected person of the Company for being a wholly owned company of Mr. Wong, who is the Chairman, the executive Director and the chief executive officer of the Company. Please refer to “INFORMATION ON TEAM SUNNY” below in this circular for further information.

Subscription Shares

Pursuant to the Share Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for 37,666,666 Subscription Shares at the Share Subscription Price of HK\$0.108 per Subscription Share. The Share Subscription amount payable by the Subscriber of HK\$4,068,000 under the Share Subscription Agreement shall be satisfied by way of setting off against the Share Offset Amount (i.e. HK\$4,068,000) under the 2008 Convertible Bonds.

As at the Latest Practicable Date, the Company has 566,728,946 Shares in issue. Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Share Subscription Completion, the 37,666,666 Subscription Shares, represent: (i) approximately 6.65% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 6.65% of the issued share capital of the Company as at the date of the Announcement; (iii) approximately 6.23% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; (iv) approximately 5.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the 2023 CB Conversion Shares upon the exercise of the conversion rights attaching to the 2023 Convertible Bonds in full; and (v) approximately 3.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the 2023 CB Conversion Shares and the 2022 CB Conversion Shares upon the exercise of the conversion rights attaching to the 2023 Convertible Bonds and the 2022 Convertible Bonds in full.

The aggregate nominal value of the Subscription Shares is HK\$3,766,666.60.

Share Subscription Price

The Share Subscription Price of HK\$0.108 represents:

- (i) a premium of approximately 2.86% over the closing price of HK\$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 21.35% over the closing price of HK\$0.089 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement; and
- (iii) a premium of approximately 20.00% over the average closing price of approximately HK\$0.090 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days of the Shares immediately prior to the date of the Share Subscription Agreement.

The Share Subscription Price was determined with reference to the prevailing market prices of the Shares and was negotiated on an arm's length basis between the Company and the Subscriber. Having primarily considered that (i) the Share Subscription Price of HK\$0.108 represents a premium of approximately 21.35% and 20.00% respectively over both the closing price per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement and the average closing price per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Share Subscription Agreement; and (ii) the daily closing price of the Shares for the one month immediately prior to the date of the Share Subscription Agreement as quoted on the Stock Exchange had a range of HK\$0.089 to HK\$0.164, the Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee contained in this circular) consider that the Share Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The net Share Subscription Price, after deduction of relevant expenses, is estimated to be approximately HK\$0.104 per Subscription Share.

Specific Mandate A

The Subscription Shares will be allotted and issued pursuant to Specific Mandate A to be sought for approval from the Independent Shareholders at the EGM.

Ranking of the Subscription Shares

The Subscription Shares shall rank *pari passu* in all respects among themselves and with the existing Shares in issue on the date of allotment and issue of the Subscription Shares.

Conditions precedent

The Share Subscription Completion is conditional upon:

- (i) the passing by the Independent Shareholders of relevant resolution(s) at the EGM of the Company in compliance with the requirements of the GEM Listing Rules approving:
 - (a) the Share Subscription Agreement and the transactions contemplated hereunder;
 - (b) the allotment and issue of the Subscription Shares; and
 - (c) the Specific Mandate A;
- (ii) the Amendment Deed having become unconditional (save for the condition of the Share Subscription Agreement becoming unconditional);
- (iii) the 2023 CB Subscription Agreement having become unconditional (save for the condition of the Share Subscription Agreement becoming unconditional);
- (iv) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Share Subscription Agreement and the transactions contemplated hereunder having been obtained;
- (v) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Share Subscription Agreement and the transactions contemplated hereunder having been obtained;
- (vi) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares;
- (vii) none of the warranties given by the Company hereunder having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (viii) none of the warranties given by the Subscriber hereunder having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

Save as disclosed in conditions (i) and (vi) above, the Board and the Subscriber are not aware of any other necessary consents and approvals which are required to be obtained by the Company or the Subscriber in relation to the Share Subscription Agreement.

The Company shall use its best endeavours to procure the fulfilment of the conditions precedent set out in conditions (i), (iv), (vi) and (vii) above as soon as practicable and in any event on or before the Long Stop Date (Share Subscription Agreement) (as defined below). The Subscriber shall use its best endeavours to procure

the fulfilment of the conditions precedent set out in conditions (v) and (viii) above as soon as practicable and in any event on or before the Long Stop Date (Share Subscription Agreement) (as defined below). The conditions precedent set out in conditions (i), (ii), (iii), (iv), (v) and (vi) are incapable of being waived. The Subscriber may at any time by notice in writing to the Company waive the condition set out in condition (vii) above. The Company may at any time by notice in writing to the Subscriber waive the condition set out in condition (viii) above.

The Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed are inter-conditional. In the event the above conditions are not fulfilled by 31 August 2023 (the “**Long Stop Date (Share Subscription Agreement)**”) or such other date as may be agreed between the parties to the Share Subscription Agreement, the Share Subscription Agreement shall cease and terminate and neither the Company nor the Subscriber shall have any obligations and liabilities under the Share Subscription Agreement.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled.

Completion

The Share Subscription Completion shall take place within three Business Days after the day on which the conditions set out above are fulfilled or, as the case may be, waived (or such later date as may be agreed between the Company and the Subscriber in writing). Upon the Share Subscription Completion, the Share Offset Amount will be set-off against the Share Subscription Price in full, and the obligation and liability of the Company to the Subscriber for the Share Offset Amount under the 2008 Convertible Bonds will be extinguished.

Application for listing

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

II. PROPOSED ISSUE OF 2023 CONVERTIBLE BONDS UNDER SPECIFIC MANDATE B

The 2023 CB Subscription Agreement

The Board is pleased to announce that on 14 July 2023 (after trading hours of the Stock Exchange), the Company entered into the 2023 CB Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for the 2023 Convertible Bonds in the principal amount of HK\$10,000,000 and the Subscriber will pay the 2023 CB Subscription Price by setting off against the CB Offset Amount (i.e. HK\$10,000,000) under the 2008 Convertible Bonds held by the Subscriber.

Set out below are the principal terms of the 2023 CB Subscription Agreement:

Date : 14 July 2023 (after trading hours of the Stock Exchange)

Parties : (i) the Company, as the issuer; and
(ii) Team Sunny, as the Subscriber

As at the Latest Practicable Date, Team Sunny is a connected person of the Company for being a wholly and ultimately owned subsidiary of Mr. Wong, who is the chairman, the executive Director and the chief executive officer of the Company. Please refer to “INFORMATION ON TEAM SUNNY” below in this circular for further information.

Subscription price : HK\$10,000,000

The 2023 CB Subscription Price shall be set off against the CB Offset Amount (i.e. HK\$10,000,000) under the 2008 Convertible Bonds held by the Subscriber.

Conditions precedent of the 2023 CB Subscription Agreement

The 2023 CB Subscription Completion is conditional upon:

- (i) the passing by the Independent Shareholders of relevant resolution(s) at the EGM in compliance with the requirements of the GEM Listing Rules approving:
 - (a) the 2023 CB Subscription Agreement and the transactions contemplated thereunder; and
 - (b) the issue of the 2023 Convertible Bonds and Specific Mandate B for the allotment and issue of the 2023 CB Conversion Shares to holder(s) of the 2023 Convertible Bonds in accordance with the terms and conditions of the 2023 Convertible Bonds;
- (ii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the 2023 CB Subscription Agreement and the transactions contemplated hereunder having been obtained;
- (iii) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the 2023 CB Subscription Agreement and the transactions contemplated hereunder having been obtained;

- (iv) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the 2023 CB Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the 2023 Convertible Bonds;
- (v) none of the warranties given by the Company under the 2023 CB Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (vi) none of the warranties given by the Subscriber under the 2023 CB Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (vii) the Amendment Deed having become unconditional (save for the conditions of the 2023 CB Subscription Agreement becoming unconditional); and
- (viii) the Share Subscription Agreement having become unconditional (save for the conditions of the 2023 CB Subscription Agreement becoming unconditional).

Save as disclosed in conditions (i) and (iv) above, the Board and the Subscriber are not aware of any other necessary consents and approvals which are required to be obtained by the Company or the Subscriber in relation to the 2023 CB Subscription Agreement.

The Company shall use its best endeavours to procure the fulfilment of the conditions precedent set out in conditions (i), (ii), (iv) and (v) above as soon as practicable and in any event on or before the Long Stop Date (2023 CB Subscription Agreement) (as defined below). The Subscriber shall use its best endeavours to procure the fulfilment of the conditions precedent set out in conditions (iii) and (vi) above as soon as practicable and in any event on or before the Long Stop Date (2023 CB Subscription Agreement) (as defined below). The conditions precedent set out in conditions (i), (ii), (iii), (iv), (vii) and (viii) are incapable of being waived. The Subscriber may at any time by notice in writing to the Company waive the condition set out in condition (v) above. The Company may at any time by notice in writing to the Subscriber waive the condition set out in condition (vi) above.

The Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed are inter-conditional. In the event that the conditions of the 2023 CB Subscription are not fulfilled on or before 31 August 2023 (the “**Long Stop Date (2023 CB Subscription Agreement)**”) or such other date as may be agreed between the parties to the 2023 CB Subscription Agreement, the 2023 CB Subscription Agreement shall cease and terminate and neither the Company nor the Subscriber shall have any obligations and liabilities under the 2023 CB Subscription Agreement.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled.

Completion

The 2023 CB Subscription Completion shall take place within three (3) Business Days after the day on which the conditions set out above are fulfilled or, as the case may be, waived (or such later date as may be agreed between the Company and the Subscriber in writing). Upon 2023 CB Subscription Completion, the outstanding principal amount of the 2008 Convertible Bonds held by the Subscriber will be set-off against the 2023 CB Subscription Price in full, and the obligation and liability of the Company to the Subscriber for the CB Offset Amount under the 2008 Convertible Bonds will be extinguished.

The 2008 Convertible Bonds will be fully set off upon the Share Subscription Completion and the 2023 CB Subscription Completion.

Principal terms of the 2023 Convertible Bonds

| | | |
|-------------------|---|--|
| Issuer | : | The Company |
| CB Subscriber | : | Team Sunny |
| Issue price | : | 100% of the principal amount |
| Principal amount | : | HK\$10,000,000 |
| Conversion price | : | The 2023 CB Conversion Price shall be HK\$0.108 per 2023 CB Conversion Share (subject to adjustments). |
| Adjustment events | : | The 2023 CB Conversion Price will be subject to adjustments upon the occurrence of the following events: |

(a) Consolidation or sub-division of the Shares

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the 2023 CB Conversion Price in force immediately prior thereto shall be adjusted by multiplying the 2023 CB Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

(b) Capitalisation of profits or reserves

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a capital distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the 2023 CB Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for such issue.

(c) Capital distribution

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such holders right(s) to acquire for cash assets of the Company or any of its subsidiaries, the 2023 CB Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

- A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and
- B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the independent auditors, of the portion of the capital distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the independent auditors is not required.

Provided that (aa) if in the opinion of an independent auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent auditors may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and (bb) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the capital distribution or grant.

(d) Issue of Shares for subscription by way of rights

If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price on the date of the announcement of the terms of the offer or grant, the 2023 CB Conversion Price shall be adjusted by multiplying the 2023 CB Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per Share; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.

Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the holder(s) of the 2023 Convertible Bonds (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of a recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if they had exercised the conversion rights under the 2023 Convertible Bonds registered in their holders of the 2023 Convertible Bonds out of the total principal amount of the 2023 Convertible Bonds outstanding at the time of the proposed redemption.

(e) (aa) Issue of convertible or exchangeable securities

If and whenever the Company shall issue wholly for cash any securities convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined in this paragraph (e) below) initially receivable for such securities is less than 80% of the market price on the date of the announcement of the terms of issue of such securities, the 2023 CB Conversion Price shall be adjusted by multiplying the 2023 CB Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A = the number of Shares in issue immediately before the date of the issue;
- B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and
- C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

(bb) Modification of rights of convertible or exchangeable securities

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of paragraph (e) are modified so that the total Effective Consideration per Share (as defined below) initially receivable for such securities shall be less than 80% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the 2023 CB Conversion Price shall be adjusted by multiplying the 2023 CB Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A = the number of Shares in issue immediately before the date of such modification;
- B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and
- C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of the 2023 CB Conversion Price provided that corresponding adjustment has already been made to the 2023 CB Conversion Price in respect of such an event.

For the purposes of this paragraph (e), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(f) Issue of Shares being made wholly for cash at a price less than 80% of the market price per Share

If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the market price on the date of the announcement of the terms of such issue, the 2023 CB Conversion Price shall be adjusted by multiplying the 2023 CB Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

(g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined in this paragraph (g) below) which is less than 80% of the market price at the date of the announcement of the terms of such issue, the 2023 CB Conversion Price shall be adjusted by multiplying the 2023 CB Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

For the purpose of this paragraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

| | | |
|-------------------|---|---|
| Interest rate: | : | Zero coupon |
| Conversion shares | : | Based on the principal amount of the 2023 Convertible Bonds of HK\$10,000,000, the 2023 Convertible Bonds is convertible into 92,592,592 2023 CB Conversion Shares at the initial 2023 CB Conversion Price of HK\$0.108 (subject to adjustments). |
| Conversion period | : | The period commencing from the issue date of the 2023 Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the 2023 CB Maturity Date (as defined below). |

Conversion rights and restrictions : The holder(s) of the 2023 Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the 2023 Convertible Bonds registered in its name into the 2023 CB Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 on each conversion save that if at any time the aggregate outstanding principal amount of the 2023 Convertible Bonds is less than HK\$500,000, the whole (but not part only) of the outstanding principal amount of the 2023 Convertible Bonds may be converted; and (ii) the exercise of the conversion right attached to the 2023 Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.

In the event the holder(s) of the 2023 Convertible Bonds convert the 2023 Convertible Bonds to the extent that immediately after such conversion the holder(s) of the 2023 Convertible Bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder(s) of the 2023 Convertible Bonds would be obliged to make a general offer under the Takeovers Code, the holder(s) of the 2023 Convertible Bonds together with parties acting in concert with it shall comply with the requirement of the Takeovers Code in accordance to the Takeovers Code.

Early redemption at the option of the Company : The Company shall be entitled at its sole discretion, by giving not less than seven (7) days' notice to the holder(s) of the 2023 Convertible Bonds, propose to the holder(s) to redeem the outstanding 2023 Convertible Bonds (in multiples of HK\$500,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding 2023 Convertible Bonds at any time after the date of issue of the 2023 Convertible Bonds up to and including the date falling seven (7) days immediately before the 2023 CB Maturity Date.

- Ranking : The 2023 CB Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.
- Maturity date : The date falling on the second (2nd) anniversary of the 2023 CB Issue Date (being the “**2023 CB Maturity Date**”).
- Voting rights : The holder(s) of the 2023 Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company.
- Transferability : Subject to compliance with the GEM Listing Rules, the 2023 Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$500,000 by the holder(s) of the 2023 Convertible Bonds to any party, save and except that the 2023 Convertible Bonds shall not be transferred to a connected person of the Company unless with the prior written consent of the Company.
- Listing : No application will be made by the Company for the listing of the 2023 Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the 2023 CB Conversion Shares.
- Security : The obligations of the Company under the 2023 Convertible Bonds are unsecured.

Based on the 2023 CB Conversion Price of HK\$0.108 per 2023 CB Conversion Share, a maximum number of 92,592,592 2023 CB Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the 2023 Convertible Bonds in full, which represent: (i) approximately 16.34% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 16.34% of the issued share capital of the Company as at the date of the Announcement; (iii) approximately 15.32% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; (iv) approximately 13.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the 2023 CB Conversion Shares upon the exercise of the conversion rights attaching to

the 2023 Convertible Bonds in full; and (v) approximately 7.81% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the 2023 CB Conversion Shares and the 2022 CB Conversion Shares upon the exercise of the conversion rights attaching to the 2023 Convertible Bonds and the 2022 Convertible Bonds in full.

The maximum aggregate nominal value of the 2023 CB Conversion Shares is HK\$9,259,259.20.

2023 CB Conversion Price

The 2023 CB Conversion Price of HK\$0.108 per 2023 CB Conversion Share represents:

- (i) a premium of approximately 2.86% over the closing price of HK\$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 21.35% over the closing price of HK\$0.089 per Share as quoted on the Stock Exchange on the date of the 2023 CB Subscription Agreement; and
- (iii) a premium of approximately 20.00% over the average closing prices of approximately HK\$0.090 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the 2023 CB Subscription Agreement.

The net 2023 CB Conversion Price, after deduction of relevant expenses, is approximately HK\$0.104 per 2023 CB Conversion Shares. The 2023 CB Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group. Having primarily considered that (i) the 2023 CB Conversion Price of HK\$0.108 represents a premium of approximately 21.35% and 20.00% respectively over both the closing price per Share as quoted on the Stock Exchange on the date of the 2023 CB Subscription Agreement and the average closing price per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the 2023 CB Subscription Agreement; (ii) the daily closing price of the Shares for the one month immediately prior to the date of the 2023 CB Subscription Agreement as quoted on the Stock Exchange had a range of HK\$0.089 to HK\$0.164; and (iii) the Group recorded net losses for the financial years ended 31 December 2021 and 2022, the Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee contained in this circular) consider that the 2023 CB Conversion Price, the terms and conditions of the 2023 CB Subscription Agreement and the 2023 Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Specific Mandate B

The 2023 CB Conversion Shares will be allotted and issued pursuant to Specific Mandate B to be sought from the Independent Shareholders at the EGM.

III. EXTENSION OF THE MATURITY DATE OF THE 2022 CONVERTIBLE BONDS

Background

References are made to the announcement of the Company dated 14 November 2022 and the circular of the Company dated 8 December 2022 in relation of the issue of the 2022 Convertible Bonds in the aggregate principal amount of HK\$91,000,000 to Team Sunny.

As at the Latest Practicable Date, the principal amount of the 2022 Convertible Bonds remain outstanding in full and will mature on 12 August 2024 pursuant to the existing terms and conditions of the 2022 Convertible Bonds.

Amendment Deed

On 14 July 2023 (after trading hours of the Stock Exchange), the Company and Team Sunny entered into the Amendment Deed to extend the maturity date of the 2022 Convertible Bonds from 12 August 2024 to the 2022 CB Extended Maturity Date (i.e. the date falling on the second (2nd) anniversary of the 2023 CB Issue Date) with all the terms and conditions of the 2022 Convertible Bonds unchanged.

As at the Latest Practicable Date, Team Sunny is the 2022 CB Holder and is a connected person of the Company for being a wholly and ultimately owned subsidiary of Mr. Wong, who is the Chairman, the executive Director and the chief executive officer of the Company. Please refer to “INFORMATION ON TEAM SUNNY” below in this circular for further information.

Conditions precedent of the Amendment Deed

The Amendment Deed will only become effective upon all the following conditions having been fulfilled:

- (i) the Stock Exchange having approved the 2022 CB Extension as contemplated by the Amendment Deed;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the 2022 CB Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the 2022 Convertible Bonds as amended and supplemented by the Amendment Deed;
- (iii) the passing by the Independent Shareholders of relevant resolution(s) at the EGM in compliance with the requirements of the GEM Listing Rules approving the Amendment Deed and the transactions contemplated hereunder and Specific Mandate C;

- (iv) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Amendment Deed and the transactions contemplated hereunder having been obtained;
- (v) all necessary consents and approvals required to be obtained on the part of the 2022 CB Holder in respect of the Amendment Deed and the transactions contemplated hereunder having been obtained;
- (vi) the 2023 CB Subscription Agreement having become unconditional (save for the condition of the Amendment Deed becoming unconditional); and
- (vii) the Share Subscription Agreement having become unconditional (save for the condition of the Amendment Deed becoming unconditional).

Save as disclosed in conditions (i), (ii) and (iii) above and the approval to be obtained from the Stock Exchange pursuant to Rule 34.05 under the GEM Listing Rules, the Board and the 2022 CB Holder are not aware of any other necessary consents and approvals which are required to be obtained by the Company or the 2022 CB Holder in relation to the Amendment Deed.

The Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed are inter-conditional. In the event that the conditions of the 2022 CB Extension are not fulfilled on or before 31 August 2023 or such other date as may be agreed between the parties to the Amendment Deed, the Amendment Deed shall cease and terminate and neither the Company nor the 2022 CB Holder shall have any obligations and liabilities under the Amendment Deed.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled.

Principal terms of the 2022 Convertible Bonds immediately after the 2022 CB Extension

All the terms of the 2022 Convertible Bonds shall remain unchanged and same as those of the 2022 Convertible Bonds and in full force save as revised by the 2022 CB Extension. The principal terms of the 2022 Convertible Bonds as disclosed in the announcements of the Company dated 14 November 2022 and the circular of the Company dated 8 December 2022 are summarised below (with only the initial maturity date of 2022 Convertible Bonds (i.e. 12 August 2024) revised to the 2022 CB Extended Maturity Date).

| | | |
|------------------|---|----------------|
| Issuer | : | The Company |
| 2022 CB Holder | : | Team Sunny |
| Principal amount | : | HK\$91,000,000 |

Conversion price : The initial 2022 CB Conversion Price is HK\$0.186 per 2022 CB Conversion Share (subject to adjustments).

The 2022 CB Conversion Price of HK\$0.186 per 2022 CB Conversion Share represents:

- (i) a premium of 108.99% over the closing price of HK\$0.089 per Share as quoted on the Stock Exchange on the date of the Amendment Deed; and
- (ii) a premium of approximately 106.67% over the benchmarked price under Rule 17.42B of the GEM Listing Rules.

The 2022 CB Conversion Price will be subject to adjustments upon the occurrence of the following events:

(a) Consolidation or sub-division of the Shares

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the 2022 CB Conversion Price in force immediately prior thereto shall be adjusted by multiplying the 2022 CB Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

(b) Capitalisation of profits or reserves

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a capital distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the 2022 CB Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for such issue.

(c) Capital distribution

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such holders right(s) to acquire for cash assets of the Company or any of its subsidiaries, the 2022 CB Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

- A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and
- B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the independent auditors, of the portion of the capital distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the independent auditors is not required.

Provided that (aa) if in the opinion of an independent auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent auditors may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and (bb) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the capital distribution or grant.

(d) Issue of Shares for subscription by way of rights

If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price on the date of the announcement of the terms of the offer or grant, the 2022 CB Conversion Price shall be adjusted by multiplying the 2022 CB Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per Share; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.

Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the holder(s) of the 2022 Convertible Bonds (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of a recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if they had exercised the conversion rights under the 2022 Convertible Bonds registered in their holders of the 2022 Convertible Bonds out of the total principal amount of the 2022 Convertible Bonds outstanding at the time of the proposed redemption.

(e) (aa) Issue of convertible or exchangeable securities

If and whenever the Company shall issue wholly for cash any securities convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined in this paragraph (e) below) initially receivable for such securities is less than 80% of the market price on the date of the announcement of the terms of issue of such securities, the 2022 CB Conversion Price shall be adjusted by multiplying the 2022 CB Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A = the number of Shares in issue immediately before the date of the issue;
- B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and
- C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

(bb) Modification of rights of convertible or exchangeable securities

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of paragraph (e) are modified so that the total Effective Consideration per Share (as defined below) initially receivable for such securities shall be less than 80% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the 2022 CB Conversion Price shall be adjusted by multiplying the 2022 CB Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A = the number of Shares in issue immediately before the date of such modification;
- B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and
- C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of the 2022 CB Conversion Price provided that corresponding adjustment has already been made to the 2022 CB Conversion Price in respect of such an event.

For the purposes of this paragraph (e), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(f) Issue of Shares being made wholly for cash at a price less than 80% of the market price per Share

If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the market price on the date of the announcement of the terms of such issue, the 2022 CB Conversion Price shall be adjusted by multiplying the 2022 CB Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

(g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined in this paragraph (g) below) which is less than 80% of the market price at the date of the announcement of the terms of such issue, the 2022 CB Conversion Price shall be adjusted by multiplying the 2022 CB Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

For the purpose of this paragraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

| | | |
|-------------------|---|--|
| Interest rate | : | Zero coupon |
| Conversion Shares | : | Based on the principal amount of the 2022 Convertible Bonds of HK\$91,000,000, the 2022 Convertible Bonds is convertible into 489,247,311 2022 CB Conversion Shares at the initial 2022 CB Conversion Price of HK\$0.186 (subject to adjustments). |
| Conversion period | : | The period commencing from the issue date of the 2022 Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the 2022 CB Extended Maturity Date. |

- Early redemption at the option of the Company : The Company shall be entitled at its sole discretion, by giving not less than seven (7) days' notice to the holder(s) of the 2022 Convertible Bonds, propose to the holder(s) to redeem the outstanding 2022 Convertible Bonds (in multiples of HK\$500,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding 2022 Convertible Bonds at any time after the date of issue of the 2022 Convertible Bonds up to and including the date falling seven (7) days immediately before the maturity date of the 2022 Convertible Bonds.
- Maturity date : The date falling on the second (2nd) anniversary of the 2023 CB Issue Date.
- Voting rights : The holder(s) of the 2022 Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company.
- Transferability : Subject to compliance with the GEM Listing Rules, the 2022 Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$500,000 by the holder(s) of the 2022 Convertible Bonds to any party, save and except that the 2022 Convertible Bonds shall not be transferred to a connected person of the Company unless with the prior written consent of the Company.
- Listing : No application will be made by the Company for the listing of the 2022 Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 2022 CB Conversion Shares.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon allotment and issue of the Subscription Shares; (iii) immediately upon allotment and issue of the Subscription Shares and full conversion of the 2023 Convertible Bonds at the initial 2023 CB Conversion Price (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the 2023 Convertible Bonds); and (iv) immediately upon allotment and issue of the Subscription Shares and full conversion of both 2023 Convertible Bonds at the initial 2023 CB Conversion Price and the 2022 Convertible Bonds at the initial 2022 CB Conversion Price (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the 2023 Convertible Bonds and the 2022 Convertible Bonds) are as follows:

| | (i) as at the Latest Practicable Date | | (ii) immediately upon allotment and issue of the Subscription Shares | | (iii) immediately upon allotment and issue of the Subscription Shares and full conversion of the 2023 Convertible Bonds at the initial 2023 CB Conversion Price | | (iv) immediately upon allotment and issue of the Subscription Shares and full conversion of the 2023 Convertible Bonds at the initial 2023 CB Conversion Price and the 2022 Convertible Bonds at the initial 2022 CB Conversion Price | |
|---|---------------------------------------|----------------------|--|----------------------|---|----------------------|---|----------------------|
| | No. of Shares | Approx % | No. of Shares | Approx % | No. of Shares | Approx % | No. of Shares | Approx % |
| The Subscriber ^(Note 1) | 136,755,500 | 24.13 | 174,422,166 | 28.86 | 267,014,758 | 38.31 | 756,262,069 | 63.75 |
| Ms. Tsang Kwai Ping ^(Note 2) | 900,000 | 0.16 | 900,000 | 0.15 | 900,000 | 0.13 | 900,000 | 0.08 |
| Mr. Ann, Yu Chiu Andy ^(Note 3) | 19,999,999 | 3.53 | 19,999,999 | 3.31 | 19,999,999 | 2.87 | 19,999,999 | 1.68 |
| Other public Shareholders | <u>409,073,447</u> | <u>72.18</u> | <u>409,073,447</u> | <u>67.68</u> | <u>409,073,447</u> | <u>58.69</u> | <u>409,073,447</u> | <u>34.49</u> |
| Total | <u>566,728,946</u> | <u>100.00</u> | <u>604,395,612</u> | <u>100.00</u> | <u>696,988,204</u> | <u>100.00</u> | <u>1,186,235,515</u> | <u>100.00</u> |

Notes:

- As at the Latest Practicable Date, the Subscriber, being Team Sunny is owned as to 100% by Mr. Wong, the Chairman, an executive Director and the chief executive officer of the Company, who is deemed to be interested in 136,755,500 Shares held by Team Sunny pursuant to Part XV of the SFO.
- Ms. Tsang Kwai Ping is an executive Director and personally interested in 900,000 Shares as at the Latest Practicable Date.
- Mr. Ann, Yu Chiu Andy is the director of NOIZChain Limited (a wholly-owned subsidiary of the Company) and personally interested in 19,999,999 Shares as at the Latest Practicable Date.
- The shareholding structure is prepared for illustrative purposes only. There is no right for Team Sunny to convert any principal amount of the 2023 Convertible Bonds and/or the 2022 Convertible Bonds held by Team Sunny, and the Company shall not issue any 2023 CB Conversion Shares and/or 2022 CB Conversion Shares thereof if, upon such conversion and issue of the 2023 CB Conversion Shares and/or 2022 CB Conversion Shares, the Company will be in breach of the minimum public float requirement as stipulated under the Rule 11.23 of the GEM Listing Rules.

FUND RAISING DURING THE PAST TWELVE MONTHS

| Date of announcement/ circular | Fund raising activities | Net proceeds | Proposed use of the net proceeds | Actual use of the net proceeds as of 31 December 2022 |
|--------------------------------------|--|--|---|---|
| 14 November 2022 and 8 December 2022 | Issue of the zero-coupon convertible bonds due on 12 August 2024 in the principal amount of HK\$91 million | No net proceeds were received by the Company | The proceeds were used to set off the outstanding principal amounts of the then existing convertible bonds of the Company | Fully applied in accordance with the proposed use of proceeds |

Save as disclosed above, the Company has not conducted any equity fund raising activity in the past twelve months before the Latest Practicable Date.

INFORMATION ON THE GROUP

The Company is an investment holding company. As at the Latest Practicable Date, the Group is principally engaged in (i) financial services business including securities brokerage services, provision of corporate finance advisory services, asset management business and money lending services; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; and (iii) digital platform business that leverages blockchain, artificial intelligence, and immersive interaction technologies to create value and protection to individuals, creators, artists, businesses and brand owners.

INFORMATION ON TEAM SUNNY

Team Sunny, being the Subscriber and the 2022 CB Holder, which is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, and holds 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company as at the Latest Practicable Date, is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, Team Sunny is the holder of the 2008 Convertible Bonds and the 2022 Convertible Bonds. Team Sunny is principally engaged in investment holdings.

REASONS AND BENEFITS FOR THE SHARE SUBSCRIPTION, THE 2023 CB SUBSCRIPTION AND THE 2022 CB EXTENSION

The 2008 Convertible Bonds with an aggregate amount of HK\$14,068,000 will mature in August 2023. Following the Group's commencement of the digital platform business in second half of 2022 and entertainment business in early 2023, the Group has been rebranding and transforming into the business area harnessing blockchain, artificial

intelligence, and immersive interaction technologies to create value and protection to individuals, creators, artists and brand owners. The Directors consider that the Group should maintain sufficient funds for this development in the coming future. Furthermore, it is impracticable to secure third party financing with favorable terms to the Company to settle the 2008 Convertible Bonds before maturity given that the representatives from the commercial banks that the Group had connections with did not respond to the Company's verbal enquiry in respect of the possibility for any debt financing proposal for the Company. The Directors also considered other equity financing alternatives (such as rights issue or open offer), however, given rights issue or open offer involve substantial time and cost to complete as compared to the Share Subscription and 2023 CB Subscription, the Directors consider that the Share Subscription and 2023 CB Subscription would be a more attractive option for the Company. The Company, therefore, has decided to negotiate with the Subscriber on the proposed settlement plan of the 2008 Convertible Bonds which do not bear any interest burden to the Group as compared to obtaining financing from third party.

In light of the current market circumstances, it was understood that the Subscriber has no intention to exercise the conversion rights attached to the 2008 Convertible Bonds the Subscriber held, taking into account of that the prevailing conversion price of the 2008 Convertible Bonds of HK\$0.9 per Share is significantly higher than the current market price per Share. As a result of the negotiations, the Company and the Subscriber agreed to settle the Share Offset Amount by Share Subscription and the CB Offset Amount by 2023 CB Subscription. The Company considers that the entering into of the Share Subscription Agreement and the 2023 CB Subscription Agreement would be an effective way to immediately reduce the indebtedness of the Group by HK\$4,068,000, settle the outstanding amount of the 2008 Convertible Bonds and lowering of the conversion price would provide incentive for the Subscriber to convert the 2023 Convertible Bonds into Shares.

No net proceeds will be received by the Company from the Share Subscription and 2023 CB Subscription. The outstanding principal amount of the 2008 Convertible Bonds of HK\$14,068,000 held by the Subscriber will be fully set off through the issuance of the Subscription Shares and 2023 Convertible Bonds at Completion. Accordingly, no immediate cash outflow will be incurred in the settlement of the principal amount of the 2008 Convertible Bonds held by the Subscriber. As such, it provides more flexibility to the Company in its future cash management in business development.

As to the 2022 CB Extension, the 2022 Convertible Bonds with an outstanding principal amount of HK\$91,000,000 are scheduled to mature in August 2024. Having considered the future capital requirements for the business investments and development of the Group, the Company believes the 2022 CB Extension will enable the Group to postpone a substantial cash outflow, which would otherwise strain its financial resources. In addition, the 2022 CB Extension will provide the Group with more time to improve its business and financial performance, allowing the Group to capture the business opportunities.

Hence, the Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee contained in this circular) consider that the terms and conditions of the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed are fair and reasonable

based on the current market conditions and business development of the Company, and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The Subscriber, which is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, and holds 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company as at the Latest Practicable Date, is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, each of the Share Subscription, the 2023 CB Subscription and the 2022 CB Extension constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. In addition, the Subscription Shares, the 2023 CB Conversion Shares and the 2022 CB Conversion Shares will be issued under the Specific Mandates which are subject to Independent Shareholders' approval at the EGM.

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. An application for the said approval will be made by the Company to the Stock Exchange.

Mr. Wong has abstained from voting on the resolutions in relation to the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed proposed to the Board. Save as disclosed above, none of the Directors whom attended the Board meeting has a material interest in the Share Subscription, the 2023 CB Subscription and the 2022 CB Extension.

EGM

The EGM will be held at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong on Friday, 25 August 2023 at 11:00 a.m. for the Independent Shareholders to consider and if thought fit, to approve the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and the transactions contemplated respectively thereunder, including but not limited to, the grant of the Specific Mandates for the allotment and issue of the Subscription Shares, the 2023 CB Conversion Shares and the 2022 CB Conversion Shares by way of poll.

The notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not

less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider, and to advise the Independent Shareholders regarding the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and the transactions contemplated respectively thereunder, including but not limited to, the grant of the Specific Mandates for the allotment and issue of the Subscription Shares, the 2023 CB Conversion Shares and the 2022 CB Conversion Shares, and as to whether the Share Subscription, the 2023 CB Subscription and the 2022 CB Extension are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Alpha Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Subscriber, which is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, and holds and is entitled to exercise control over the voting right in respect of 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company as at the Latest Practicable Date, being interested in the transactions contemplated under the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed, shall abstain from voting for the resolution to approve the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and shall be required to abstain from voting at the EGM in respect of the resolutions to approve the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and the transactions contemplated thereunder. As at the Latest Practicable Date, the Subscriber and its associate are interested in 136,755,000 Shares, representing approximately 24.13% of the issued share capital of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 22 August 2023 to Friday, 25 August 2023 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for the right to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Monday, 21 August 2023 for registration of transfer.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 47 to 49 of this circular which contains its recommendation to the Independent Shareholders in relation to the Share Subscription Agreement, the 2023 CB Subscription

Agreement, the Amendment Deed and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 49 to 111 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that the terms of the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and the transactions contemplated respectively thereunder, including but not limited to, the grant of the Specific Mandates for the allotment and issue of the Subscription Shares, the 2023 CB Conversion Shares and the 2022 CB Conversion Shares, are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolutions in relation to the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I to this circular.

Yours faithfully,
By order of the Board
NOIZ Group Limited



Wong Hin Shek
Chairman and Chief Executive Officer