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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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**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)**

### **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**

**Financial Adviser to the Company**



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



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Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 6 to 46 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 47 to 48 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 49 to 111 of this circular.

A notice convening the EGM of NOIZ Group Limited to 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. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for the EGM is enclosed with this circular.

Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to 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, as soon as practicable and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. not later than 11:00 a.m. on Wednesday, 23 August 2023) or any adjournment thereof (as the case may be). Such form of proxy for the EGM is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company ([www.noiz-group.com](http://www.noiz-group.com)). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment or postponement thereof (as the case may be) should you so wish.

This circular will remain on the Stock Exchange's website at <http://www.hkexnews.hk> on the “Latest Listed Company Information” page for at least seven days from the day of its publication and will be published and remains on the website of the Company at [www.noiz-group.com](http://www.noiz-group.com).

4 August 2023

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## CHARACTERISTICS OF GEM

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

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

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## DEFINITIONS

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

“2008 CB Transfer Announcement”	the announcement of the Company dated 7 July 2023 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
“2008 Convertible Bonds”	the zero coupon convertible bonds due on 12 August 2023 issued by the Company on 12 August 2008 with an outstanding principal amount of HK\$14,068,000 as at the Latest Practicable Date
“2022 CB Conversion Price”	the conversion price of HK\$0.186 per 2022 CB Conversion Share (subject to adjustments)
“2022 CB Conversion Share(s)”	the Shares to be issued and allotted upon conversion of the 2022 Convertible Bonds as set out in the principal terms of the 2022 Convertible Bonds (as amended and supplemented by the Amendment Deed) (subject to adjustments)
“2022 CB Extended Maturity Date”	the date falling on the second (2nd) anniversary of the 2023 CB Issue Date
“2022 CB Extension”	the proposed extension of the maturity date of the 2022 Convertible Bonds from 12 August 2024 to the 2022 CB Extended Maturity Date
“2022 CB Holder”	the holder of the 2022 Convertible Bonds
“2022 Convertible Bonds”	the zero coupon convertible bonds due on 12 August 2024 issued by the Company to Team Sunny on 28 December 2022 with an outstanding principal amount of HK\$91,000,000 as at the Latest Practicable Date
“2023 CB Conversion Price”	the conversion price of HK\$0.108 per 2023 CB Conversion Share (subject to adjustments)
“2023 CB Conversion Share(s)”	the Shares to be issued and allotted upon conversion of the 2023 Convertible Bonds as set out in the principal terms of the 2023 Convertible Bonds (subject to adjustments)
“2023 CB Issue Date”	the issue date of the 2023 Convertible Bonds
“2023 CB Subscription”	the subscription of the 2023 Convertible Bonds by the Subscriber contemplated under the 2023 CB Subscription Agreement

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## DEFINITIONS

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“2023 CB Subscription Agreement”	the conditional subscription agreement dated 14 July 2023 and entered into between the Company as issuer and the Subscriber in relation to the subscription of the 2023 Convertible Bonds
“2023 CB Subscription Completion”	the completion of the 2023 CB Subscription
“2023 Convertible Bonds”	the zero coupon convertible bonds due on the date falling on the second (2nd) anniversary of the 2023 CB Issue Date in the principal amount of HK\$10,000,000 to be issued by the Company to the Subscriber in accordance with the terms of the 2023 CB Subscription Agreement
“Amendment Deed”	the conditional deed of amendment entered into by the Company and the 2022 CB Holder on 14 July 2023 in respect of the 2022 CB Extension
“Announcement”	the announcement of the Company dated 14 July 2023 in relation to, among other things, the Share Subscription, the 2023 CB Subscription and the Amendment Deed
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	board of Directors from time to time
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which “extreme conditions” announced by the Government of Hong Kong or a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CB Offset Amount”	part of the outstanding principal amount of the 2008 Convertible Bonds, being HK\$10,000,000
“Company”	NOIZ Group Limited, formerly known as “Merdeka Financial Group Limited”, being a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8163)
“Completion”	completion of the Share Subscription, the 2023 CB Subscription and the 2022 CB Extension
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company from time to time

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve, among others, the Share Subscription Agreement, the 2023 CB Subscription Agreement and 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
“GEM”	GEM of the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries (from time to time)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the 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
“Independent Financial Adviser” or “Alpha Financial”	Alpha Financial Group Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and the transactions contemplated respectively thereunder

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## DEFINITIONS

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“Independent Shareholders”	the Shareholders not required under the GEM Listing Rules to abstain from voting on the resolution(s) approving the Share Subscription Agreement, the 2023 CB Subscription Agreement and 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
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the GEM Listing Rules) with the Company and connected person(s) of the Company
“Latest Practicable Date”	2 August 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Mr. Wong”	Mr. Wong Hin Shek
“Outstanding Share Options”	as at the Latest Practicable Date, 6,960,644 outstanding share options granted under the Share Option Scheme
“PRC”	the People’s Republic of China which, and for the sole purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offset Amount”	part of the outstanding principal amount of the 2008 Convertible Bonds, being HK\$4,068,000
“Share Option Scheme”	the share option scheme adopted by the Company on 30 December 2020
“Share Subscription”	the capitalisation of the Share Offset Amount by issuing and allotting to the Subscriber the Subscription Shares subject to the terms and conditions of the Share Subscription Agreement
“Share Subscription Agreement”	the conditional subscription agreement entered into between the Company as issuer and the Subscriber in relation to the Share Subscription
“Share Subscription Completion”	completion of the Share Subscription
“Share Subscription Price”	HK\$0.108 per Subscription Share

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## DEFINITIONS

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“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Specific Mandate A”	specific mandate to be granted by the Independent Shareholders at the EGM to allot and issue the Subscription Shares
“Specific Mandate B”	specific mandate to be granted by the Independent Shareholders at the EGM to allot and issue the 2023 CB Conversion Shares
“Specific Mandate C”	specific mandate to be granted by the Independent Shareholders at the EGM to allot and issue the 2022 CB Conversion Shares
“Specific Mandates”	collectively, Specific Mandate A, Specific Mandate B and Specific Mandate C
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Team Sunny, being (i) the subscriber of the Subscription Shares and the 2023 Convertible Bonds; and (ii) the 2022 CB Holder
“Subscription Share(s)”	37,666,666 new Shares to be subscribed by the Subscriber under Specific Mandate A pursuant to the terms and conditions under the Share Subscription Agreement
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Team Sunny”	Team Sunny International Holdings Limited, a company incorporated in the British Virgin Islands, which is the legal and beneficial owner of 136,755,500 Shares as at the Latest Practicable Date, and is wholly owned by Mr. Wong
“%”	per cent





**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:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

Room 1108, 11/F,

Wing On Centre

111 Connaught Road Central

Central, Hong Kong

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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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### 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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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;

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## LETTER FROM THE BOARD

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- (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.



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## LETTER FROM THE BOARD

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### 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:

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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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*(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.

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## LETTER FROM THE BOARD

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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:

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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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*(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.

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## LETTER FROM THE BOARD

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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:

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

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## LETTER FROM THE BOARD

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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.



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## LETTER FROM THE BOARD

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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:

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

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## LETTER FROM THE BOARD

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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:

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

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## LETTER FROM THE BOARD

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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).

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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- 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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### **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;

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## LETTER FROM THE BOARD

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- (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



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## LETTER FROM THE BOARD

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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.

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**LETTER FROM THE BOARD**

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*(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:

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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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*(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.

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## LETTER FROM THE BOARD

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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:

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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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*(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.

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## LETTER FROM THE BOARD

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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.



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**LETTER FROM THE BOARD**

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***(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:***

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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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- 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.

## LETTER FROM THE BOARD

### 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 <sup>(Note 1)</sup>	136,755,500	24.13	174,422,166	28.86	267,014,758	38.31	756,262,069	63.75
Ms. Tsang Kwai Ping <sup>(Note 2)</sup>	900,000	0.16	900,000	0.15	900,000	0.13	900,000	0.08
Mr. Ann, Yu Chiu Andy <sup>(Note 3)</sup>	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>
<b>Total</b>	<b><u>566,728,946</u></b>	<b><u>100.00</u></b>	<b><u>604,395,612</u></b>	<b><u>100.00</u></b>	<b><u>696,988,204</u></b>	<b><u>100.00</u></b>	<b><u>1,186,235,515</u></b>	<b><u>100.00</u></b>

*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.

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## LETTER FROM THE BOARD

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### 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

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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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



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## LETTER FROM THE BOARD

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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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



**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)**

4 August 2023

*To the Independent 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; AND  
(3) PROPOSED EXTENSION OF THE MATURITY DATE OF  
2022 CONVERTIBLE BONDS**

We refer to the circular of the Company dated 4 August 2023 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether 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, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders how to vote at the EGM.

Alpha Financial has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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contained in its letter set out on pages 49 to 111 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the principal factors and reasons considered by, and the advice of Alpha Financial, we considered that although the entering into of the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed are not in the ordinary and usual course of business of the Group, 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 fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed and the transactions contemplated respectively thereunder.

Yours faithfully,

For and on behalf of

the Independent Board Committee

**Ms. Yeung Mo Sheung, Ann**

**Ms. Ng Ka Sim, Casina**

**Mr. Wong Wing Kit**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Alpha Financial Group Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**Alpha Financial Group Limited**  
Room A, 17/F  
Fortune House  
61 Connaught Road Central  
Central, Hong Kong

4 August 2023

*To the Independent Board Committee and the Independent Shareholders of  
NOIZ Group Limited*

Dear Sirs or Madams,

### **CONNECTED TRANSACTIONS IN RELATION TO**

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

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the proposed Share Subscription under Specific Mandate A; (ii) the proposed issue of 2023 Convertible Bonds under Specific Mandate B; and (iii) the proposed extension of the maturity date of 2022 Convertible Bonds, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 4 August 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **Connected transaction in relation to the proposed Share Subscription under Specific Mandate A**

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 published by the Company on 14 July 2023 in relation to the proposed Share Subscription under Specific Mandate A. 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 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 held by the Subscriber.

### **Connected transaction in relation to the proposed issue of 2023 Convertible Bonds under Specific Mandate B**

References are also made to (i) the 2008 CB Transfer Announcement in relation to the transfer of the 2008 Convertible Bonds in an 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 published by the Company on 14 July 2023 in relation to the proposed issue of 2023 Convertible Bonds under Specific Mandate B. 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.

### **Connected transaction in relation to the proposed extension of the maturity date of 2022 Convertible Bonds**

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 to the issue of the 2022 Convertible Bonds in the aggregate principal amount of HK\$91,000,000 to Team Sunny and the announcement published by the Company on 14 July 2023 in relation to the proposed extension of the maturity date of 2022 Convertible Bonds. As at the Latest Practicable Date, the principal amount of the 2022 Convertible Bonds remains outstanding in full and will mature on 12 August 2024 pursuant to the existing terms and conditions of the 2022 Convertible Bonds. 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.

## **GEM LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, 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, 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 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.

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.

Team Sunny, Mr. Wong and their respective associates shall abstain from voting on the ordinary resolutions in relation to the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed and the transactions contemplated respectively thereunder to be proposed at the EGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM.

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 attended the Board meeting has a material interest in the Share Subscription, the 2023 CB Subscription and the 2022 CB Extension.

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.

## **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising Ms. Yeung Mo Sheung, Ann, Ms. Ng Ka Sim, Casina, and Mr. Wong Wing Kit, all being independent non-executive Directors, has been established 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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, and to advise the Independent Shareholders as to voting. We, Alpha Financial Group Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

### OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, we have not acted in any capacity in relation to any transactions of the Company. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Group and its associates that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence as defined under Rule 17.96 of the GEM Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information.

We have assumed that all the information provided, and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon and continue to be so up to the date of the EGM. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and continue to be so up to the date of the EGM and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM. Independent Shareholders will be informed of any material change of information and the representations made or referred to in the Circular as soon as possible up to the date of the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. In formulating our recommendation in relation to (i) the proposed Share Subscription under Specific Mandate A; (ii) the proposed issue of 2023 Convertible Bonds under Specific Mandate B; and (iii) the proposed extension of the maturity date of 2022 Convertible Bonds and pursuant to Rule 17.92 of the GEM Listing Rules, we have obtained and reviewed the relevant information in relation to (i) the proposed Share Subscription under Specific Mandate A; (ii) the proposed issue of 2023 Convertible Bonds under Specific Mandate B; and (iii) the proposed extension of the maturity date of 2022 Convertible Bonds, among others, the annual reports of the Company for the years ended 31 December 2022 (the “**Annual Report 2022**”) and 2021 (the “**Annual Report 2021**”), the first quarterly report for the three months ended 31 March 2023 (the “**First Quarterly Report 2023**”) and 2022 (the “**First Quarterly Report 2022**”), the Share Subscription Agreement, the 2023 CB Subscription Agreement, the Amendment Deed, the recent announcements of the Company and the information set out in the Circular.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made, or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of (i) the proposed Share Subscription under Specific Mandate A; (ii) the proposed issue of 2023 Convertible Bonds under Specific Mandate B; and (iii) the proposed extension of the maturity date of 2022 Convertible Bonds and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**1 BACKGROUND AND FINANCIAL INFORMATION OF THE GROUP**

**(i) Information on the Group**

The Company is an investment holding company. 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.

**(ii) Financial Information of the Group**

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 December 2022 and 2021 (“FY2022” and “FY2021”, respectively) as extracted from the Annual Report 2022 and the Annual Report 2021, and the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2023 and 2022 (“3M2023” and “3M2022”, respectively) as extracted from the First Quarterly Report 2023 and the First Quarterly Report 2022:

	<b>3M2023</b> <i>HK\$'000</i> (unaudited)	<b>3M2022</b> <i>HK\$'000</i> (unaudited)	<b>FY2022</b> <i>HK\$'000</i> (audited)	<b>FY2021</b> <i>HK\$'000</i> (audited)
Revenue from continuing operations	2,670	3,787	18,151	21,195
Loss from continuing operations	(6,304)	(7,207)	(30,100)	(24,150)
Loss for the period/year attributable to owners of the Company	(6,304)	(7,429)	(27,820)	(31,123)
	<b>As at 31 March 2023</b> <i>HK\$'000</i> (unaudited)	<b>As at 31 December 2022</b> <i>HK\$'000</i> (audited)	<b>As at 31 December 2021</b> <i>HK\$'000</i> (audited)	
Non-current assets	34,461	36,343	26,504	
Current assets	35,723	42,754	62,386	
Total assets	70,184	79,097	88,890	
Non-current liabilities	77,238	75,601	92,942	
Current liabilities	28,185	32,431	23,443	
Total liabilities	105,423	108,032	116,385	
Net current assets	7,538	10,323	38,943	
Deficit in equity attributable to owners of the Company	(35,239)	(28,935)	(27,495)	

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *FY2022 vs FY2021*

The Group recorded revenue from continuing operations for FY2022 of approximately HK\$18.2 million (FY2021: approximately HK\$21.2 million). Loss attributable to owners of the Company for FY2022 was approximately HK\$27.8 million (FY2021: approximately HK\$31.1 million). The decrease in net loss was mainly attributable to the net off effect of (i) the absence of loss on deconsolidation of subsidiaries of approximately HK\$4.1 million; and (ii) the increase in imputed interest on convertible bonds of HK\$1.6 million.

The Group's revenue from the financial services business for FY2022 was approximately HK\$11.9 million (FY2021: approximately HK\$15.4 million) and a segment profit of approximately HK\$2.3 million (FY2021: approximately HK\$8.5 million). The decrease in segment profit was mainly due to reduction in the involvement in share placement activities caused by adverse market condition in FY2022.

The Group's revenue from the corporate financial advisory services and asset management services for FY2022 were approximately HK\$5.2 million and HK\$5.4 million respectively (FY2021: HK\$8.1 million and HK\$4.9 million respectively), represented approximately 28.6% and 29.7% of the total revenue of the Group respectively. Both businesses of corporate financial advisory services and asset management services continuously enhanced the income stream of the Group.

The performance of corporate consulting business remained stable that it recorded a revenue of approximately HK\$4.7 million for FY2022 (FY2021: approximately HK\$5.8 million) and recorded a segment profit of approximately HK\$1.9 million for FY2022 (FY2021: approximately HK\$0.2 million).

For FY2022, the Group has been involved in digital platform business upon completion of the acquisition of NOIZChain Limited on 4 July 2022. The Group recorded the revenue and segment loss from digital platform business for FY2022 of approximately HK\$1.6 million and HK\$2.5 million respectively (FY2021: nil and nil respectively).

As at 31 December 2022, the Group recorded cash and bank balances (including trust accounts) amounting to approximately HK\$34.8 million (31 December 2021: approximately HK\$47.7 million) and the net current assets value was approximately HK\$10.3 million (31 December 2021: approximately HK\$38.9 million).

The Group's gearing ratio as at 31 December 2022 was approximately 1.08 (31 December 2021: approximately 0.96), being a ratio of total interest-bearing debts, including convertible bonds of approximately HK\$85.1 million (31 December 2021: approximately HK\$85.6 million) to the total assets of approximately HK\$79.1 million (31 December 2021: approximately HK\$88.9 million).

***3M2023 vs 3M2022***

The Group recorded revenue from continuing operations for 3M2023 of approximately HK\$2.7 million (3M2022: approximately HK\$3.8 million). Loss attributable to owners of the Company for 3M2023 was approximately HK\$6.3 million (3M2022: approximately HK\$7.4 million).

The Group's revenue from the financial services business for 3M2023 was approximately HK\$1.5 million (3M2022: approximately HK\$2.5 million) and a segment profit of approximately HK\$1.4 million (3M2022: approximately HK\$0.7 million).

The Group's revenue from the corporate financial advisory services for 3M2023 was approximately HK\$1.2 million (3M2022: HK\$0.5 million). Businesses of corporate financial advisory services continuously enhanced the income stream of the Group.

The performance of corporate consulting business remained stable that it recorded a revenue of approximately HK\$1.1 million for 3M2023 (3M2022: approximately HK\$1.3 million) and recorded a segment profit of approximately HK\$0.7 million for 3M2023 (3M2022: segment loss of approximately HK\$0.1 million).

The Group has been involved in digital platform business since the completion of the acquisition of NOIZChain Limited on 4 July 2022. The Group recorded the revenue and segment loss from digital platform business for 3M2023 of approximately HK\$0.1 million and HK\$1.3 million respectively (3M2022: nil and nil respectively).

As at 31 March 2023, the Group recorded cash and bank balances (including trust accounts) amounting to approximately HK\$24.0 million (31 December 2022: approximately HK\$34.8 million) and the net current assets value was approximately HK\$7.5 million (31 December 2022: approximately HK\$10.3 million).

The Group's gearing ratio as at 31 March 2023 was approximately 1.26 (31 December 2022: approximately 1.08), being a ratio of total interest-bearing debts, including convertible bonds of approximately HK\$88.2 million (31 December 2022: approximately HK\$85.1 million) to the total assets of approximately HK\$70.2 million (31 December 2022: approximately HK\$79.1 million).

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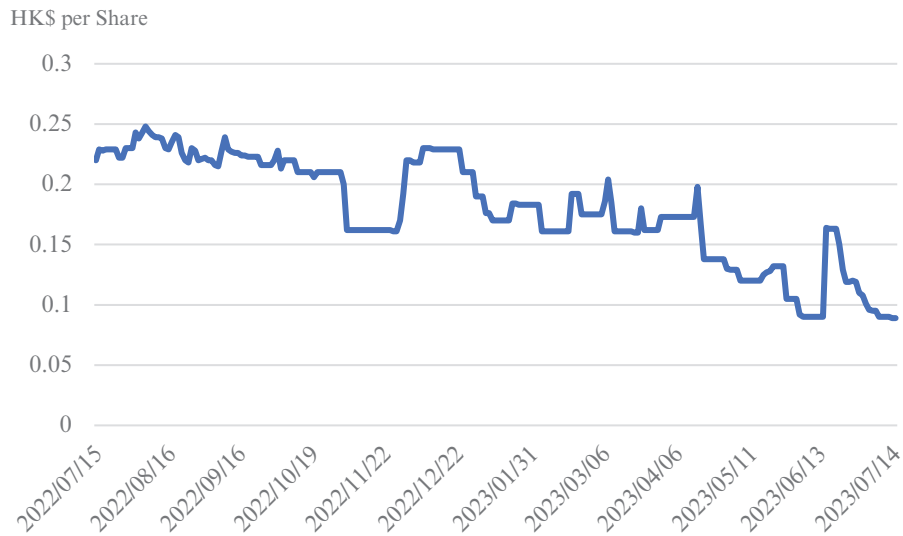
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2 HISTORICAL PRICE AND TRADING PERFORMANCE OF THE SHARES

#### (i) Share prices

The chart below shows the daily closing prices of the Shares as quoted on the Stock Exchange from 15 July 2022 to 14 July 2023, being the 12-month period prior to and including the date of the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed (the “**Review Period**”):



*Source: the website of the Stock Exchange*

During the Review Period, the closing prices of the Shares were between a low of HK\$0.089 per Share on 13 July 2023 and 14 July 2023 and a high of HK\$0.248 per Share on 5 August 2022, with an average closing price of approximately HK\$0.179 per Share.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**(ii) Trading volumes**

Set out below is the average daily trading volume of the Shares per relevant month/period, and the respective percentage of the average daily trading volume of the Shares to the total number of issued Shares as at the end of relevant month/period, in the Review Period:

<b>Month/period</b>	<b>Total trading volume of the Shares</b>	<b>Number of trading days</b>	<b>Average daily trading volume of the Shares</b>	<b>Percentage of average daily trading volume of total issued Shares as at the end of relevant month/period</b>
July 2022 (from 15 July 2022)	2,164,682	11	196,789	0.035%
August 2022	8,445,217	23	367,183	0.065%
September 2022	1,476,642	21	70,316	0.012%
October 2022	2,920,769	20	146,038	0.026%
November 2022	522,157	20	26,108	0.005%
December 2022	315,135	20	15,757	0.003%
January 2023	680,080	18	37,782	0.007%
February 2023	665,810	19	35,043	0.006%
March 2023	1,202,038	22	54,638	0.021%
April 2023	2,037,393	17	119,847	0.021%
May 2023	13,624,402	21	648,781	0.114%
June 2023	5,177,788	21	246,561	0.044%
July 2023 (up to 14 July 2023)	1,820,000	10	182,000	0.032%
<b>Maximum</b>	13,624,402		648,781	0.114%
<b>Minimum</b>	315,135		15,757	0.003%
<b>Average</b>	3,157,855		165,142	0.029%

*Source: the website of the Stock Exchange*

It is noted that the average daily trading volume of the Shares per relevant month/period accounted for only a small portion of the total number of issued Shares as at the end of the relevant month/period, which ranges from approximately 0.003% to 0.114% during the Review Period.

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

As stated in the Letter from the Board, 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. As stated in the First Quarterly Report 2023, the Group has been seeking suitable investment and business opportunities to create value for its shareholders in a long term and sustainable manner. In light of a growth and potential in the Web 3.0 market in recent years, the Company has commenced the digital platform business in second half of 2022 by acquiring NOIZChain Limited on 4 July 2022. The Group aims to make blockchain technology widely available for every business and to drive blockchain into mass adoption and commercialisation and is also committed to empower enterprises to embrace Web 3.0 environmentally. In addition, as the COVID-19 pandemic reached its end, the Company aims to capture the potential rebound of the entertainment market and has stepped into the entertainment industry in the 1<sup>st</sup> quarter of 2023 through its wholly-owned subsidiary and invested in its first project — "Punch Live 2023", a concert which was successfully held in March 2023 in Hong Kong. The Group will continue to explore the business opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area. The Directors consider that the Group should maintain sufficient funds for these development in the coming future and we concur that it is crucial for the Company to succeed in order to create value for its shareholders in a long term and sustainable manner.

As stated in the Letter from the Board, the 2008 Convertible Bonds with an aggregate amount of HK\$14,068,000 will mature in August 2023. Furthermore, it is impracticable to secure third party financing with favorable terms to the Company to settle the 2008 Convertible Bands 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. As discussed with and confirmed by the management of the Company, given the financial position of the Group, verbal enquiries had been made to the commercial banks but the representatives from the commercial banks did not respond to the Company's enquiries with respect to the possibility for any debt financing proposal for the Company. Therefore, we concur with the view of the Directors that it is impracticable to secure third party financing.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note that the Hang Seng Index decreased from a recent peak of 22,688.90 on 27 January 2023 to a recent bottom of 18,216.91 on 1 June 2023, representing a significant decrease of approximately 19.7% in less than six months. The Hang Seng Index closed at 19,413.78 on 14 July 2023, being the date of the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed. The recent decrease in Hang Seng Index was attributable to, among other things, the negative market sentiment over the economic downturn in the PRC and Hong Kong and the increments of the interest rate and monetary policy tightening by many major central banks. Therefore, we are of the view that it is difficult for a company to obtain debt/equity financing with good terms in the current market.

In light of the current unstable 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.

Having considered (i) the Group's recent financial performance and financial position; (ii) the Group's new business development on digital platform business and entertainment business; (iii) its ability to obtain debt financing at terms acceptable to the Company and the impracticable consideration of securing third party financing on the terms that are favourable to the Company to settle the outstanding principal amounts of the 2008 Convertible Bonds and 2022 Convertible Bonds when they fall due; (iv) its possibility to have sufficient internal resources to redeem the 2008 Convertible Bonds and 2022

Convertible Bonds upon maturity; (v) the Subscriber has no intention to exercise the conversion rights attached to the 2008 Convertible Bonds the Subscriber held; (vi) the prevailing market prices and trading volume of the shares alongside the recent market sentiment; (vii) the negotiation made between the Company and Subscriber; and (viii) the flexibility to the Company in its future cash management, we concur with the Director's view that the entering into of the Share Subscription Agreement and the 2023 CB Subscription Agreement would be an appropriate mean of immediately reducing the indebtedness of the Group by capitalising the partial outstanding amount of the 2008 Convertible Bonds through Share Subscription and further reducing the indebtedness of the Group if the Subscriber converts the 2023 Convertible Bonds into Shares, and the Share Subscription, the 2023 CB Subscription and the 2022 CB Extension 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.

#### **4 THE SHARE SUBSCRIPTION**

##### **(i) Information of the Subscriber**

As stated in the Letter from the Board, 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.

##### **(ii) Principal terms of the Share Subscription Agreement**

As set out in the Letter from the Board, 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.



***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 date of Announcement 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.

***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%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

For further details and terms of the Share Subscription Agreement, please refer to the Letter from the Board.

### *Our analysis*

#### (a) Share prices

In order to assess the fairness and reasonableness of the Share Subscription Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the Review Period. We consider that the Review Period which covers a full year prior to and including the date of the Share Subscription Agreement represents a reasonable and sufficient period to provide a general overview of the recent price performance of the Shares.

As illustrated in the chart under the section headed “2. HISTORICAL PRICE AND TRADING PERFORMANCE OF THE SHARES — Share prices” above in this letter, the closing prices of the Shares were between a low of HK\$0.089 per Share on 13 July 2023 and 14 July 2023 and a high of HK\$0.248 per Share on 5 August 2022, with an average closing price of approximately HK\$0.179 per Share during the Review Period.

The closing prices of the Shares remained relatively stable at the beginning of the Review Period and went down gradually over the Review Period and hit to the lowest closing price of HK\$0.089 at the end of the Review Period. We have enquired the management of the Company regarding the gradual drop of the closing price and were advised that save for (i) the Annual Report 2022 and the First Quarterly Report 2023; (ii) the announcement of the Company dated 4 November 2022 regarding the profit warning on the Group’s financial results for the nine months ended 30 September 2022; and (iii) the downturn of the stock prices of Hong Kong stock market and low investors sentiment due to the volatility and market downturn of the economy in the PRC and Hong Kong, they are not aware of any particular reason that may lead to the drop of the closing price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note that the Share Subscription Price of HK\$0.108 per Subscription Share is within the range of the daily closing prices of the Shares during the Review Period. The Share Subscription Price represents a premium of 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 a premium of 20.00% over the average closing price of 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. Although the Share Subscription Price is below the average closing price during the Review Period, considering that (i) the Share Subscription Price represents a premium over the closing price on the date of the Share Subscription Agreement and the average closing price for the five (5) consecutive trading days of the Shares immediately prior to the date of the Share Subscription Agreement; (ii) the Share Subscription Price is within the range of the daily closing prices of the Shares during the Review Period; and (iii) the downward trend of the Company's share price due to the recent market conditions, we concur with the Directors' view that the Share Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(b) Trading volumes

As illustrated in the chart under the section headed "2. HISTORICAL PRICE AND TRADING PERFORMANCE OF THE SHARES — Trading volumes" above in this letter, we noted that the average daily trading volume of the Shares per relevant month/period accounted for only a small portion of the total number of issued Shares as at the end of the relevant month/period, which ranges from approximately 0.003% to 0.114% during the Review Period.

Given the relatively low liquidity of the Shares as illustrated above, we consider that if the Company were to raise the necessary funds by way of issuing new Shares, the share subscription price would have to be set at a considerable discount to the market price of the Shares so as to attract subscription from Independent Third Party(ies) or existing Shareholders. As such, we concur with the Directors' view that the Share Subscription Price, representing a premium over the closing price on the date of the Share Subscription Agreement and the average closing price for the five (5) consecutive trading days of the Shares immediately prior to the date of the Share Subscription Agreement, is considered favourable to the Company and in the interests of the Company and the Shareholders as a whole.

(c) Comparable analysis

To further assess the fairness and reasonableness of the Share Subscription Price, we have conducted research on companies whose shares are listed on the Stock Exchange and entered into placing and/or share subscription transaction for fund raising but excluding issues of shares as part of consideration in acquisition or under loan or debt capitalisation or group restructuring or share

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award or restricted stock unit scheme, irrespective of whether or not such share exercises were proceeded to completion, in the one month immediately preceding the date of the Share Subscription Agreement, which we believe represents a reasonable and meaningful period to reflect the recent volatile and fast changing market condition for conducting fund raising activity and is therefore considered fair and representative. We have, to our best effort and so far as we are aware, identified a total of 20 comparable transactions (the “**Comparable Transactions**”), which we consider to be exhaustive samples that meet the aforesaid selection criteria. Taking into account (i) the number of Comparable Transactions covered in the review period which was close to the date of the Share Subscription Agreement such that the Comparable Transactions were conducted under similar and recent market conditions and sentiments; and (ii) the average figures calculated are not likely to be significantly affected by any individual comparable transaction, we consider the Comparable Transactions to be sufficient, fair and representative.

Although the companies involved in the Comparable Transactions are not identical to the Company in terms of principal business, operating scale and financial position, we consider that the Comparable Transactions could provide a general understanding on share subscription and placing in the Hong Kong stock market because the Comparable Transactions of the Comparable Companies are under the latest market environment, market sentiment and are therefore considered to be reasonable reference on the recent market practice and conditions regarding the Share Subscription. The following table sets out the details of the Comparable Transactions:

<b>Date of announcement</b>	<b>Name of Company (Stock Code)</b>	<b>Connected Transactions (Yes/No)</b>	<b>Premium/ (discount) of share subscription price to the average closing price of the last five trading days immediately prior to or on the date of subscription agreement (%)</b>	<b>Premium/ (discount) of share subscription price to the average closing price of the last five trading days immediately prior to or on the date of subscription agreement (%)</b>
14 July 2023	3D Medicines Inc. (1244.HK)	No	(12.90)	(8.75)
12 July 2023	K Group Holdings Limited (8475.HK)	No	(13.20)	(15.30)
11 July 2023	China Parenting Network Holdings Limited (1736.HK)	No	(19.74)	10.99

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<b>Date of announcement</b>	<b>Name of Company (Stock Code)</b>	<b>Connected Transactions (Yes/No)</b>	<b>Premium/ (discount) of share subscription price to the closing price of the last five trading days immediately prior to or on the date of subscription agreement (%)</b>	<b>Premium/ (discount) of share subscription price to the average closing price of the last five trading days immediately prior to or including the date of subscription agreement (%)</b>
11 July 2023	iDreamSky Technology Holdings Limited (1119.HK)	No	(8.3)	(12.90)
10 July 2023	Summi (Group) Holdings Limited (756.HK)	Yes	(9.46)	(9.46)
9 July 2023	NVC International Holdings Limited (2222.HK)	Yes	16.90	23.90
6 July 2023	Future Data Group Limited (8229.HK)	No	(15.87)	(18.46)
4 July 2023	China Ruyi Holdings Limited (136.HK)	Yes	(17.53)	(16.67)
4 July 2023	Prosperous Printing Company Limited (8385.HK)	No	22.22	22.22
30 June 2023	Comtec Solar Systems Group Limited (712.HK)	No	(18.60)	(18.73)
28 June 2023	Risecomm Group Holdings Limited (1679.HK)	No	(8.20)	(17.90)
28 June 2023	Mindtell Technology Limited (8611.HK)	No	(19.31)	(16.90)
27 June 2023	KNT Holdings Limited (1025.HK)	No	(16.48)	(11.63)
26 June 2023	Cocoon Holdings Limited (428.HK)	No	(16.67)	(16.25)
21 June 2023	Dynasty Fine Wines Group Limited (828.HK)	No	(10.00)	(0.20)
20 June 2023	China Hongguang Holdings Limited (8646.HK)	No	(5.83)	(10.20)
19 June 2023	Link-Asia International MedTech Group Limited (1143.HK)	No	(18.90)	(19.60)
19 June 2023	Creative China Holdings Limited (8368.HK)	No	(17.69)	(17.37)

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<b>Date of announcement</b>	<b>Name of Company (Stock Code)</b>	<b>Connected Transactions (Yes/No)</b>	<b>Premium/ (discount) of share subscription price to the closing price of the last trading day prior to or on the date of subscription agreement (%)</b>	<b>Premium/ (discount) of share subscription price to the average closing price of the last five trading days immediately prior to or including the date of subscription agreement (%)</b>
19 June 2023	IBO Technology Company Limited (2708.HK)	No	0.00	(3.39)
16 June 2023	Echo International Holdings Group Limited (8218.HK)	No	(15.38)	(15.38)
		Maximum	22.22	23.90
		Minimum	(19.74)	(19.60)
		Average	(10.25)	(8.60)
14 July 2023	The Company	Yes	21.35	20.00

*Source: the website of the Stock Exchange*

As illustrated in the table above, the share subscription price per share issued under the Comparable Transactions ranged from (i) a discount of approximately 19.74% to a premium of approximately 22.22% over their respective closing price per share on the last trading day prior to or on the date of subscription agreement, with an average discount of approximately 10.25%; and (ii) a discount of approximately 19.60% to a premium of approximately 23.90% over their respective average closing price per share for the last five trading days prior to or including the date of subscription agreement, with an average discount of approximately 8.60%.

We note that the premium of the Share Subscription Price over the closing Share price on the date of the Share Subscription Agreement and the average closing price for the last five trading days immediately prior to the date of the Share Subscription Agreement, which were approximately 21.35% and 20.00% respectively, are within the respective range of the Comparable Transactions as described above. We therefore consider that the Share Subscription Price is fair and reasonable.

*Conclusion*

Having considered that (i) the Share Subscription Price represents a premium over the closing price on the date of the Share Subscription Agreement and the average closing price for the five (5) consecutive trading days of the Shares immediately prior to the date of the Share Subscription Agreement, even when the Shares had a relatively low liquidity during the Review Period, which it is considered justifiable setting the Share Subscription Price at a discount to the prevailing market price of the Shares; (ii) the Share Subscription Price is within the range of the daily closing prices of the Shares during the Review Period; (iii) the downward trend of the Company's share price due to the recent market conditions; (iv) the premium of the Share Subscription Price is within the ranges of subscription prices of the Comparable Transactions as illustrated above; (v) 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 as advised by the Directors; and (vi) the reasons for the Share Subscription as mentioned previously in this letter, we are of the view that the terms of the Share Subscription Agreement are fair and reasonable, and the entering into of the Share Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

**(iii) Financial effects of the Share Subscription Agreement**

Based on our discussion with and the representation from the Directors, we understand from the Directors that they have taken into account the following factors when they considered the potential impact of the Share Subscription Agreement on the financial positions of the Group.

According to the First Quarterly Report 2023, the net liabilities and cash and bank balances (including trust accounts) of the Group amounted to approximately HK\$35.2 million and HK\$24.0 million as at 31 March 2023, respectively. As stated in the Letter from the Board, upon the Share Subscription Completion, the Share Offset Amount (i.e. HK\$4,068,000) 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. It is expected that the net liabilities of the Group will decrease by the Share Offset Amount and the cash and bank balances (including trust accounts) of the Group will remain the same. The Share Subscription is expected to have a positive impact on the Group's financial positions.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial positions of the Group will be upon completion of the Share Subscription.

**5 THE PROPOSED ISSUE OF 2023 CONVERTIBLE BONDS UNDER SPECIFIC MANDATE B**

**(i) Information of the Subscriber**

As stated in the Letter from the Board, 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.

**(ii) Principal terms of the 2023 CB Subscription Agreement and the 2023 Convertible Bonds**

As set out in the Letter from the Board, the key terms of the 2023 CB 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
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).



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Adjustment events : The 2023 CB Conversion Price will be subject to adjustments upon the occurrence of 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.

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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:

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

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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.

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*(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.

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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.

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***(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:

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



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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.

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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.

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- 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.
- 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.

### ***2023 CB Conversion Shares***

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

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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 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.

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For further details and terms of the 2023 CB Subscription Agreement, please refer to the Letter from the Board.

*Our analysis*

(a) Share prices

In order to assess the fairness and reasonableness of the 2023 CB Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the Review Period. We consider that the Review Period which covers a full year prior to and including the date of the 2023 CB Subscription Agreement represents a reasonable and sufficient period to provide a general overview of the recent price performance of the Shares.

As illustrated in the chart under the section headed “2. HISTORICAL PRICE AND TRADING PERFORMANCE OF THE SHARES — Share prices” above in this letter, the closing prices of the Shares were between a low of HK\$0.089 per Share on 13 July 2023 and 14 July 2023 and a high of HK\$0.248 per Share on 5 August 2022, with an average closing price of approximately HK\$0.179 per Share during the Review Period.

The closing prices of the Shares remained relatively stable at the beginning of the Review Period and went down gradually over the Review Period and hit to the lowest closing price of HK\$0.089 at the end of the Review Period. We have enquired the management of the Company regarding the gradual drop of the closing price and were advised that save for (i) the Annual Report 2022 and the First Quarterly Report 2023; (ii) the announcement of the Company dated 4 November 2022 regarding the profit warning on the Group’s financial results for the nine months ended 30 September 2022; and (iii) the downturn of the stock prices of Hong Kong stock market and low investors sentiment due to the volatility and market downturn of the economy in the PRC and Hong Kong, they are not aware of any particular reason that may lead to the drop of the closing price.

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We note that the 2023 CB Conversion Price of HK\$0.108 per 2023 CB Conversion Share is within the range of the daily closing prices of the Shares during the Review Period. The 2023 CB Conversion Price represents a premium of 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 a premium of 20.00% over the average closing price of 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 2023 CB Subscription Agreement. Although the 2023 CB Conversion Price is below the average closing price during the Review Period, considering that (i) the 2023 CB Conversion Price represents a premium over the closing price on the date of the 2023 CB Subscription Agreement and the average closing price for the five (5) consecutive trading days of the Shares immediately prior to the date of the 2023 CB Subscription Agreement; (ii) the 2023 CB Conversion Price is within the range of the daily closing prices of the Shares during the Review Period; and (iii) the downward trend of the Company's share price due to the recent market conditions, we concur with the Directors' view that the 2023 CB Conversion Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(b) Trading volumes

As illustrated in the chart under the section headed "2. HISTORICAL PRICE AND TRADING PERFORMANCE OF THE SHARES — Trading volumes" above in this letter, we noted that the average daily trading volume of the Shares per relevant month/period accounted for only a small portion of the total number of issued Shares as at the end of the relevant month/period, which ranges from approximately 0.003% to 0.114% during the Review Period.

Given the relatively low liquidity of the Shares as illustrated above, we consider that if the Company were to raise the necessary funds by way of issuing new Shares, the share subscription price would have to be set at a considerable discount to the market price of the Shares so as to attract subscription from Independent Third Party(ies) or existing Shareholders. As such, we concur with the Directors' view that the 2023 CB Conversion Price, representing a premium over the closing price on the date of the 2023 CB Subscription Agreement and the average closing price for the five (5) consecutive trading days of the Shares immediately prior to the date of the 2023 CB Subscription Agreement, is considered favourable to the Company and in the interests of the Company and the Shareholders as a whole.

(c) Comparable analysis

To further assess the fairness and reasonableness of the terms of the 2023 Convertible Bonds, we have reviewed comparable transactions involving issue of convertible bonds or notes or securities to Independent Third Party(ies) or connected person(s), announced by companies listed on the Stock Exchange in the past three months immediately preceding the date of the 2023 CB Subscription Agreement (the “**Comparable CBs**”). We have, to our best effort and so far as we are aware, identified 20 Comparable CBs which we consider to be exhaustive. We consider the following list of the Comparable CBs is fair, representative and comparable to the 2023 CB Subscription Agreement, taking into account that (i) they involve the same type of transaction as the entering into of the 2023 CB Subscription Agreement, i.e. the issue of convertible bonds or notes or securities under specific mandate by listed companies on the Stock Exchange, which could facilitate meaningful comparison purpose, as the selection of the Comparable CBs without considering the connected relationship of the subscriber(s) with the listed companies could instead provide a more balanced and comprehensive reference as terms given to connected person(s) shall be no more favourable than terms given to Independent Third Party(ies) under the general regulatory framework; (ii) the three month period immediately prior to the date of the 2023 CB Subscription Agreement represents a reasonable and meaningful time period to capture the recent market practice for the said transaction; and (iii) an exhaustive list of the Comparable CBs with each fulfilled the abovementioned selection criteria is more representative to provide a comprehensive reference for comparison purpose and the determination of any outlier involves subjective judgment which may bias the final result.

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Shareholders should note that the businesses, operations and prospects of the Group may not be the same as, or vary from, those of the listed companies conducting the Comparable CBs, and the Comparable CBs set out below are for the purpose of providing a general insight on the terms in respect of the issue of convertible bonds or notes or securities under specific mandate during the said three months' period. Details of the Comparable CBs are set out below:

Date of announcement	Name of Company (Stock Code)	Principal amount	Duration (years)	Premium/ (discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement ("Premium/ (Discount) — Last Day") (%)	Interest rate per annum (%)	Connected Transaction (Yes/No)
11 July 2023	iDreamSky Technology Holdings Limited (1119.HK)	HK\$386,000,000	5.0	7.7	5.0	No
3 July 2023	Ta Yang Group Holdings Limited (1991.HK)	HK\$40,000,000	3.0	2.8	10.0	No
28 June 2023	hmvod Limited (8103.HK)	HK\$12,942,000	1.0	27.7	3.0	No
28 June 2023	Luye Pharma Group Ltd. (2186.HK)	US\$180,000,000	5.0	26.1	6.25	No
25 June 2023	Great World Company Holdings Ltd (8003.HK)	HK\$31,950,000	3.0	203.0	0.0	No
23 June 2023	Dingyi Group Investment Limited (508.HK)	HK\$980,000,000	3.0	441.00	5.5	Yes
19 June 2023	Creative China Holdings Limited (8368.HK)	RMB9,000,000	2.0	107.69	2.0	Yes
13 June 2023	Sunac China Holdings Limited (1918.HK)	US\$1,000,000,000	9.0	336.68	1.0	Yes
12 June 2023	Culturecom Holdings Limited (343.HK)	HK\$100,000,000	2.0	31.58	8.0	No
11 June 2023	VIVA BIOTECH HOLDINGS (1873.HK)	HK\$470,000,000	0.5	5.26	2.0	No
9 June 2023	Unity Group Holdings International Limited (1539.HK)	US\$15,000,000	2.0	(19.50)	8.0	No
6 June 2023	China Asia Valley Group Limited (63.HK)	HK\$353,360,000	5.0	(33.30)	3.6	Yes
2 June 2023	Noble Engineering Group Holdings Limited (8445.HK)	HK\$65,000,000	2.0	0.00	8.0	No
31 May 2023	Hua Yin International Holdings Limited (989.HK)	HK\$150,000,000	3.0	1.14	6.0	No



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Date of announcement	Name of Company (Stock Code)	Principal amount	Duration (years)	Premium/ (discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement (“Premium/ (Discount) — Last Day”) (%)	Interest rate per annum (%)	Connected Transaction (Yes/No)
29 May 2023	Hybrid Kinetic Group Limited (1188.HK)	HK\$100,000,000	2.0	244.80	5.0	No
16 May 2023	Arta TechFin Corporation Limited (279.HK)	HK\$40,000,000	2.0	24.80	8.0	No
12 May 2023	Hong Kong Aerospace Technology Group Limited (1725.HK)	HK\$800,000,000	0.6	(8.91)	0.5	No
11 May 2023	LVGEM (China) Real Estate Investment Company Limited (95.HK)	US\$20,000,000	2.0	23.46	6.0	No
8 May 2023	Quali-Smart Holdings Limited (1348.HK)	HK\$9,000,000	3.0	0.00	6.0	No
26 April 2023	Sino-Life Group Limited (8296.HK)	HK\$18,160,000	6.0	5.00	1.0	Yes
		Maximum:	9.0	441.00	10.0	
		Minimum:	0.5	(33.30)	0.0	
		Average:	3.1	71.35	4.7	
		<b>2023 Convertible Bonds:</b>	<b>2.0</b>	<b>21.35%</b>	<b>0.0</b>	<b>Yes</b>

*Source: the website of the Stock Exchange*

*Note:* For Sunac China Holdings Limited (1918.HK), we adopted the initial interest rate per annum under the terms of its convertible bond for comparison purpose.

*Duration*

According to the table above, the duration of the Comparable CBs ranged from 0.5 year to 9.0 years with an average duration of 3.1 years. The duration of the 2023 Convertible Bonds is 2.0 years and fall within the range of the duration of the Comparable CBs. Therefore, we consider that the duration of the 2023 Convertible Bonds is fair and reasonable.

*Conversion price*

As illustrated in the table above, the Premium/(Discount) — Last Day represented by the conversion prices of the Comparable CBs ranged from a discount of approximately 33.30% to a premium of approximately 441.00%, with an average of a premium of approximately 71.35%. The 2023 CB Conversion Price, representing a premium of approximately 21.35% over the closing price of the Shares on the date of the 2023 CB Subscription Agreement, fall within the range of the Premium/(Discount) — Last Day represented by the Comparable CBs. Therefore, we consider that the 2023 CB Conversion Price is fair and reasonable.

*Interest rate*

As shown in the table above, the interest rates of the Comparable CBs ranged from 0.0% to 10.0% per annum with an average of approximately 4.7% per annum. We note that the interest rate of the 2023 Convertible Bonds of 0.0% per annum is at the lowest end of the range of the Comparable CBs, which is favourable to the Company and its Independent Shareholders as a whole. We therefore consider that the interest rate of the 2023 Convertible Bonds is fair and reasonable.

Having considered that (i) the duration of the 2023 Convertible Bonds fall within the range of the Comparable CBs; (ii) the Premium/(Discount) — Last Day represented by the 2023 CB Conversion Price fall within the range of the Premium/(Discount) — Last Day represented by the Comparable CBs; and (iii) the interest rate of the 2023 Convertible Bonds is at the lowest end of the range of the Comparable CBs, we are of the view that the principal terms of the 2023 Convertible Bonds are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

**(iii) Financial effects of the 2023 CB Subscription Agreement**

Based on our discussion with and the representation from the Directors, we understand from the Directors that they have taken into account the following factors when they considered the potential impact of the 2023 CB Subscription Agreement on the financial positions of the Group.

***(a) Earnings***

The 2023 Convertible Bonds are interest free and hence no cash outflow in respect of the interest payment on the 2023 Convertible Bonds are expected. The related finance costs in respect of the interest accretion of the liability component of the 2023 Convertible Bonds from the day-1 initial recognition to the date of the maturity of the 2023 Convertible Bonds are expected to be recognised in the consolidated statement of profit or loss of the Group prior to full conversion or redemption of the 2023 Convertible Bonds. As advised by the Directors, it is expected that the issue of the 2023 Convertible Bonds will not have a material impact on the earnings of the Group.

***(b) Liquidity and net liabilities of the Group***

According to the First Quarterly Report 2023, the net liabilities and cash and bank balances (including trust accounts) of the Group amounted to approximately HK\$35.2 million and HK\$24.0 million as at 31 March 2023, respectively. As stated in the Letter from the Board, 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 and the obligation and liability of the Company to the Subscriber for the CB Offset Amount under the 2008 Convertible Bonds will be extinguished and no cash proceeds are expected to be received from the issue of the 2023 Convertible Bonds. It is expected that the cash and bank balances (including trust accounts) of the Group will remain the same. As advised by the Directors, the 2023 Convertible Bonds will be consisted of an equity portion and a liability portion. The exact figures of respective fair value of the liability and equity components of the 2023 Convertible Bonds and their financial impacts to the Group will be subject to the review by the auditors of the Company and the assessment and valuation from an independent valuer at the time of 2023 CB Subscription Completion.

***(c) Gearing***

According to the First Quarterly Report 2023, the gearing ratio of the Group was approximately 1.26 times as at 31 March 2023, calculated based on the total interest-bearing debts, including convertible bonds of approximately HK\$88.2 million to the total assets of approximately HK\$70.2 million. In the event that the holder(s) of the 2023 Convertible Bonds or the transferee(s) of the 2023 Convertible Bonds exercise the conversion rights attaching to the 2023 Convertible Bonds, assuming no other factors affecting the financial position of the Group, the gearing position would improve and the conversion of the 2023 Convertible Bonds by the bondholder(s) into 2023 CB Conversion Shares would enlarge the capital base and increase the net asset value of the Group. On the other hand, if the conversion rights attaching to the 2023 Convertible Bonds are not exercised upon maturity of the 2023 Convertible Bonds, the Company will have to repay the principal amount of the 2023 Convertible Bonds to the holder(s) of the 2023 Convertible Bonds with cash. The gearing position of the Group will

still be improved on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group. The management of the Company expects that there will not be any material adverse impact to the gearing of the Group as a result of the issue of the 2023 Convertible Bonds.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the 2023 CB Subscription.

## **6 EXTENSION OF THE MATURITY DATE OF THE 2022 CONVERTIBLE BONDS**

### **(i) Information of the 2022 CB Holder**

As stated in the Letter from the Board, 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.

### **(ii) Principal terms of the 2022 Convertible Bonds immediately after the 2022 CB Extension**

As set out in the Letter from the Board, 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 announcement 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).

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

- (i) a premium of approximately 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:

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

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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:

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

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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.

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*(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.

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***(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:***

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

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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.

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- 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.

### ***Our analysis***

#### *(a) Share prices*

In order to assess the fairness and reasonableness of the 2022 CB Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the Review Period. We consider that the Review Period which covers a full year prior to and including the date of the Amendment Deed represents a reasonable and sufficient period to provide a general overview of the recent price performance of the Shares.

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As illustrated in the chart under the section headed “2. HISTORICAL PRICE AND TRADING PERFORMANCE OF THE SHARES — Share prices” above in this letter, the closing prices of the Shares were between a low of HK\$0.089 per Share on 13 July 2023 and 14 July 2023 and a high of HK\$0.248 per Share on 5 August 2022, with an average closing price of approximately HK\$0.179 per Share during the Review Period.

The closing prices of the Shares remained relatively stable at the beginning of the Review Period and went down gradually over the Review Period and hit to the lowest closing price of HK\$0.089 at the end of the Review Period. We have enquired the management of the Company regarding the gradual drop of the closing price and were advised that save for (i) the Annual Report 2022 and the First Quarterly Report 2023; (ii) the announcement of the Company dated 4 November 2022 regarding the profit warning on the Group’s financial results for the nine months ended 30 September 2022; and (iii) the downturn of the stock prices of Hong Kong stock market and low investors sentiment due to the volatility and market downturn of the economy in the PRC and Hong Kong, they are not aware of any particular reason that may lead to the drop of the closing price.

We note that the 2022 CB Conversion Price of HK\$0.186 per 2022 CB Conversion Share is within the range of the daily closing prices of the Shares and close to the average closing price of the Shares during the Review Period. Considering that (i) the 2022 CB Conversion Price is within the range of the daily closing prices of the Shares during the Review Period; (ii) the 2022 CB Conversion Price is close to the average closing prices of the Shares during the Review Period; and (iii) the downward trend of the Company’s share price due to the recent market conditions, we concur with the Directors’ view that the 2022 CB Conversion Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

*(b) Trading volumes*

As illustrated in the chart under the section headed “2. HISTORICAL PRICE AND TRADING PERFORMANCE OF THE SHARES — Trading volumes” above in this letter, we noted that the average daily trading volume of the Shares per relevant month/period accounted for only a small portion of the total number of issued Shares as at the end of the relevant month/period, which ranges from approximately 0.003% to 0.114% during the Review Period.

Given the relatively low liquidity of the Shares as illustrated above, we consider that if the Company were to raise the necessary funds by way of issuing new Shares, the share subscription price would have to be set at a considerable discount to the market price of the Shares so as to attract subscription from Independent Third Party(ies) or existing Shareholders. As such, we concur with the Directors’ view that the 2022 CB Conversion Price, representing a premium over the closing price on the date of the Amendment Deed and the average closing



price for the five (5) consecutive trading days of the Shares immediately prior to the date of the Amendment Deed, is considered favourable to the Company and in the interests of the Company and the Shareholders as a whole.

*(c) Comparable analysis*

To further assess the fairness and reasonableness of the terms of the 2022 Convertible Bonds, we have reviewed comparable transactions involving issue of convertible bonds or notes or securities to Independent Third Party(ies) or connected person(s), announced by companies listed on the Stock Exchange in the past three months immediately preceding the date of the Amendment Deed (the “**Comparable CBs**”). We have, to our best effort and so far as we are aware, identified 20 Comparable CBs which we consider to be exhaustive. We consider the following list of the Comparable CBs is fair, representative and comparable to the Amendment Deed, taking into account that (i) they involve the same type of transaction as the entering into of the Amendment Deed, i.e. the issue of convertible bonds or notes or securities under specific mandate by listed companies on the Stock Exchange, which could facilitate meaningful comparison purpose, as the selection of the Comparable CBs without considering the connected relationship of the subscriber(s) with the listed companies could instead provide a more balanced and comprehensive reference as terms given to connected person(s) shall be no more favourable than terms given to Independent Third Party(ies) under the general regulatory framework; (ii) the three month period immediately prior to the date of the Amendment Deed represents a reasonable and meaningful time period to capture the recent market practice for the said transaction; and (iii) an exhaustive list of the Comparable CBs with each fulfilled the abovementioned selection criteria is more representative to provide a comprehensive reference for comparison purpose and the determination of any outlier involves subjective judgment which may bias the final result.

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Shareholders should note that the businesses, operations and prospects of the Group may not be the same as, or vary from, those of the listed companies conducting the Comparable CBs, and the Comparable CBs set out below are for the purpose of providing a general insight on the terms in respect of the issue of convertible bonds or notes or securities under specific mandate during the said three months' period. Details of the Comparable CBs are set out below:

<b>Date of announcement</b>	<b>Name of Company (Stock Code)</b>	<b>Principal amount</b>	<b>Duration (years)</b>	<b>Premium/ (Discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement ("Premium/ (Discount) — Last Day") (%)</b>	<b>Interest rate per annum (%)</b>	<b>Connected Transaction (Yes/No)</b>
11 July 2023	iDreamSky Technology Holdings Limited (1119.HK)	HK\$386,000,000	5.0	7.7	5.0	No
3 July 2023	Ta Yang Group Holdings Limited (1991.HK)	HK\$40,000,000	3.0	2.8	10.0	No
28 June 2023	hmvod Limited (8103.HK)	HK\$12,942,000	1.0	27.7	3.0	No
28 June 2023	Luye Pharma Group Ltd. (2186.HK)	US\$180,000,000	5.0	26.1	6.25	No
25 June 2023	Great World Company Holdings Ltd (8003.HK)	HK\$31,950,000	3.0	203.0	0.0	No
23 June 2023	Dingyi Group Investment Limited (508.HK)	HK\$980,000,000	3.0	441.00	5.5	Yes
19 June 2023	Creative China Holdings Limited (8368.HK)	RMB9,000,000	2.0	107.69	2.0	Yes
13 June 2023	Sunac China Holdings Limited (1918.HK)	US\$1,000,000,000	9.0	336.68	1.0	Yes
12 June 2023	Culturecom Holdings Limited (343.HK)	HK\$100,000,000	2.0	31.58	8.0	No
11 June 2023	VIVA BIOTECH HOLDINGS (1873.HK)	HK\$470,000,000	0.5	5.26	2.0	No
9 June 2023	Unity Group Holdings International Limited (1539.HK)	US\$15,000,000	2.0	(19.50)	8.0	No
6 June 2023	China Asia Valley Group Limited (63.HK)	HK\$353,360,000	5.0	(33.30)	3.6	Yes
2 June 2023	Noble Engineering Group Holdings Limited (8445.HK)	HK\$65,000,000	2.0	0.00	8.0	No
31 May 2023	Hua Yin International Holdings Limited (989.HK)	HK\$150,000,000	3.0	1.14	6.0	No

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Date of announcement	Name of Company (Stock Code)	Principal amount	Duration (years)	Premium/ (discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement (“Premium/ (Discount) — Last Day”) (%)	Interest rate per annum (%)	Connected Transaction (Yes/No)
29 May 2023	Hybrid Kinetic Group Limited (1188.HK)	HK\$100,000,000	2.0	244.80	5.0	No
16 May 2023	Arta TechFin Corporation Limited (279.HK)	HK\$40,000,000	2.0	24.80	8.0	No
12 May 2023	Hong Kong Aerospace Technology Group Limited (1725.HK)	HK\$800,000,000	0.6	(8.91)	0.5	No
11 May 2023	LVGEM (China) Real Estate Investment Company Limited (95.HK)	US\$20,000,000	2.0	23.46	6.0	No
8 May 2023	Quali-Smart Holdings Limited (1348.HK)	HK\$9,000,000	3.0	0.00	6.0	No
26 April 2023	Sino-Life Group Limited (8296.HK)	HK\$18,160,000	6.0	5.00	1.0	Yes
		Maximum:	9.0	441.00	10.0	
		Minimum:	0.5	(33.30)	0.0	
		Average:	3.1	71.35	4.7	
		<b>2022 Convertible Bonds:</b>	<b>2.0</b>	<b>108.99%</b>	<b>0.0</b>	<b>Yes</b>

*Source: the website of the Stock Exchange*

*Note:* For Sunac China Holdings Limited (1918.HK), we adopted the initial interest rate per annum under the terms of its convertible bond for comparison purpose.

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### *Duration*

According to the table above, the duration of the Comparable CBs ranged from 0.5 year to 9.0 years with an average duration of 3.1 years. The duration of the 2022 Convertible Bonds is 2.0 years and fall within the range of the duration of the Comparable CBs. Therefore, we consider that the duration of the 2022 Convertible Bonds is fair and reasonable.

### *Conversion price*

As illustrated in the table above, the Premium/(Discount) — Last Day represented by the conversion prices of the Comparable CBs ranged from a discount of approximately 33.30% to a premium of approximately 441.00%, with an average of a premium of approximately 71.35%. The 2022 CB Conversion Price, representing a premium of approximately 108.99% over the closing price of the Shares on the date of the Amendment Deed, fall within the range of the Premium/(Discount) — Last Day represented by the Comparable CBs. Therefore, we consider that the 2022 CB Conversion Price is fair and reasonable.

### *Interest rate*

As shown in the table above, the interest rates of the Comparable CBs ranged from 0.0% to 10.0% per annum with an average of approximately 4.7% per annum. We note that the interest rate of the 2022 Convertible Bonds of 0.0% per annum is at the lowest end of the range of the Comparable CBs, which is favourable to the Company and its Independent Shareholders as a whole. We therefore consider that the interest rate of the 2022 Convertible Bonds is fair and reasonable.

Having considered that (i) the duration of the 2022 Convertible Bonds fall within the range of the Comparable CBs; (ii) the Premium/(Discount) — Last Day represented by the 2022 CB Conversion Price fall within the range of the Premium/(Discount) — Last Day represented by the Comparable CBs; and (iii) the interest rate of the 2022 Convertible Bonds is at the lowest end of the range of the Comparable CBs, we are of the view that the principal terms of the 2022 Convertible Bonds are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

**(iii) Financial effects of the Amendment Deed**

Based on our discussion with and the representation from the Directors, we understand from the Directors that they have taken into account the following factors when they considered the potential impact of the Amendment Deed on the financial positions of the Group.

***(a) Earnings***

Since 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, as advised by the Directors, it is expected that the 2022 CB Extension will not have a material impact on the earnings of the Group.

***(b) Liquidity and net liabilities of the Group***

According to the First Quarterly Report 2023, the net liabilities and cash and bank balances (including trust accounts) of the Group amounted to approximately HK\$35.2 million and HK\$24.0 as at 31 March 2023, respectively. No cash proceeds are expected to be received from the 2022 CB Extension. The Amendment Deed will not have any adverse impact on the liquidity of the Group. Conversely, as mentioned in the section headed “REASONS AND BENEFITS FOR THE SHARE SUBSCRIPTION, THE 2023 CB SUBSCRIPTION AND THE 2022 CB EXTENSION” in the Letter from the Board, if the 2022 CB Extension does not proceed, a substantial amount of cash outflow would be incurred and it may strain the Group’s financial resources and hinder the Group from capturing the business opportunities and the business development. As such, the entering into of the Amendment Deed is expected to maintain the liquidity and working capital of the Group.

***(c) Gearing***

According to the First Quarterly Report 2023, the gearing ratio of the Group was approximately 1.26 times as at 31 March 2023, calculated based on the total interest-bearing debts, including convertible bonds of approximately HK\$88.2 million to the total assets of approximately HK\$70.2 million. Upon completion of the 2022 CB Extension, both the total borrowing and total equity of the Group would remain unchanged assuming no other factors affecting the financial position of the Group. As such, it is expected that the Amendment Deed will not have any immediate material impact on the gearing position of the Group. In any event the holder(s) of the 2022 Convertible Bonds or the transferee(s) of the 2022 Convertible Bonds exercise the conversion rights attaching to the 2022 Convertible Bonds, assuming no other factors affecting the financial position of the Group, the gearing position would improve and the conversion of the 2022 Convertible Bonds by the bondholder(s) into 2022 CB Conversion Shares would enlarge the capital base and increase the net asset value of the Group. On the other hand, if the conversion rights attaching to the 2022 Convertible Bonds are not exercised upon maturity of the 2022 Convertible Bonds, the Company will

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have to repay the principal amount of the 2022 Convertible Bonds to the holder(s) of the 2022 Convertible Bonds with cash. The gearing position of the Group will still be improved on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group. Also, the repayment of the 2022 Convertible Bonds by cash will decrease the cash balance of the Group which will impose impact on the Group's liquidity and business development as discussed above. Based on the aforesaid, although the 2022 CB Extension will not help to improve the gearing position of the Group, after taking into consideration of the liquidity position and the business development of the Group as discussed above, we are of the view that the 2022 CB Extension and the entering into the Amendment Deed is in the interests of the Company and the Shareholders as a whole.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the 2022 CB Extension.

### 7 POTENTIAL EFFECT ON THE SHAREHOLDING STRUCTURE

As illustrated in the Letter from the Board, 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 and 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 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 and 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) Ms. Tsang Kwai Ping	136,755,500	24.13	174,422,166	28.86	267,014,758	38.31	756,262,069	63.75
(Note 2)	900,000	0.16	900,000	0.15	900,000	0.13	900,000	0.08
Mr. Ann, Yu Chiu Andy	19,999,999	3.53	19,999,999	3.31	19,999,999	2.87	19,999,999	1.68
(Note 3)	409,073,447	72.18	409,073,447	67.68	409,073,447	58.69	409,073,447	34.49
Other public Shareholders								
<b>Total</b>	<b>566,728,946</b>	<b>100.00</b>	<b>604,395,612</b>	<b>100.00</b>	<b>696,988,204</b>	<b>100.00</b>	<b>1,186,235,515</b>	<b>100.00</b>

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*Notes:*

- (1) 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, whose is deemed to be interested in 136,755,500 Shares held by Team Sunny pursuant to the Part XV of the SFO.
- (2) Ms. Tsang Kwai Ping is an executive Director and personally interested in 900,000 Shares as at the Latest Practicable Date.
- (3) 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.
- (4) The shareholding structure is prepared for illustrative purpose only. There is no right for Team Sunny to convert any principal amount of the 2023 Convertible Bonds and/or 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.

**(i) Under the Share Subscription Agreement**

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; and (ii) approximately 6.23% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there are no other changes in the share capital of the Company between the Latest Practicable Date and the date of Share Subscription Completion). On such basis, the shareholding of existing public Shareholders will be diluted from approximately 72.18% to approximately 67.68% upon Share Subscription Completion.

Taking into account (i) the reasons for entering into of the Share Subscription Agreement as previously mentioned in this letter; (ii) the terms of the Share Subscription Agreement are considered to be fair and reasonable and the entering into of the Share Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; (iii) the Share Subscription is expected to have a positive impact on the Group's financial positions; and (iv) the dilution effect to the existing public Shareholders is relatively mild (i.e. around 4.5 percentage points), we consider that the dilution to the existing public Shareholders as a result of the Share Subscription to be acceptable.

**(ii) Under the 2023 CB Subscription Agreement**

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; and (ii) approximately 14.04% of the issued share capital of the Company as enlarged by the allotment and issue of the 2023 CB Conversion Shares upon the exercise of the conversion rights attaching to the 2023 Convertible Bonds in full (assuming that there are no other changes to the shareholding structure of the Company between the Latest Practicable Date and the date of the full conversion of the 2023 Convertible Bonds). On such basis, the shareholding of existing public Shareholders will be diluted from approximately 72.18% to approximately 62.04% upon the exercise of the conversion rights attaching to the 2023 Convertible Bonds in full.

We are aware of the potential higher dilution effect as a result of the conversion of the 2023 Convertible Bonds based on the 2023 CB Conversion Price. Nonetheless, taking into account (i) the 2023 CB Conversion Price is set at a premium over the closing price of the Shares on the date of the 2023 CB Subscription Agreement, therefore the 2023 Convertible Bonds are currently out-of-money; (ii) the Group's financial performance and position; (iii) the reasons for entering into of the 2023 CB Subscription Agreement as previously mentioned in this letter; (iv) the terms of the 2023 CB Subscription Agreement are considered to be fair and reasonable and the entering into of the 2023 CB Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; (v) there is conversion restriction in order to comply with the GEM Listing Rules; and (vi) the expected positive impact to the Group's liquidity upon the 2023 CB Subscription, we consider that the dilution to the existing public Shareholders as a result of the issue of the 2023 Convertible Bonds to be acceptable.

**(iii) Under the Amendment Deed**

Based on the 2022 CB Conversion Price of HK\$0.186 per 2022 CB Conversion Share, a maximum number of 489,247,311 2022 CB Conversion Shares (subject to adjustments) will be allotted and issued upon exercise of the conversion rights attaching to the 2022 Convertible Bonds in full, which represent: (i) approximately 86.33% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 46.33% of the issued share capital of the Company as enlarged by the allotment and issue of the 2022 CB Conversion Shares upon the exercise of the conversion rights attaching to the 2022 Convertible Bonds in full (assuming that there are no other changes to the shareholding structure of the Company between the Latest Practicable Date and the date of the full conversion of the 2022 Convertible Bonds). On such basis, the shareholding of existing public Shareholders will be diluted from approximately 72.18% to approximately 38.74% upon the exercise of the conversion rights attaching to the 2022 Convertible Bonds in full.



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We are aware of the potential higher dilution effect as a result of the conversion of the 2022 Convertible Bonds based on the 2022 CB Conversion Price. Nonetheless, taking into account (i) the 2022 CB Conversion Price is set at a premium over the closing price of the Shares on the date of the Amendment Deed, therefore the 2022 Convertible Bonds are currently out-of-money; (ii) the Group's financial performance and position; (iii) the reasons for entering into of the Amendment Deed as previously mentioned in this letter; (iv) the terms of the 2022 CB Extension are considered to be fair and reasonable and the entering into of the Amendment Deed and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; (v) there is conversion restriction in order to comply with the GEM Listing Rules; and (vi) the expected positive impact to the Group's liquidity upon the 2022 CB Extension, we consider that the dilution to the existing public Shareholders as a result of the 2022 CB Extension to be acceptable.

### **(iv) Aggregate dilution effect**

Together, Share Subscription Completion and the exercise of the conversion rights attaching to the 2023 Convertible Bonds and the 2022 Convertible Bonds in full (based on the 2023 CB Conversion Price of HK\$0.108 per 2023 CB Conversion Share and the 2022 CB Conversion Price of HK\$0.186 per 2022 CB Conversion Share (subject to adjustments)) would result in an aggregate of 619,506,569 new Shares to be allotted and issued, which represent approximately 109.31% of the existing issued share capital of the Company as at the Latest Practical Date and approximately 52.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, 2023 CB Conversion Shares and 2022 CB Conversion Shares, assuming that there will be no changes in the issued share capital of the Company between the Latest Practicable Date and the date(s) of issue of the Subscription Shares, the 2023 CB Conversion Shares and the 2022 CB Conversion Shares. On such basis, the shareholding of existing public Shareholders would be diluted from approximately 72.18% to approximately 34.49% upon occurrence of such events. However, it should be noted that the aforementioned analyses are for illustrative purpose only and do not purport, in particular, whether and when the conversion rights attaching to the 2023 Convertible Bonds and the 2022 Convertible Bonds will be exercised, in part or in full, by the Subscriber.

It is noted that the aggregate maximum dilution effect to the existing public Shareholders arisen from the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed would be around 37.69 percentage points. However, this figure only implies a possible maximum dilution reference as the conversion rights attaching to the 2023 Convertible Bonds and the 2022 Convertible Bonds may or may not be exercised in part or in full by the Subscriber during their respective conversion period, and the nature of convertible bonds would not generally result in an immediate dilution effect to existing shareholders. Even though, in balance of consideration that (i) the 2023 CB Conversion Price and the 2022 CB Conversion Price are set at a premium over the closing price of the Shares on the date of the 2023 CB Subscription Agreement and the Amendment Deed, therefore the 2023 Convertible Bonds and the 2022 Convertible Bonds are currently out-of-money (ii) the reasons for

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entering into of the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed which could generally benefit the Group from the business and financial perspectives as previously discussed in this letter, and the entering into of which are in the interests of the Company and the Shareholders as a whole; and (iii) the terms of each the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed are fair and reasonable, which are also arrived at after arm's length negotiations between relevant parties as confirmed by the Directors, we are of the view that the aggregate maximum dilution effect to the existing public Shareholders is acceptable.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed and the transactions contemplated respectively thereunder, including but not limited to and 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, while not being in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Share Subscription, the 2023 CB Subscription and the 2022 CB Extension are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Share Subscription Agreement, the 2023 CB Subscription Agreement and the Amendment Deed and the transactions contemplated thereunder including the grant of the Specific Mandates.

Yours faithfully,  
For and on behalf of  
**Alpha Financial Group Limited**

Yours faithfully,  
For and on behalf of  
**Alpha Financial Group Limited**

**Cheng Chi Ming, Andrew**  
*Managing Director*

**Irene Ho**  
*Vice President*

*Mr. Cheng Chi Ming, Andrew is the Managing Director of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheng has over 19 years of experience in the corporate finance industry in Hong Kong.*

*Ms. Irene Ho is the Vice President of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Ms. Ho has over 8 years of experience in the corporate finance industry in Hong Kong.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

The authorised and issued share capital in the Company as at the Latest Practicable Date and immediately following the allotment and issue of the Subscription Shares, the 2023 CB Conversion Shares and the 2022 CB Conversion Shares will be as follows:

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

<b>Authorised:</b>		<i>HK\$</i>
2,000,000,000	Shares of HK\$0.1 each	200,000,000.00
<b>Issued and paid-up share capital:</b>		
566,728,946	Shares of HK\$0.1 each	56,672,894.60

- ii. The following table illustrates the share capital structure of the Company immediately following the allotment and issue of the Subscription Shares will be as follows:

<b>Authorised:</b>		<i>HK\$</i>
2,000,000,000	Shares of HK\$0.1 each	200,000,000.00
<b>Issued and paid-up share capital:</b>		
566,728,946	Shares of HK\$0.1 each	56,672,894.60
37,666,666	Subscription Shares to be allotted and issued upon Completion	3,766,666.60
<b>604,395,612</b>	<b>Total</b>	<b>60,439,561.20</b>

- iii. The following table illustrates the share capital structure of the Company immediately following the allotment and issue of the Subscription Shares and 2023 CB Conversion Shares will be as follows:

<b>Authorised:</b>		<i>HK\$</i>
2,000,000,000	Shares of HK\$0.1 each	200,000,000.00
<b>Issued and paid-up share capital:</b>		
566,728,946	Shares of HK\$0.1 each	56,672,894.60
37,666,666	Subscription Shares to be allotted and issued upon Completion	3,766,666.60
92,592,592	2023 CB Conversion Shares to be allotted and issued upon full conversion of the 2023 Convertible Bonds	9,259,259.20
<b><u>696,988,204</u></b>	<b>Total</b>	<b><u>69,698,820.40</u></b>

- iv. The following table illustrates the share capital structure of the Company immediately following the allotment and issue of the Subscription Shares, 2023 CB Conversion Shares and 2022 CB Conversion Shares will be as follows:

<b>Authorised:</b>		<i>HK\$</i>
2,000,000,000	Shares of HK\$0.1 each	200,000,000.00
<b>Issued and paid-up share capital:</b>		
566,728,946	Shares of HK\$0.1 each	56,672,894.60
37,666,666	Subscription Shares to be allotted and issued upon Completion	3,766,666.60
92,592,592	2023 CB Conversion Shares to be allotted and issued upon full conversion of the 2023 Convertible Bonds	9,259,259.20
489,247,311	2022 CB Conversion Shares to be allotted and issued upon full conversion of the 2022 Convertible Bonds	48,924,731.10
<b><u>1,186,235,515</u></b>	<b>Total</b>	<b><u>118,623,551.50</u></b>

All the issued Shares in the capital of the Company rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Subscription Shares, 2023 CB Conversion Shares and 2022 CB Conversion Shares when allotted and issued will rank *pari passu* in all respects with the existing Shares on the relevant date of allotment.

The issued Shares are listed on GEM of the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

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

### **The Share Option Scheme**

As at the Latest Practicable Date, the Company had Outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 6,960,644 new Shares, details of which are set out below:

<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of underlying Shares</b>
20/1/2021	20/1/2021–19/1/2026	0.132	2,951,348
20/1/2021	20/1/2021–19/1/2024	0.132	4,009,296

Save for the 2008 Convertible Bonds, the 2022 Convertible Bonds and the Outstanding Share Options, the Company had no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares and there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

### 3. DISCLOSURE OF INTERESTS

#### a) Interest of Directors

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

#### *Long position in the Shares and underlying Shares*

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of the total issued share capital of the Company
Mr. Wong <sup>(Note 1)</sup>	Interest in a controlled corporation	136,755,500	635,137,680	771,893,180	136.20%
Ms. Tsang Kwai Ping <sup>(Note 2)</sup>	Beneficial owner	900,000	—	900,000	0.16%
Ms. Ng Ka Sim, Casina <sup>(Note 3)</sup>	Beneficial owner	—	113,513	113,513	0.02%
Mr. Wong Wing Kit <sup>(Note 3)</sup>	Beneficial owner	—	113,513	113,513	0.02%
Ms. Yeung Mo Sheung, Ann <sup>(Note 3)</sup>	Beneficial owner	—	113,513	113,513	0.02%

*Note:*

- The interest is held by Team Sunny, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company. Team Sunny is interested in 136,755,500 Shares held by it, 37,666,666 underlying Shares pursuant to the Share Subscription, 15,631,111 underlying Shares under the 2008 Convertible Bonds, 92,592,592 underlying Shares under the 2023 Convertible Bonds and 489,247,311 underlying Shares under 2022 Convertible Bonds.
- Ms. Tsang Kwai Ping is an executive Director of the Company.
- Ms. Ng Ka Sim, Casina, Mr. Wong Wing Kit and Ms. Yeung Mo Sheung, Ann are the independent non-executive Directors of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company have interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

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

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

*Long position in the Shares and underlying Shares*

Name	Capacity	Number of Shares held	Number of total underlying Shares	Total	Approximate percentage of the total issued share capital of the Company
Team Sunny <sup>(Note)</sup>	Beneficial owner	136,755,500	635,137,680	771,893,180	136.20%

*Note:* The interest is held by Team Sunny, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company. Team Sunny is interested in 136,755,500 Shares held by it, 37,666,666 underlying Shares pursuant to the Share Subscription, 15,631,111 underlying Shares under the 2008 Convertible Bonds, 92,592,592 underlying Shares under the 2023 Convertible Bonds and 489,247,311 underlying Shares under the 2022 Convertible Bonds. Mr. Wong is also the sole director of Team Sunny.

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

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

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in the assets which had been, since 31 December 2022, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

#### 5. DIRECTORS' INTERESTS IN COMPETING INTERESTS

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

Pursuant to Ms. Tsang Undertaking, save for the HK Co Sec Business, (i) without the prior written consent of the Board, Ms. Tsang shall not, and shall procure her close associates not to, whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group ("**Ms. Tsang Restricted Business**"); (ii) if Ms. Tsang and/or any of her close associates is offered or becomes aware of any project or new business opportunity ("**Ms. Tsang New Business Opportunity**") that relates to the Ms. Tsang Restricted Business, Ms. Tsang shall (a) promptly within ten (10) Business Days notify the Company in writing of such Ms. Tsang New Business Opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such Ms. Tsang New Business Opportunity; and (b) use her best endeavors to procure that such Ms. Tsang New Business Opportunity is offered to the Company on terms no less favorable than the terms on which such Ms. Tsang New Business Opportunity is offered to her and/or her close associates; and (iii) if the Group has not given written notice of its desire to invest in such Ms. Tsang New Business Opportunity or has given written notice denying the Ms. Tsang New Business Opportunity within thirty (30) Business Days of receipt of notice from Ms. Tsang, Ms. Tsang and/or her close associates shall be permitted to invest in or participate in the Ms. Tsang New Business Opportunity on her own record.

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



## 6. DIRECTORS' SERVICE CONTRACTS

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

## 7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance pending or threatened against any member of the Group.

## 8. EXPERTS AND CONSENT

The following sets out the qualifications of the expert who has given opinion, letter or advice included in this circular:

<b>Name</b>	<b>Qualifications</b>
Alpha Financial	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or advice, and references to its name in the forms and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**9. MATERIAL ADVERSE CHANGE**

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

**10. GENERAL**

- (i) The company secretary of the Company is Ms. Tsang Kwai Ping, who is a member of both of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She is also an associate member of both of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (ii) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (iii) The principal place of business of the Company in Hong Kong is at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong.
- (iv) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (v) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong.
- (vi) The English texts of this circular shall prevail over the Chinese texts.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be available for inspection (i) on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and (ii) on the website of the Company ([www.noiz-group.com](http://www.noiz-group.com)) from the date of this circular up to and including the date of the EGM, being a period of not less than 14 days:

- (i) the Letter from the Board, the text of which is set out on pages 6 to 46 of this circular;
- (ii) the letter from the Independent Board Committee, the text of which is set out from pages 47 to 48 of this circular;
- (iii) the letter from Alpha Financial, the text of which is set out on pages 49 to 111 in this circular;
- (iv) the written consent referred to in the paragraph headed “8. EXPERT AND CONSENT” in this Appendix I;

- (v) the Share Subscription Agreement;
- (vi) the 2023 CB Subscription Agreement;
- (vii) the Amendment Deed; and
- (viii) this circular.

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## NOTICE OF EGM

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# 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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of NOIZ Group Limited (the “**Company**”) 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 purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the conditional share subscription agreement (the “**Share Subscription Agreement**”) dated 14 July 2023 and entered into between the Company as issuer and Team Sunny International Holdings Limited (the “**Subscriber**”) as subscriber in relation to the subscription of 37,666,666 new shares (the “**Subscription Shares**”) of the Company by the Subscriber (a copy of the Share Subscription Agreement having been produced to the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Subscription Shares) be and are hereby approved, confirmed and ratified;
- (b) the board (the “**Board**”) of directors (the “**Directors**”) of the Company be and is hereby granted a specific mandate to allot and issue the Subscription Shares; and
- (c) any one or more Director(s) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Share Subscription Agreement and the transactions contemplated thereunder.”

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## NOTICE OF EGM

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2. **“THAT:**

- (a) the conditional subscription agreement (the **“2023 CB Subscription Agreement”**) dated 14 July 2023 and entered into between the Company as issuer and the Subscriber as subscriber in relation to the subscription of convertible bonds (the **“2023 Convertible Bonds”**) in the principal amount of HK\$10,000,000 by the Subscriber (a copy of the 2023 CB Subscription Agreement having been produced to the EGM and marked **“B”** and initialed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the issue of the 2023 Convertible Bonds and the allotment and issue of the conversion shares (the **“2023 CB Conversion Shares”**) upon exercise of the conversion rights attaching to the 2023 Convertible Bonds) be and are hereby approved, confirmed and ratified;
- (b) the Board be and is hereby granted a specific mandate to allot and issue the 2023 CB Conversion Shares upon exercise of the conversion rights attached to the 2023 Convertible Bonds in accordance with the terms and conditions of the 2023 Convertible Bonds; and
- (c) any one or more Director(s) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the 2023 CB Subscription Agreement and the transactions contemplated thereunder.”

3. **“THAT:**

- (a) the conditional deed of amendment (the **“Amendment Deed”**) dated 14 July 2023 and entered into between the Company and Team Sunny International Holdings Limited as holder of convertible bonds (the **“2022 Convertible Bonds”**) in the principal amount of HK\$91,000,000 (a copy of the Amendment Deed having been produced to the EGM and marked **“C”** and initialed by the chairman of the EGM for the purpose of identification) in relation to the extension of the maturity date of the 2022 Convertible Bonds from 12 August 2024 to the date falling on the second (2nd) anniversary of the issue date of the 2023 Convertible Bonds, and the transactions contemplated thereunder (including but not limited to the allotment and issue of the conversion shares (the **“2022 CB Conversion Shares”**) upon exercise of the conversion rights attaching to the 2022 Convertible Bonds (as amended by the Amendment Deed)) be and are hereby approved, confirmed and ratified;
- (b) the Board be and is hereby granted a specific mandate to allot and issue the 2022 CB Conversion Shares upon exercise of the conversion rights attached to the 2022 Convertible Bonds in accordance with the terms and conditions of the 2022 Convertible Bonds (as amended by the Amendment Deed); and

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## NOTICE OF EGM

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- (c) any one or more Director(s) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Amendment Deed and the transactions contemplated thereunder.”

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

Hong Kong, 4 August 2023

*Notes:*

- (1) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more than one proxies (if a member who is the holder of two or more shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Wednesday, 23 August 2023). Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the EGM, and in such event the instrument appointing a proxy shall be deemed to be revoked.
- (3) In the case of joint holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto. However, if more than one of such joint holders be present at the EGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (4) The EGM is expected to last for less than half a day. Members (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Members or their proxies attending the EGM shall present their identity certifications.
- (5) 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.

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## NOTICE OF EGM

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- (6) If tropical cyclone warning signal no. 8 or above is hoisted, “extreme conditions” caused by super typhoons or a black rainstorm warning signal is in force at 9:00 a.m. on 25 August 2023, the EGM will not be held on that day but will automatically be postponed and, by virtue of this notice, be held at the same time and place on 28 August 2023. Shareholders of the Company may call the Company at (852) 2115 7600 during business hours from 9:00 a.m. to 6:30 p.m. on Monday to Friday, excluding public holidays for details of alternative meeting arrangements.

In the event the EGM is postponed as mentioned above, all forms of proxy deposited with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, for the purpose of the EGM will remain valid for the adjourned EGM. The book closure period for ascertaining the rights of the shareholders of the Company who shall be entitled to attend and vote at the EGM remains unchanged.

The EGM will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. Shareholders of the Company should make their own decision as to whether they would attend the EGM under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

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