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Active Dynamic Limited

(Incorporated in British Virgin Islands with limited liability)

**金利豐金融集團有限公司
KINGSTON FINANCIAL GROUP LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 01031)

JOINT ANNOUNCEMENT

**(1) PROPOSED PRIVATISATION OF
KINGSTON FINANCIAL GROUP LIMITED
BY ACTIVE DYNAMIC LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT;**

**(2) PROPOSED WITHDRAWAL OF LISTING OF
KINGSTON FINANCIAL GROUP LIMITED;**

(3) ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE;

(4) APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER;

AND

(5) RESUMPTION OF TRADING IN ORDINARY SHARES

Financial Adviser to the Offeror

Nuada Limited

Financial Adviser to the Company

 **金利豐財務顧問
KINGSTON CORPORATE FINANCE**

Independent Financial Adviser

ALTUS CAPITAL LIMITED

1. INTRODUCTION

The Offeror and the Company jointly announce that, on 13 October 2022, after trading hours, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act.

Upon completion of the Proposal, the Offeror will hold the entire issued share capital of the Company and the listing of the Ordinary Shares will be withdrawn from the Stock Exchange.

2. TERMS OF THE PROPOSAL

Scheme Shares

If the Proposal is approved and implemented, the Scheme Shares will be cancelled and extinguished and the Scheme Shareholders whose names appear on the Register on the Scheme Record Date will be entitled to receive from the Offeror:

For every Scheme Share cancelled and extinguished HK\$0.3000 in cash

Convertible Preference Shares

No offer for the Convertible Preference Shares is made by the Offeror under Rule 14 of the Takeovers Code as all the Convertible Preference Shares are held by the Offeror. For the avoidance of doubt, the Scheme Shares shall comprise the Ordinary Shares held by the Scheme Shareholders only.

The Offeror has undertaken that it (a) will not convert any of the Convertible Preference Shares and (b) will hold the Convertible Preference Shares and will not sell, transfer, dispose of or create or agree to create any encumbrance of or otherwise create any interests on the Convertible Preference Shares on or before the earlier of the lapse of the Scheme and the Effective Date.

The cash payment will be paid by the Offeror only if the Scheme becomes effective.

Cancellation Price

The Cancellation Price of HK\$0.3000 per Scheme Share cancelled and extinguished represents:

- (a) a premium of approximately 47.78% over the closing price of HK\$0.2030 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 48.37% over the average closing price of HK\$0.2022 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;

- (c) a premium of approximately 39.41% over the average closing price of HK\$0.2152 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 33.27% over the average closing price of HK\$0.2251 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 29.87% over the average closing price of HK\$0.2310 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 26.64% over the average closing price of HK\$0.2369 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 10.99% over the average closing price of HK\$0.2703 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a discount of approximately 80.22% to the audited consolidated net assets value attributable to ordinary shareholders of the Company of approximately HK\$1.5166 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue));
- (i) a discount of approximately 74.77% to the audited consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$1.1891 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares));

- (j) a discount of approximately 57.68% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.7089 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue)); and
- (k) a discount of approximately 46.02% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.5558 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares)).

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, prices of the Ordinary Shares traded on the Stock Exchange, the financial performance of the Group, the trading multiples of comparable companies listed on the Stock Exchange and the factors as set out in the section headed “Reasons for and benefits of the Proposal” in this joint announcement and with reference to other similar privatisation transactions relating to companies listed on the Stock Exchange in recent years.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

3. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this joint announcement, the authorised share capital of the Company comprises 24,750,000,000 Ordinary Shares and 5,250,000,000 Convertible Preference Shares, of which 13,614,480,666 Ordinary Shares and 3,750,000,000 Convertible Preference Shares are in issue. As at the date of this joint announcement, the Company has no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued share capital of 13,614,480,666 Ordinary Shares and 3,750,000,000 Convertible Preference Shares.

Of the 13,614,480,666 Ordinary Shares in issue, the Offeror holds in aggregate 10,157,205,895 Ordinary Shares, representing approximately 74.606% of the total number of the Ordinary Shares in issue as at the date of this joint announcement. The Offeror holds in aggregate 3,750,000,000 Convertible Preference Shares, representing 100% of the total number of the Convertible Preference Shares in issue as at the date of this joint announcement.

The Scheme Shares shall only comprise the 3,457,274,771 Ordinary Shares, representing approximately 25.39% of the total number of the Ordinary Shares in issue as at the date of this joint announcement. Of the 3,457,274,771 Scheme Shares, 43,702,000 Scheme Shares are held by the Offeror Concert Parties as at the date of this joint announcement. The Offeror Concert Parties will abstain from voting at the Scheme Meeting. No Convertible Preference Shares will form part of the Scheme Shares.

4. CONFIRMATION OF FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$0.3000 per Scheme Share and 3,457,274,771 Scheme Shares in issue as at the date of this joint announcement, the maximum cash consideration payable under the Proposal is HK\$1,037,182,431.30.

The Offeror intends to finance the entire cash amount required for the Proposal by its internal cash resources.

Nuada, as the financial adviser to the Offeror in connection with the Proposal and the Scheme, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

5. WITHDRAWAL OF LISTING

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Ordinary Shares being simultaneously issued and credited as fully paid at par to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for withdrawal of listing of the Ordinary Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, so that such withdrawal is to take place immediately following the Effective Date.

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapsed, the listing of the Ordinary Shares on the Stock Exchange will not be withdrawn.

6. SCHEME DOCUMENT

Pursuant to Rule 8.2 of the Takeovers Code, unless the Executive's consent is obtained, the Scheme Document, including, amongst other things, details of the Proposal and the Scheme, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the Independent Board Committee, the letter of advice from the Independent Financial Adviser and notices of the Scheme Meeting and the SGM, together with forms of proxy in relation thereto, as well as other particulars required by the Takeovers Code, should be despatched to the Scheme Shareholders within 21 days of the date of this joint announcement (i.e., on or before 14 November 2022), and in compliance with the requirements of the Takeovers Code, the Companies Act, the orders from the Bermuda Court and any other applicable laws and regulations.

As additional time is required to finalise the financial information to be included in the Scheme Document, in particular the interim results of the Company for the six months ended 30 September 2022, and thereafter to submit the Scheme Document to the Bermuda Court to procure the holding of the Directions Hearing, the Offeror will make an application to the Executive pursuant to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Scheme Document, i.e., from 14 November 2022, to a date on or before 21 December 2022.

The Scheme Document will contain important information and the Scheme Shareholders are urged to read the Scheme Document carefully before casting any vote at (or providing any proxy in respect of) the Scheme Meeting or the SGM.

7. SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of Ordinary Shares on the Stock Exchange was suspended from 9:00 a.m. on 14 October 2022, pending the issue of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of Ordinary Shares on the Stock Exchange with effect from 9:00 a.m. on 25 October 2022.

WARNINGS

Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This joint announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any approval or other response to the Proposal should be made only on the basis of information in the Scheme Document.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions. Details in relation to overseas Scheme Shareholders will be contained in the Scheme Document.

INTRODUCTION

On 13 October 2022, after the trading hours, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act. Upon completion of the Proposal, the Offeror will hold the entire issued share capital of the Company and the listing of the Ordinary Shares will be withdrawn from the Stock Exchange.

TERMS OF THE PROPOSAL

The Proposal

A. *Scheme Shares*

If the Proposal is approved and implemented, the Scheme Shares will be cancelled and extinguished and the Scheme Shareholders whose names appear on the Register on the Scheme Record Date will be entitled to receive from the Offeror:

For every Scheme Share cancelled and extinguished HK\$0.3000 in cash

B. *Convertible Preference Shares*

As at the date of this joint announcement, the Offeror holds the 3,750,000,000 Convertible Preference Shares conferring rights to subscribe for up to HK\$3,000,000,000 in aggregate in cash for 3,750,000,000 new Ordinary Shares at the conversion price of HK\$0.80 (subject to adjustments) per Ordinary Share. No conversion right attaching to the Convertible Preference Shares shall take place if immediately after such conversion, the public float of the Ordinary Shares falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange. As such, the Offeror has undertaken that it (a) will not convert any of the Convertible Preference Shares and (b) will hold the Convertible Preference Shares and will not sell, transfer, dispose of or create or agree to create any encumbrance of or otherwise create any interests on the Convertible Preference Shares on or before the earlier of the lapse of the Scheme and the Effective Date.

No offer for the Convertible Preference Shares is made by the Offeror under Rule 14 of the Takeovers Code as all the Convertible Preference Shares are held by the Offeror. For the avoidance of doubt, the Scheme Shares shall comprise the Ordinary Shares held by the Scheme Shareholders only.

The cash payment will be paid by the Offeror only if the Scheme becomes effective.

Cancellation Price

The Cancellation Price of HK\$0.3000 per Scheme Share cancelled and extinguished represents:

- (a) a premium of approximately 47.78% over the closing price of HK\$0.2030 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;

- (b) a premium of approximately 48.37% over the average closing price of HK\$0.2022 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 39.41% over the average closing price of HK\$0.2152 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 33.27% over the average closing price of HK\$0.2251 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 29.87% over the average closing price of HK\$0.2310 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 26.64% over the average closing price of HK\$0.2369 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 10.99% over the average closing price of HK\$0.2703 per Ordinary Share, based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a discount of approximately 80.22% to the audited consolidated net assets value attributable to ordinary shareholders of the Company of approximately HK\$1.5166 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue));
- (i) a discount of approximately 74.77% to the audited consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$1.1891 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares));
- (j) a discount of approximately 57.68% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.7089 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 13,614,480,666 Ordinary Shares (being the number of Ordinary Shares then in issue)); and

- (k) a discount of approximately 46.02% to the adjusted consolidated net asset value attributable to ordinary shareholders of the Company of approximately HK\$0.5558 per Ordinary Share as at 31 March 2022 (calculated based on the audited consolidated net asset value of the Group attributable to Shareholders of approximately HK\$20,648,388,000 as adjusted by deducting the goodwill of HK\$10,996,683,000 as at 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 and 17,364,480,666 Ordinary Shares (being the 13,614,480,666 Ordinary Shares then in issue and the 3,750,000,000 Ordinary Shares to be issued assuming full conversion of the Convertible Preference Shares)).

Basis for determining the Cancellation Price

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, prices of the Ordinary Shares traded on the Stock Exchange, the financial performance of the Group, the trading multiples of comparable companies listed on the Stock Exchange and the factors as set out in the section headed “Reasons for and benefits of the Proposal” in this joint announcement and with reference to other similar privatisation transactions relating to companies listed on the Stock Exchange in recent years.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

Highest and lowest prices

During the six-month period ended on and including the Last Trading Day, the highest closing price of the Ordinary Shares as quoted on the Stock Exchange was HK\$0.2850 on 17 June and 20 June 2022, and the lowest closing price of the Ordinary Shares as quoted on the Stock Exchange was HK\$0.2020 on 3 October, 5 October to 7 October and 10 October to 12 October 2022.

Dividend payment by the Company

If, after the date of this joint announcement, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the net amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this joint announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced. The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital during the offer period in relation to the Proposal. As at the date of this joint announcement, there is no outstanding dividend in respect of the Shares that has been announced but not yet paid.

Events following the Scheme becoming effective

On the basis of the number of Scheme Shares in issue as at the date of this joint announcement, if the Conditions are fulfilled or waived (as applicable) and upon the Scheme becoming effective:

- (a) all Scheme Shares will be cancelled and extinguished and in consideration thereof, each Scheme Shareholder whose name appears on the Register on the Scheme Record Date will be entitled to receive the Cancellation Price of HK\$0.3000 in cash for each Scheme Share cancelled and extinguished;
- (b) simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be increased to its former amount by issuing at par to the Offeror such number of new Ordinary Shares as is equal to the number of Scheme Shares cancelled and extinguished, credited as fully paid, by applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par such new Ordinary Shares;
- (c) the Company will be wholly-owned by the Offeror; and
- (d) the listing of the Ordinary Shares on the Stock Exchange will be withdrawn with effect immediately following the Effective Date.

Conditions of the Proposal and the Scheme

The Proposal and the Scheme will only become effective and binding on the Company and all the Shareholders if the following Conditions are fulfilled or waived (as applicable):

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders present and voting either in person or by proxy at the Scheme Meeting, representing not less than 75% in value of those Scheme Shares that are voted either in person or by proxy by the Scheme Shareholders at the Scheme Meeting with the Offeror Concert Parties abstaining from voting;
- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Scheme Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Scheme Meeting against the resolution to approve the Scheme is not more than 10% of the votes attaching to all of the Scheme Shares held by the Disinterested Scheme Shareholders;
- (c) the passing of the relevant special resolution(s) by a majority of not less than 75% of the votes cast by the Shareholders present and voting, either in person or by proxy, at the SGM, to approve amongst other things, (i) any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares and (ii) the simultaneous increase of the issued share capital of the Company to its former amount by issuing at par to the Offeror such number of new Ordinary Shares,

credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished by applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full at par such new Ordinary Shares;

- (d) the sanction of the Scheme (with or without modifications) by the Bermuda Court and the delivery to the Registrar of Companies of a copy of the order of the Bermuda Court for registration;
- (e) to the extent necessary, compliance with the procedural requirements and conditions under section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares;
- (f) all Authorisations (if any) having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, Macau and any other relevant jurisdictions; and, if applicable, any waiting periods having expired or terminated;
- (g) all Authorisations (if any) remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, which are material in the context of the Group (taken as a whole), in each aforesaid case up to and at the time when the Scheme becomes effective;
- (h) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal; and
- (i) all necessary consents in connection with the Proposal and the withdrawal of listing of the Ordinary Shares on the Stock Exchange which may be required under any existing contractual obligations of any member of the Group being obtained or waived by the relevant party(ies) and remaining in effect (if applicable).

The Conditions in paragraphs (a) to (e) cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (f) to (i), to the extent permissible by relevant laws and regulations, the Listing Rules and the Takeovers Code, either in whole or in respect of any particular matter. The Company does not have the right to waive any of the Conditions. All of the Conditions will have to be fulfilled or waived, as applicable, on or

before the Long Stop Date, failing which the Proposal and the Scheme will lapse. If the Scheme is withdrawn, not approved or lapsed, the listing of the Ordinary Shares on the Stock Exchange will not be withdrawn.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

With reference to the Condition in paragraph (f), as at the date of this joint announcement, each of the Offeror and the Company is not aware of any requirement for such Authorisations other than those set out in the Conditions in paragraphs (a) to (e).

With reference to the Condition in paragraph (h), as at the date of this joint announcement, each of the Offeror and the Company is not aware of any such action, proceeding, suit, investigation, enquiry, statute, regulation, demand or order.

With reference to the Condition in paragraph (i), as at the date of this joint announcement, the Company has notified the banks for the proposed change in shareholding of the Company regarding the existing banking facilities of the Group and the banks have no objection to it. Save for aforesaid, each of the Offeror and the Company is not aware of any other consents required.

If the Conditions are satisfied or waived (as applicable), the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Scheme Meeting or the SGM.

As at the date of this joint announcement, none of the Conditions have been fulfilled or waived (as the case may be).

Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

ARRANGEMENTS MATERIAL TO THE PROPOSAL

As at the date of this joint announcement:

- (a) there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Offeror or any of the Offeror Concert Parties which might be material to the Proposal;
- (b) there is no agreement or arrangement to which the Offeror or any of the Offeror Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal; and

- (c) neither the Offeror nor any of the Offeror Concert Parties has received any irrevocable commitment to vote for or against the Proposal.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this joint announcement:

- (a) the authorised share capital of the Company comprises 24,750,000,000 Ordinary Shares and 5,250,000,000 Convertible Preference Shares, of which 13,614,480,666 Ordinary Shares and 3,750,000,000 Convertible Preference Shares are in issue;
- (b) save for the Convertible Preference Shares, there are no other outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into the Ordinary Shares;
- (c) the Company has no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued share capital of 13,614,480,666 Ordinary Shares and 3,750,000,000 Convertible Preference Shares;
- (d) the Offeror directly owns, controls or has direction over 10,157,205,895 Ordinary Shares and 3,750,000,000 Convertible Preference Shares, representing approximately 74.606% and 100% of the total number of the issued Ordinary Shares and Convertible Preference Shares, respectively. The Offeror Concert Parties directly own 43,702,000 Ordinary Shares in aggregate, representing approximately 0.321% of the total number of the issued Ordinary Shares. Save as disclosed above, none of the Offeror or the Offeror Concert Parties owns or has control or direction over the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (e) there were no dealings by the Offeror or the Offeror Concert Parties in the Shares during the six-month period prior to the date of this joint announcement;
- (f) save for the Convertible Preference Shares held by the Offeror, there are no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or Offeror Concert Parties;
- (g) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror or any of the Offeror Concert Parties; and
- (h) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any of the Offeror Concert Parties has borrowed or lent.

The Scheme Shares shall only comprise the 3,457,274,771 Ordinary Shares, representing approximately 25.39% of the total number of the Ordinary Shares in issue as at the date of this joint announcement. Of the 3,457,274,771 Scheme Shares, 43,702,000 Scheme Shares are held by the Offeror Concert Parties as at the date of this joint announcement. The Offeror Concert Parties will abstain from voting at the Scheme Meeting. No Convertible Preference Shares will form part of the Scheme Shares.

The table below sets out the shareholding structure of the Company as at the date of this joint announcement and immediately upon completion of the Proposal, assuming that there is no other change in the shareholding of the Company before the Effective Date:

	As at the date of this joint announcement				Immediately upon completion of the Proposal			
	No. of Ordinary Shares	% of total issued Ordinary Shares	No. of Convertible Preference Shares	% of total issued Convertible Preference Shares	No. of Ordinary Shares	% of total issued Ordinary Shares	No. of Convertible Preference Shares	% of total issued Convertible Preference Shares
Offeror (Notes 1, 4 and 5)	10,157,205,895	74.606	3,750,000,000	100.00	13,614,480,666	100.00	3,750,000,000	100.00
Scheme Shareholders								
<i>Offeror Concert Parties</i>								
Mr. Lee Wai Man (Notes 3 and 5)	550,000	0.004	—	—	—	—	—	—
Ms. Li Yuet Mei Dilys (Notes 3 and 5)	500,000	0.004	—	—	—	—	—	—
Mr. Wong Jimmy Hip Keung (Notes 3 and 5)	42,292,000	0.311	—	—	—	—	—	—
Ms. Wong Chi Ting Esther (Notes 3 and 5)	360,000	0.003	—	—	—	—	—	—
Sub-total of the Offeror and Offeror Concert Parties	10,200,907,895	74.927	—	—	—	—	—	—
<i>Disinterested Scheme Shareholders</i>	<i>3,413,572,771</i>	<i>25.073</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
Total	13,614,480,666	100.00	3,750,000,000	100.00	13,614,480,666	100.00	3,750,000,000	100.00

Notes:

- As at the date of this joint announcement, the Offeror is ultimately wholly-owned by Mrs. Chu, who is the controlling shareholder of the Company, the chief executive officer of the Company and an executive Director, is the spouse of Mr. Chu, Nicholas Yuk-yui (“**Mr. Chu**”, the chairman of the Board and an executive Director). As such, Mr. Chu is deemed to be interested in the Shares held by the Offeror under Part XV of the SFO.
- Save for the Shares indirectly held by Mrs. Chu, none of the Directors holds any Shares as at the date of this joint announcement.
- Mr. Lee Wai Man is the father of Mrs. Chu, Ms. Li Yuet Mei Dilys is the sister of Mrs. Chu, Mr. Wong Jimmy Hip Keung is the brother-in-law of Mrs. Chu and Ms. Wong Chi Ting Esther is the niece of Mrs. Chu.

4. As at the date of this joint announcement, the Offeror holds 3,750,000,000 Convertible Preference Shares conferring rights to subscribe for up to HK\$3,000,000,000 in aggregate in cash for 3,750,000,000 new Ordinary Shares at the conversion price of HK\$0.80 (subject to adjustments) per Ordinary Share. No conversion right attaching to the Convertible Preference Shares shall take place if immediately after such conversion, the public float of the Ordinary Shares falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange. As such, the Offeror has undertaken that it (a) will not convert any of the Convertible Preference Shares and (b) will hold the Convertible Preference Shares and will not sell, transfer, dispose of or create or agree to create any encumbrance of or otherwise create any interests on the Convertible Preference Shares on or before the earlier of the lapse of the Scheme and the Effective Date.
5. The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled and extinguished upon the Scheme becoming effective. The Ordinary Shares held by the Offeror Concert Parties will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective.
6. Certain percentage figures included in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

As at the date of this joint announcement, the Offeror holds 10,157,205,895 Ordinary Shares and 3,750,000,000 Convertible Preference Shares, representing approximately 74.606% and 100% of the total number of the issued Ordinary Shares and Convertible Preference Shares, respectively. Such Shares will not form part of the Scheme Shares and will therefore not be voted at the Scheme Meeting and will not be cancelled and extinguished upon the Scheme becoming effective. As at the date of this joint announcement, the Offeror Concert Parties hold 43,702,000 Ordinary Shares in aggregate, representing approximately 0.321% of the total number of the issued Ordinary Shares and they will abstain from voting at the Scheme Meeting. The Ordinary Shares held by the Offeror Concert Parties will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective. The Offeror and the Offeror Concert Parties will undertake to the Bermuda Court that it will be bound by the Scheme, so as to ensure that they will comply with and be subject to the terms and conditions of the Scheme.

All Shareholders will be entitled to vote on the special resolution(s) to be proposed at the SGM to approve, amongst other things, (i) any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares and (ii) the simultaneous increase of the issued share capital of the Company to its former amount by issuing at par to the Offeror such number of new Ordinary Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled and extinguished, by applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full at par such new Ordinary Shares. The Offeror and the Offeror Concert Parties have indicated that, if the Scheme is approved at the Scheme Meeting, the Offeror and the Offeror Concert Parties will vote in favour of the special resolution(s) to be proposed at the SGM. Upon the Scheme becoming effective, the Company will be wholly-owned by the Offeror.

CONFIRMATION OF FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$0.3000 per Scheme Share and 3,457,274,771 Scheme Shares in issue as at the date of this joint announcement, the maximum cash consideration payable under the Proposal is HK\$1,037,182,431.30.

The Offeror intends to finance the entire cash amount required for the Proposal by its internal cash resources.

Nuada, as the financial adviser to the Offeror in connection with the Proposal and the Scheme, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

INFORMATION ON THE COMPANY

The Company is a company incorporated in Bermuda with limited liability, the Ordinary Shares of which are listed on the Stock Exchange.

The Group is a leading financial institution in Hong Kong providing a full range of financial services, including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services and futures brokerage services. The Group is also engaged in the hotel and gaming businesses in Macau. The Group is broadly classified into three operating segments, namely: (i) financial services segments; (ii) hotel and gaming segments; and (iii) securities investment segment.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. The Offeror is ultimately wholly-owned by Mrs. Chu as at the date of this joint announcement. The main assets of the Offeror are the Shares it holds.

The sole director of the Offeror is Mrs. Chu. Mrs. Chu is the chief executive officer of the Company and an executive Director. She is the co-founder of the Group and joined the Group in April 2005. She has over 20 years of experience in financial services industry. Mrs. Chu is a member of National Committee of Chinese People's Political Consultative Conference, vice president of Belt and Road General Chamber of Commerce, permanent member of the Friends of Hong Kong Association, founder and permanent honorary chairman of The Chamber of Hong Kong Listed Companies, permanent honorary president and vice chairman of The Institute of Securities Dealers, vice chairman of Hong Kong Securities Professionals Association, standing chairman of Federation of Hong Kong Guangdong Community Organisations, chief president of the Hong Kong Federation of Dongguan Associations, honorary citizen of Dongguan (2022), permanent honorary chairman of Federation of Hong Kong Zhuhai Community, chairman of Aplichau Promotion of Tourism Association, chairman of The Aplichau KaiFong Welfare Association, honorary president of Hong Kong Army Cadets Association, honorary president of Hong Kong New Arrivals Services Foundation Limited and director of Sun Yat-Sen University Advisory Board. She was the chairman (2015–2016) and advisory board member (2016–2017) of Po Leung Kuk. Mrs. Chu received an Honorary Ph.D. Degree in Business Management from York University, the US and holds a Bachelor Degree of Science in Management from Golden Gate University, the US. As at the date of this joint announcement, Mrs. Chu is a non-executive director of Sincere Watch (Hong Kong) Limited which is a company listed on the Main Board of the Stock Exchange.

INTENTION OF THE OFFEROR WITH REGARD TO THE GROUP

Following the implementation of the Proposal, the Offeror intends the Group to maintain its existing business upon the successful privatisation of the Company. The Offeror has no intention to have the Ordinary Shares listed in other markets and to make major changes to the business of the Group and the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategy relating to the business, structure and/or direction of the Group.

FINANCIAL ADVISER TO THE OFFEROR, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Offeror has appointed Nuada as its financial adviser in connection with the Proposal and the Scheme. The Company has appointed Kingston Corporate Finance as its financial adviser in connection with the Proposal and the Scheme.

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Lau Man Tak, Ms. Lo, Miu Sheung Betty and Mr. Chiu Sin Nang, Kenny, has been established by the Board to make recommendation to the Disinterested Scheme Shareholders in relation to the Proposal and the Scheme and the Independent Financial Adviser has been appointed by the Board to advise the Independent Board Committee and the Disinterested Scheme Shareholders in relation to the Proposal and the Scheme. The recommendation of the Independent Board Committee and the advice from the Independent Financial Adviser as to whether the terms of the Proposal and the Scheme are fair and reasonable, and as to voting by the Disinterested Scheme Shareholders at the Scheme Meeting and as to voting by the Shareholders at the SGM, will be set out in the Scheme Document.

As at the date of this joint announcement, the Offeror is a company ultimately wholly-owned by Mrs. Chu, the controlling shareholder of the Company, the chief executive officer of the Company and an executive Director. Mr. Chu, the chairman of the Board, is the spouse of Mrs. Chu, and Mr. Chu, Kingston Chun Ho (“**Mr. CH Chu**”), an executive Director, is the son of Mr. Chu and Mrs. Chu. As such, both Mr. Chu, Mrs. Chu and Mr. CH Chu will abstain from voting at meetings of the Board in relation to the Proposal and the Scheme given that they have a material interest in the Proposal and the Scheme.

REASONS FOR AND BENEFITS OF THE PROPOSAL

The 2019 Novel Coronavirus (“**COVID-19**”) pandemic has spread over the world and has dragged down global economic growth and supply chains of various countries. In September 2022, the US Federal Reserve announced its third interest rate hike of 0.75% and the federal funds rate rose to a range of 3% to 3.25%, hitting a 14-year high.

In face of high inflation and uncertainties such as significant interest rate hikes by the US Federal Reserve, the appreciation of the US dollar and the high US dollar index attracted capital flow to the US dollar, which led to a weak Hong Kong dollar. The Hong Kong Monetary Authority entered the market to buy Hong Kong dollar and sell US dollars. The aggregate balance of the Hong Kong banking system fell to the level of nearly HK\$100 billion. In addition, the ongoing tension between the PRC and the US and the Russia-Ukraine war have led to greater volatility in the stock and bond markets in Hong Kong. The

Hong Kong stock market entered 2022 on a high note followed by a low in the face of multiple uncertainties that Hang Seng Index hit a low at 16,389 points on 13 October 2022 (being the last trading day of the Ordinary Shares traded on the Stock Exchange before the trading halt announcement of the Company), marking a 11-year low, and even hit a low at 15,082 points on 24 October 2022, marking a 13-year low.

Uncertainties in the PRC's economic growth and geopolitical environment and the concern in depreciation of the Renminbi against the US dollar have a negative impact on the Hong Kong stock market and the local mergers and acquisitions (“M&A”) market. According to the public research from Bloomberg L.P., in the first nine months of 2022, the number of corporate M&A transactions in the Hong Kong market was 128, compared with 210 in the same period in the year of 2021, which has declined by approximately 39.05%; and the transaction amounts of corporate M&A transactions rose from US\$118.87 billion in the first nine months of 2021 to US\$126.3 billion in the first nine months of 2022, but were still well below the US\$140.41 billion in the first nine months of 2020.

Furthermore, the initial public offering market was affected significantly since the outbreak of the COVID-19. Pursuant to the annual reports of the Stock Exchange for years of 2018 and 2021 and the Monthly Market Highlights issued by the Stock Exchange in September 2022, the number of new listings has dropped from 218 in the year of 2018 to 98 in the year of 2021 (representing by a drop of approximately 55.04%) and continued to drop to 56 for the nine months ended 30 September 2022. The total amount of funds raised for the nine months ended 30 September 2022 has dropped by 74.4% to HK\$73.16 billion as compared to the same period in the year of 2021. The total amount of funds raised in Hong Kong fell out of the top five and only ranked ninth in the world based on the “2022 1H Review & Outlook for Mainland & HK IPO Markets” issued by Deloitte Touche Tohmatsu Limited.

Securities brokerage, underwriting and placement services are the main sources of income for the Group. To complement the Group's securities brokerage services, the Group also provides margin and initial public offering financing services. However, the volatility in the financial markets has driven the revaluation of assets, where the overall investment sentiment has become cautious. Due to the weak market sentiment and uncertainty about the economic outlook as aforesaid, the Group will continue to adopt a prudent approach for the provision of such financial services businesses.

On the other hand, the Group is also engaged in the hotel and gaming businesses in Macau. During the outbreak of COVID, the travel restrictions imposed by the various cities in the PRC lowered the number of visitors to Macau. According to the report of “Monthly Gross Revenue from Games of Fortune in 2022 and 2021” issued and updated by the Gaming Inspection and Coordination Bureau in Macau on 17 October 2022, the accumulated gross revenue for the nine months ended 30 September 2022 in Macau was approximately MOP31,819 million, representing a decrease of approximately 53.1% as compared to the same period in 2021. In addition, the open bidding process for the six major gaming licenses in Macau commenced in September 2022 and the bidding process is expected to be completed by the end of the year. It is uncertain when the negative impact on Macau's tourism and gaming industry will end and when it will fully recover to pre-pandemic level.

It is observed that the business environment in which the Group operates is under unprecedented significant challenge and uncertainty. The COVID-19 pandemic continues and shows no sign of significant improvement in the near future and its social and economic impacts caused by the uncertainties mentioned above are major and likely to exist for a long period of time.

For the Scheme Shareholders

Cancellation Price represents an attractive exit premium

The Cancellation Price represents a premium ranging from approximately 10.99% to approximately 48.37% over the average closing price per Ordinary Share for the period as mentioned in the paragraph headed “Cancellation Price” under the section headed “Terms of the Proposal” in this joint announcement and the trading volume of the Ordinary Shares has been very thin for the past 12 months. While the Cancellation Price represents a discount of approximately 80.22% to the audited consolidated net assets value attributable to ordinary shareholders of the Company per Ordinary Share as at 31 March 2022 or a discount of approximately 74.77% to the audited consolidated net asset value attributable to ordinary shareholders of the Company per Ordinary Share (as enlarged by the full conversion of the Convertible Preference Shares) at the same period, such discounts were lowered to approximately 57.68% and approximately 46.02%, respectively, if such net asset value is adjusted by deducting the goodwill as mentioned in the paragraph headed “Cancellation Price” under the section headed “Terms of the Proposal” in this joint announcement. In light of the challenging market environment and execution, market and financial risks in implementing a long-term strategy for business growth, the Offeror considers that the Proposal provides an attractive opportunity for the Scheme Shareholders to dispose of their Scheme Shares for all cash at an attractive premium to the prevailing market price and to lower the risk of suffering from illiquidity discount and settlement risk.

An opportunity for Scheme Shareholders to monetise the Ordinary Shares

The trading liquidity of the Ordinary Shares has been at a relatively low level over a prolonged period in recent years. The average daily trading volume of Ordinary Shares for the six-month period, 12-month period and 24-month period up to and including the Last Trading Day were approximately 73,105 Ordinary Shares, 160,506 Ordinary Shares and 188,098 Ordinary Shares per trading day, representing only approximately 0.0005%, 0.0012% and 0.0014% respectively of the total number of issued Ordinary Shares as at the date of this joint announcement.

The low trading liquidity of the Ordinary Shares could make it difficult for Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Ordinary Shares. As such, the Scheme presents an immediate opportunity for Scheme Shareholders to monetise their investments for cash and redeploy the proceeds from accepting the Scheme into other investment opportunities.

For the Offeror and the Company

Limited usage of the listing platform

The Company has not conducted any equity fund raising activities in the past 11 years, being the primary benefit of having a listing status, due to the relatively low liquidity in the trading of the Ordinary Shares as aforesaid and the downward trend of the closing price of the Ordinary Shares in the past 5 years. Under such circumstances, the Company is unable to fully utilise its current listing platform as a source of funding for its long term growth. It is expected that continued listing of the Ordinary Shares may not provide any meaningful benefit to the Company in the near future given the adverse business environment faced by the Group.

Reducing cost and expenses of maintaining the Company's listing status while enabling the Offeror to run the business of the Group in a more efficient and effective way

The Proposal, which entails the delisting of the Company, is expected to reduce the administrative costs and management resources associated with maintaining the Company's listing status and compliance with regulatory requirements. It could also provide more flexibilities to the Offeror and the Group to achieve long-term commercial development and to maintain competitiveness in the challenging market environment, free from the pressure of market expectations, share price fluctuations and additional costs and expenses that may arise from the Company being a publicly listed company.

Taking into account the above reasons and factors, the Board has decided to put forward the Proposal to the Scheme Shareholders for their consideration. The Directors (excluding members of the Independent Board Committee whose views will be given after considering the advice of the Independent Financial Adviser) believe that the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

WITHDRAWAL OF LISTING

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Ordinary Shares being simultaneously issued and credited as fully paid at par to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for withdrawal of listing of the Ordinary Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, so that such withdrawal is to take place immediately following the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Ordinary Shares and the day on which the Scheme and the withdrawal of the listing of the Ordinary Shares on the Stock Exchange will become effective. A detailed timetable of the implementation of the Proposal will be included in the Scheme Document.

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapsed, the listing of the Ordinary Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapsed, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any Offeror Concert Parties in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

OVERSEAS SCHEME SHAREHOLDERS

The making and implementation of the Proposal to the Scheme Shareholders who are not residents in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Scheme Shareholders who are not residents in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

It is the responsibility of any overseas Scheme Shareholders wishing to take any actions in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers, including Nuada, the financial adviser to the Offeror, and Kingston Corporate Finance, the financial adviser to the Company, that those laws and regulatory requirements have been complied with. In the event that the receipt of the Scheme Document by Scheme Shareholders is prohibited by any relevant laws or regulations or may only be effected after compliance with conditions or requirements that the sole director of the Offeror or the directors of the Company regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror or the Company or their respective shareholders), the Scheme Document may not be despatched to such overseas Scheme Shareholders. For that purpose, the Company will apply for a waiver pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders. If any such waiver is granted by the Executive, the Offeror and the Company reserve the right to make arrangements in respect of the Scheme Shareholders not resident in Hong Kong in relation to the Proposal. Such arrangements may include notifying any matter in connection with the Scheme or Proposal to the Scheme Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such Scheme Shareholders are resident. The notice will be deemed to have been sufficiently given despite any failure by such Scheme Shareholders to receive or see that notice.

TAXATION ADVICE

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Proposal. It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company, Nuada, Kingston Corporate Finance or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of the implementation of the Proposal.

COSTS OF THE SCHEME

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee, or is not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Scheme will be borne by the Offeror.

If the Proposal is recommended by the Independent Board Committee, and is recommended as fair and reasonable by the Independent Financial Adviser, the Company and the Offeror have agreed that each party will bear their own costs, charges and expenses.

SCHEME DOCUMENT

Pursuant to Rule 8.2 of the Takeovers Code, unless the Executive's consent is obtained, the Scheme Document including, amongst other things, details of the Proposal and the Scheme, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the Independent Board Committee, the letter of advice from the Independent Financial Adviser and notices of the Scheme Meeting and the SGM, together with forms of proxy in relation thereto, as well as other particulars required by the Takeovers Code, should be despatched to the Shareholders within 21 days of the date of this joint announcement (i.e., on or before 14 November 2022), and in compliance with the requirements of the Takeovers Code, the Companies Act, the orders from the Bermuda Court and any other applicable laws and regulations.

The Scheme Document with explanatory statement included therein is to be issued under section 100 of the Companies Act, and may only be despatched to the Scheme Shareholders after the Bermuda Court has, at the Directions Hearing to be held on a date indicated by the Bermuda Court, determined that it is satisfied with the terms and conditions of the Scheme and the form and contents of the Scheme Document including the proposed date of the Scheme Meeting, the proposed notice of the Scheme Meeting and the associated proxy form in relation thereto.

In addition, it is intended that the financial information of the Group for the six months ended 30 September 2022, which is expected to be published by end of November 2022, would be included in the Scheme Document for the Scheme Shareholders' assessment of the Proposal.

As additional time is required to finalise the financial information to be included in the Scheme Document, in particular the interim results of the Company for the six months ended 30 September 2022, and thereafter to submit the Scheme Document to the Bermuda Court to

procure the holding of the Direction Hearing, the Offeror will make an application to the Executive pursuant to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Scheme Document i.e., from 14 November 2022, to a date on or before 21 December 2022.

A detailed timetable for the Proposal will be set out in the Scheme Document and in the announcement to be jointly made by the Company and the Offeror upon despatch of the Scheme Document. The Scheme Document will contain important information and the Scheme Shareholders are urged to read the Scheme Document carefully before casting any vote at (or providing any proxy in respect of) the Scheme Meeting or the SGM.

DISCLOSURE OF DEALINGS

In accordance with Rule 22 of the Takeovers Code, associates (as defined in the Takeovers Code and including persons holding 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) of the Offeror and the Company are reminded to disclose their dealings in any securities of the Company pursuant to the requirements of the Takeovers Code during the period commencing from the date of this joint announcement and ending on the Effective Date (or, if earlier, the date on which the Scheme is withdrawn or lapses in accordance with its terms and the Takeovers Code). In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

GENERAL

As at the date of this joint announcement:

- (a) no benefit (other than statutory compensation) had been or would be given to any Directors as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of the Offeror Concert Parties on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon the Proposal;
- (c) there is no agreement, arrangement or understanding which may result in the securities of the Company to be acquired in pursuance of the Proposal being transferred, charged or pledged to any other person;
- (d) there is no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exists between the Offeror, the Offeror Concert Parties and any other person;
- (e) other than the Cancellation Price for each Scheme Share cancelled and extinguished payable under the Scheme, the Offeror or the Offeror Concert Parties have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares;
- (f) there is no understanding, agreement, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and any of the Offeror Concert Parties on one hand and the Scheme Shareholders and persons acting in concert with any of them on the other hand; and
- (g) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholders and (2)(a) the Offeror and Offeror Concert Parties, or (2)(b) the Company, its subsidiaries or associated companies.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of Ordinary Shares on the Stock Exchange was suspended from 9:00 a.m. on 14 October 2022, pending the issue of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of Ordinary Shares on the Stock Exchange with effect from 9:00 a.m. on 25 October 2022.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set forth below unless the context requires otherwise.

“acting in concert”	has the meaning given to it in the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly
“associate(s)”	has the meaning given to it in the Takeovers Code
“Authorisations”	all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, waivers, consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals, and all appropriate waiting periods (including extensions thereof), which are required or necessary in connection with the Proposal under any applicable laws or regulations
“Bermuda Court”	the Supreme Court of Bermuda
“Board”	the board of Directors
“Cancellation Price”	the cancellation price of HK\$0.3000 per Scheme Share cancelled and extinguished payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Companies Act”	the Companies Act 1981 of Bermuda, as amended
“Company”	Kingston Financial Group Limited, a company incorporated in Bermuda with limited liability, the Ordinary Shares of which are listed on the Stock Exchange
“Condition(s)”	the condition(s) of the Proposal and the Scheme, as set out in the paragraph headed “Conditions of the Proposal and the Scheme” under the section headed “Terms of the Proposal” of this joint announcement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Preference Share(s)”	the non-redeemable restricted voting convertible preference shares of par value of HK\$0.02 each in the capital of the Company, which are wholly-owned by the Offeror and will not form part of the Scheme Shares
“Directions Hearing”	a directions hearing of the Bermuda Court for the purpose of giving direction as to the holding of the Scheme Meeting
“Director(s)”	the director(s) of the Company

“Disinterested Scheme Shareholder(s)”	Scheme Shareholder(s) other than the Offeror and the Offeror Concert Parties
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Bermuda Court, becomes effective in accordance with its terms and the Companies Act, being the date on which a copy of the order of the Bermuda Court sanctioning the Scheme is delivered to the Registrar of Companies for registration pursuant to Section 99(3) of the Companies Act
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company which comprises all the independent non-executive Directors, namely Mr. Lau Man Tak, Ms. Lo, Miu Sheung Betty and Mr. Chiu Sin Nang, Kenny, established by the Board to make recommendation to the Disinterested Scheme Shareholders in relation to the Proposal and the Scheme
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee in relation to the Proposal and the Scheme
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, which is a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and is engaged as the financial adviser of the Company in relation to the Proposal and the Scheme
“Last Trading Day”	13 October 2022, being the last trading day of the Ordinary Shares on the Stock Exchange pending the publication of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	31 March 2023 or such later date as the Offeror and the Company may agree and, to the extent applicable, as the Bermuda Court on the application of the Company may direct and, in all cases, as permitted by the Executive
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“MOP”	Macau pataca, the lawful currency of Macau
“Mrs. Chu”	Mrs. Chu Yuet Wah, the controlling shareholder of the Company, the chief executive officer of the Company, the executive Director, the sole director of the Offeror and who ultimately wholly-owns the Offeror
“Nuada”	Nuada Limited, which is a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and is engaged as the financial adviser of the Offeror in relation to the Proposal and the Scheme
“Offeror”	Active Dynamic Limited, a company incorporated in the British Virgin Islands with limited liability, which is the controlling shareholder of the Company and is ultimately wholly-owned by Mrs. Chu
“Offeror Concert Party(ies)”	all parties acting in concert with the Offeror, including Mrs. Chu, Mr. Lee Wai Man, Ms. Li Yuet Mei Dilys, Mr. Wong Jimmy Hip Keung and Ms. Wong Chi Ting Esther
“Ordinary Share(s)”	ordinary share(s) of par value of HK\$0.02 each in the share capital of the Company
“PRC”	the People’s Republic of China, which, for the purpose of this joint announcement, excludes Hong Kong, Macau and Taiwan
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme on the terms and subject to the conditions as set out in this joint announcement
“Register”	the principal or branch register of members of the Company (as the case may be) in respect of the Shares
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Relevant Authorities”	any competent governments and/or governmental bodies, regulatory bodies, courts or institutions (including without limitation the SFC and the Stock Exchange)

“Scheme”	a scheme of arrangement to be proposed under section 99 of the Companies Act between the Company and the Scheme Shareholders (subject to the Conditions) involving, amongst other things, the cancellation and extinguishment of all the Scheme Shares in exchange for the Cancellation Price and the simultaneous restoration of the number of the issued Ordinary Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares, with or subject to any modifications, additions or conditions as may be approved or imposed by the Bermuda Court
“Scheme Document”	the composite scheme document to be jointly despatched by the Offeror and the Company to the Shareholders containing, among others, further details of the Proposal together with the additional information as described in the section headed “Scheme Document” of this joint announcement
“Scheme Meeting”	a meeting of the Scheme Shareholders to be convened and held at the direction of the Bermuda Court, at which the Scheme (with or without modifications) will be voted upon, or any adjournment thereof, and with the Offeror Concert Parties abstaining from voting
“Scheme Record Date”	the record date to be announced for the purpose of determining entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme upon the Scheme becoming effective
“Scheme Share(s)”	the Ordinary Share(s) in issue on the Scheme Record Date, other than those directly or indirectly held by the Offeror
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held as soon as practicable following the conclusion or adjournment of the Scheme Meeting for the purposes of approving all necessary resolution(s) for, amongst other things, the implementation of the Scheme, or any adjournment thereof
“Share(s)”	the Ordinary Shares and the Convertible Preference Shares
“Shareholder(s)”	holder(s) of the Shares, as the case may be

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US”	the United States of America
“US\$”	United States dollars, the lawful currency of the US
“%”	per cent

By order of the board of
Active Dynamic Limited
Chu Yuet Wah
Sole Director

By order of the board of
Kingston Financial Group Limited
Chu, Nicholas Yuk-yui
Chairman

Hong Kong, 24 October 2022

As at the date of this joint announcement, the sole director of the Offeror is Mrs. Chu Yuet Wah.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this joint announcement (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the executive directors of the Company are Mr. Chu, Nicholas Yuk-yui (Chairman), Mrs. Chu Yuet Wah (Chief Executive Officer), Mr. Chu, Kingston Chun Ho and Mr. Ho Chi Ho and the independent non-executive directors of the Company are Mr. Lau Man Tak, Ms. Lo, Miu Sheung Betty and Mr. Chiu Sin Nang, Kenny.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than opinions expressed by the director of the Offeror in her capacity as the director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.