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ARTA TECHFIN CORPORATION LIMITED

裕承科金有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

Sole Placing Agent



THE BOND SUBSCRIPTION AGREEMENT

On 16 May 2023 (after trading hours), to raise gross proceeds of HK\$40 million, the Company entered into the Bond Subscription Agreement with the Issuer and the Bond Subscriber, pursuant to which the Issuer (being a wholly-owned subsidiary of the Company) has conditionally agreed to issue, and the Bond Subscriber has conditionally agreed to subscribe for, the Bonds in the principal amount of HK\$40 million, and the Company will guarantee the due payment of all sums payable by the Issuer under the Bonds.

Based on the initial Conversion Price of HK\$0.13475 per Share, assuming that (i) the conversion rights attaching to the Bonds have been exercised in full; (ii) there having been no exercise of any redemption rights in respect of the Bonds; and (iii) there has been no adjustment to the Conversion Price pursuant to the Conditions, a maximum of 296,846,011 Conversion Shares will be allotted and issued upon full conversion of the Bonds, representing (a) approximately 1.55% of the total number of Shares in issue, and (b) approximately 1.53% of the number of Shares in issue as enlarged by the allotment and issue of the maximum number of Conversion Shares (assuming that there will be no change in the number of Shares in issue from the date of this announcement to the date of such issue).

The initial Conversion Price of HK\$0.13475 per Share represents:

- (a) a premium of approximately 24.8% to the closing price of HK\$0.1080 per Share as quoted on the Stock Exchange on 16 May 2023, the date of the Bond Subscription Agreement;
- (b) a premium of approximately 25.0% to the average closing price of approximately HK\$0.1078 per Share as quoted on the Stock Exchange for the last five consecutive Trading Days prior to and including 15 May 2023, the last Trading Day prior to the date of the Bond Subscription Agreement; and
- (c) a premium of approximately 23.2% to the average closing price of approximately HK\$0.1094 per Share as quoted on the Stock Exchange for the last ten consecutive Trading Days prior to and including 15 May 2023.

The Company will raise gross proceeds and proceeds (net of expenses) of HK\$40 million and approximately HK\$38.1 million respectively from the issue of the Bonds.

The Company intends to apply the net proceeds from the issue of the Bonds for IT infrastructure investments and the Company's global market business (comprising securities, brokerage and asset management businesses) to enable the Group to offer blockchain related services and for general corporate purpose.

GENERAL MANDATE AND LISTING APPLICATION

The Conversion Shares will be issued (upon exercise of the conversion rights attaching to the Bonds) under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the 2022 AGM, whereby the Board was authorised to allot and issue up to 3,736,352,376 new Shares.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the approval for the listing of, and the permission to deal in, the Conversion Shares. No application will be made for the listing of the Bonds on the Stock Exchange or any other stock exchange.

The Bond Subscription Agreement may be terminated pursuant to the termination provisions contained therein. In addition, Bond Closing is subject to satisfaction of conditions described further below. As such, the issue of the Bonds may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 16 May 2023 (after trading hours), to raise gross proceeds of HK\$40 million, the Company entered into the Bond Subscription Agreement with the Issuer and the Bond Subscriber, pursuant to which the Issuer (being a wholly-owned subsidiary of the Company) has conditionally agreed to issue, and the Bond Subscriber has conditionally agreed to subscribe for, the Bonds in the principal amount of HK\$40 million, and the Company will guarantee the due payment of all sums payable by the Issuer under the Bonds.

THE BOND SUBSCRIPTION AGREEMENT

The principal terms of the Bond Subscription Agreement are set out below.

Date

16 May 2023

Parties

The parties to the Bond Subscription Agreement are as follows:

- (1) the Issuer (as issuer of the Bonds);
- (2) the Company (as guarantor of the Bonds); and
- (3) the Bond Subscriber (as subscriber of the Bonds). Information relating to the Bond Subscriber is set out in the section headed “Information of the Issuer, the Company and the Bond Subscriber” below. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Bond Subscriber and its ultimate beneficial owners is independent of, and not connected with the Company and its connected persons.

Subject Matter

Pursuant to the Bond Subscription Agreement, the Issuer has conditionally agreed to issue, and the Bond Subscriber has conditionally agreed to subscribe for, the Bonds in the principal amount of HK\$40 million, and the Company will guarantee the due payment of all sums payable by the Issuer under the Bonds. CMBI has been engaged by the Company as the sole placing agent in connection with the proposed issue of the Bonds.

Issue Price of the Bonds

The issue price of the Bonds is at 100% of their principal amount which, subject to the terms of the Bond Subscription Agreement, is payable on Bond Closing.

Conditions Precedent

Bond Closing is conditional upon the fulfillment or waiver of the following conditions:

- (a) the execution and delivery on or before the date of the Bond Closing of the Bond Transaction Documents by the respective parties thereto;
- (b) on or prior to the date of the Bond Closing delivery to the Bond Subscriber of certified true copies of the resolutions of the board of directors of each of the Issuer and the Company approving the issue of the Bonds and the Conversion Shares, and the performance of the Issuer's and the Company's obligations under the Bond Transaction Documents (as applicable) and the Bonds;
- (c) the listing committee of the Stock Exchange having granted approval to the listing of, and the permission to deal in, the Conversion Shares (and such approval and permission not being subsequently revoked prior to the Bond Closing);
- (d) warranties given by the Issuer and the Company under the Bond Subscription Agreement being true, correct and not misleading as at the date such warranties were made and being true, correct and not misleading as of the date of Bond Closing; and
- (e) the Issuer and the Company having performed and complied in all respects with all the agreements, obligations and conditions contained in the Bond Transaction Documents required to be performed or complied with by them on or before the date of Bond Closing and having obtained all approvals, consents, waivers and qualifications necessary to complete the transactions contemplated under the Bond Transaction Documents at Bond Closing.

The condition in (c) above shall not be waived by any party to the Bond Subscription Agreement. The Bond Subscriber may, at its sole discretion and upon such terms as it reasonably thinks fit, waive compliance with the whole or any part of the conditions other than that in (c) above.

Bond Closing

Bond Closing will take place within two business days after the date upon which the last of the conditions set out in the section headed “The Bond Subscription Agreement – Conditions Precedent” have been satisfied (or waived, as the case may be), or such later date, not being later than 5 June 2023.

Termination

If at any time prior to Bond Closing:

- (a) there occurs (i) any breach of, or any event rendering untrue, incorrect, inaccurate in any material respect, any of the representations and warranties or undertakings given by the Company and the Issuer referred to in the Bond Subscription Agreement or (ii) any material breach of, or failure to perform, any of the other obligations of the Company or the Issuer which are required to be performed at or before Bond Closing;
- (b) an Event of Default (as defined in the Conditions and described in the section headed “Principal Terms and Conditions of the Bonds – Events of Default”) has occurred (and the specific grace period in relation thereto has passed in accordance with the Conditions);
- (c) any of the conditions precedent set out in the section headed “Bond Subscription Agreement – Conditions Precedent” is not satisfied or waived by the Bond Subscriber by 5 June 2023;
- (d) in any relevant jurisdiction, there is adopted a new law or a change in the interpretation or application of a law which prohibits or restricts the issuance of the Bonds or has a material adverse effect on the taxation treatment of the Bonds and/or Conversion Shares or the transfer thereof;
- (e) there has occurred any change (or any development or event involving a prospective change), in the financial or business conditions, earnings, assets, liabilities, operations, trading positions or prospects, results of operations or general affairs of the Company and the Group taken as a whole, which, in the sole opinion of the Bond Subscriber, is material and adverse in the context of the issue of the Bonds; or
- (f) a suspension or material limitation of trading in the securities of the Company on the Stock Exchange for more than five Trading Days, save for any suspension thereof required under the Listing Rules for the clearance of announcement or circular to be made by the Company,

the Bond Subscriber or (in the case of an event described in (d) above) the Issuer may in its sole discretion elect to terminate the Bond Subscription Agreement without liability by giving notice in writing to the other parties to the Bond Subscription Agreement.

Lock-up Undertaking

Pursuant to the terms of the Bond Subscription Agreement, each of the Issuer and the Company undertakes to the Bond Subscriber that (except for any Permitted Issue) from the date of the Bond Subscription Agreement and on and prior to the date being 60 days after the date of the Bond Subscription Agreement, neither it nor any person acting on its or their behalf will (without the prior written consent of the Bond Subscriber) (i) allot or issue, offer, sell, pledge, contract to sell or allot or issue, or otherwise dispose of or grant any option, issue warrants or offer rights to subscribe any Shares or any securities of the same class as the Bonds or the Shares or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them (where such allotment, issue, offer or grant has not been announced on the website of the Stock Exchange prior to the date of the Bond Subscription Agreement) or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares or (iii) enter into any transaction with the same effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction is to be settled by delivery of Shares or other securities, in cash or otherwise or (iv) announce or otherwise make public an intention to do any of the foregoing.

PRINCIPAL TERMS AND CONDITIONS OF THE BONDS

The principal terms of the Conditions are summarised below:

Ranking of the Bonds

The Bonds will constitute direct, unsubordinated, unconditional and (subject to the Conditions as described in the section headed “Principal Terms and Conditions of the Bonds – Negative Pledge”) unsecured obligations of the Issuer and will at all times rank *pari passu* without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Guarantee

The Company will guarantee the due payment of all sums payable by the Issuer under the Bonds. Such guarantee will constitute direct, unsubordinated, unconditional and (subject to the Conditions as described in the section headed “Principal Terms and Conditions of the Bonds – Negative Pledge”) unsecured obligations of the Company and will, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Issue Date

The Bonds will be issued on the date of the Bond Closing.

Form and Denomination

The Bonds will be issued in registered form in the specified denomination of HK\$1,000,000 each and integral multiples thereof.

Interest

The Bonds will bear interest from and including the date of issue of the Bonds, at a rate of 8% per annum payable quarterly in arrear in equal instalments.

The interest rate will increase by 1.0% per annum with effect from 1 January 2024, unless the Company raises, whether through borrowing(s) or issue(s) of debt or equity securities by it or any of its subsidiaries, gross cash proceeds in an aggregate amount of at least HK\$20,000,000 (the “**Target**”), between 17 May 2023 and 31 December 2023, and delivers a certificate on or before 31 December 2023 to the fiscal agent and the Bondholders signed by two authorised signatories of the Company certifying that the Target has been met. Proceeds raised from extension or refinancing of any existing borrowing(s) of the Group as at 16 May 2023 shall not be counted towards meeting of the Target, unless and only to the extent that the principal amount of the extended or refinanced borrowing(s) exceeds all outstanding amount (including principal and interest) of the relevant existing borrowing(s) being refinanced or extended.

Negative Pledge

So long as the Bonds remains outstanding, each of the Company and the Issuer will not, and will procure that none of their respective subsidiaries (other than an Investment Subsidiary) will, create or permit to subsist or arise any Security Interest, other than a Permitted Security Interest, upon the whole or any part of their respective present or future undertaking, assets or revenues to secure any Relevant Indebtedness of the Issuer or any such subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless, at the same time or prior thereto, the Company’s or the Issuer’s obligations under the Bonds are secured (i) equally and rateably by the same Security Interest, or (ii) at the option of the Issuer or the Company (as applicable) by such other security, guarantee, indemnity or other arrangement as shall be approved by an extraordinary resolution of the Bondholders.

Redemption at Maturity

Unless previously redeemed, converted or purchased and cancelled, the Issuer will redeem the Bonds at 100% of its principal amount together with accrued and unpaid interest thereon on the Maturity Date.

Redemption at the Option of the Issuer

On giving not less than 30 days' notice (an “**Optional Redemption Notice**”) to the Bondholders in accordance with the Conditions and to the fiscal agent in writing, at any time within the 30 days after 31 December 2023, the Issuer may redeem all or some only, of the Bonds on the date specified in the Optional Redemption Notice at their principal amount (together with any interest accrued but unpaid to but excluding the date fixed for redemption), provided that the Company has met the Target as provided for and calculated in accordance with the Conditions as described in the section headed “Principal Terms and Conditions of the Bonds – Interest” above, on or before 31 December 2023.

Redemption for Taxation Reasons

On giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with the Conditions and to the fiscal agent in writing, the Issuer may redeem all but not some only of the Bonds at their principal amount (together with any interest accrued but unpaid to but excluding the date fixed for redemption) if there are adverse changes to the tax laws in jurisdiction of incorporation of the Issuer or the Company (or, in the case of the Company, Hong Kong) such that its payments under the Bonds is subject to increased tax obligations that cannot be avoided.

Redemption for Delisting, Suspension, Change of Control or Failure to Meet Minimum Cash Balance Requirement

Upon the occurrence of the following events, the Bondholders will have the right, not later than 30 days following the occurrence of such event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with the Conditions, to require the Issuer to redeem all or some only of that Bondholder's Bonds at their principal amount (together with any interest accrued but unpaid to but excluding the date fixed for redemption) as at the redemption date being the fourteenth day after expiry of the period of the 30 days following the occurrence of the following events (or if later, the 30 days following the date upon which notice thereof is given to the Bondholders in accordance with the Conditions) or in the case of (iii) below, the fifth business day following the receipt by the Issuer of the relevant notice of redemption:

- (i) when the Shares cease to be listed or admitted to trading on the Stock Exchange;
- (ii) when the Shares are suspended for a period equal to or exceeding 45 consecutive Trading Days on the Stock Exchange;
- (iii) when there is a Change of Control (as defined in the Conditions) in respect of the Company or the Issuer; or

- (iv) cash and bank balances of the Group disclosed in the Company's audited consolidated statement of financial position as at 31 March 2024 contained in the annual results announcement to be published by the Company for the year ending 31 March 2024 pursuant to the Listing Rules are less than HK\$80 million.

Conversion

The Bondholders will have the right to require the Issuer to convert the Bonds held by them into Conversion Shares at any time during the Conversion Period at the then prevailing Conversion Price, provided that the principal amount of such Bond to be converted shall be at least HK\$1,000,000.

However, the Company is not obliged to issue Shares in satisfaction of such conversion right if by doing so it will be in breach of the public float requirements under the Listing Rules. In that case, such conversion right shall be deemed not to have been exercised and the relevant notice of redemption shall be withdrawn, without prejudice to any later exercise of such conversion right by the Bondholders.

Conversion Period

The Bondholders may exercise their conversion rights attaching to the Bonds at any time on or after the day falling 41 days after the date of the Bond Closing up to (i) (but excluding) the close of business on the day falling 10 business days prior to the Maturity Date or; (ii) if such Bonds shall have been called for redemption before the Maturity Date, up to (but excluding) the close of business on the day no later than 10 business days prior to the specified date in the relevant notice of redemption; or (iii) if the Bondholders have exercised their right to require the Issuer to redeem their Bonds, up to the close of business on the business day prior to the giving of such notice (the "**Conversion Period**").

Conversion Price

The initial Conversion Price is HK\$0.13475 per Share (subject to customary adjustments in the Conversion Price in certain dilutive events such as consolidation, subdivision, redesignation or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issue and issue of other securities by prescribed formula that provides for proportionate or appropriate changes to the number of Conversion Shares and corresponding Conversion Price). The initial Conversion Price represents:

- (a) a premium of approximately 24.8% to the closing price of HK\$0.1080 per Share as quoted on the Stock Exchange on 16 May 2023, the date of the Bond Subscription Agreement;
- (b) a premium of approximately 25.0% to the average closing price of approximately HK\$0.1078 per Share as quoted on the Stock Exchange for the last five consecutive Trading Days prior to and including 15 May 2023, the last Trading Day prior to the date of the Bond Subscription Agreement; and

- (c) a premium of approximately 23.2% to the average closing price of approximately HK\$0.1094 per Share as quoted on the Stock Exchange for the last ten consecutive Trading Days prior to and including 15 May 2023.

The initial Conversion Price of HK\$0.13475 per Share was determined after arms' length negotiations among the parties with reference to the prevailing market price of the Shares as quoted on the Stock Exchange.

The net price of each Conversion Share to the Company based on the estimated maximum net proceeds of approximately HK\$38.1 million and the 296,846,011 Conversion Shares which may be issued from the full conversion of the Bonds is estimated to be approximately HK\$0.128.

Conversion Shares

Based on the initial Conversion Price of HK\$0.13475 per Share, assuming that (i) the conversion rights attaching to the Bonds have been exercised in full; (ii) there having been no exercise of any redemption rights in respect of the Bonds; and (iii) there has been no adjustment to the Conversion Price pursuant to the Conditions, a maximum of 296,846,011 Conversion Shares will be allotted and issued upon full conversion of the Bonds, representing (a) approximately 1.55% of the total number of Shares in issue, and (b) approximately 1.53% of the number of Shares in issue as enlarged by the allotment and issue of the maximum number of Conversion Shares (assuming that there will be no change in the number of Shares in issue from the date of this announcement to the date of such issue).

The aggregate nominal value of such maximum of 296,846,011 Conversion Shares will be HK\$2,968,460.11.

Ranking of Conversion Shares

Conversion Shares will, when issued, rank *pari passu* in all respects with the Shares then in issue on the relevant date the holder of record of the Conversion Shares is registered in the Company's register of members.

Events of Default

Upon the occurrence of customary events of default that cover among others, (i) breaches of the obligations under the Conditions of the Bonds and other Bond Transaction Documents, (ii) insolvency, enforcement, winding up events in respect of the Company or any of its principal subsidiaries and cross defaults of other indebtedness of or exceeding a specified amount, and (iii) illegality, unenforceability or inadmissibility of specified transaction documents in connection with the issue and subscription of the Bonds, Bondholders holding 25% or more of the aggregate principal amount of the Bonds outstanding may declare the Bonds immediately become due and repayable at their principal amount, together with accrued but unpaid interest (if any) to (but excluding) the date of payment.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, the following table sets out the shareholding structure of the Company (a) as at the date of this announcement and (b) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Bonds at the initial Conversion Price of HK\$0.13475 into Conversion Shares (assuming that there will be no change (i) of ownership of the Bonds after issue; and (ii) in the number of Shares in issue from the date of this announcement to the date of such issue).

Shareholder(s)	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Radiant Alliance (<i>Note 1</i>)	14,011,317,504	73.19%	14,011,317,504	72.07%
Bond Subscriber	–	–	296,846,011	1.53%
Other Public Shareholders	5,131,862,376	26.81%	5,131,862,376	26.40%
Total	<u>19,143,179,880</u>	<u>100.00%</u>	<u>19,440,025,891</u>	<u>100.00%</u>

Notes:

- (1) Radiant Alliance is indirectly wholly owned by Dr. Cheng Chi-Kong, Adrian *JP*, a Non-executive Director and the chairman of the Company. Therefore, Dr. Cheng is deemed to be interested in the Shares which Radiant Alliance is interested by virtue of the Securities and Futures Ordinance (Cap. 571).
- (2) The numbers in the above table have been subject to rounding adjustments.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Apart from the 2022 Placing, the 2023 Placing and the proposed issue of the Bonds, the Company has not conducted any fund raising activity involving the issue of equity securities in the twelve months immediately preceding the date of this announcement.

Use of Proceeds from the 2022 Placing and the 2023 Placing

The table below shows the Company's deployment and proposed deployment of the net proceeds of the 2022 Placing and the 2023 Placing compared with the intended use as disclosed in the Company's announcements dated 11 November 2022 and 24 March 2023 respectively:

Business objectives	Intended use of net proceeds as disclosed in the 2022 Placing announcement <i>(approximate, HK\$' million)</i>	Intended use of net proceeds as disclosed in the 2023 Placing announcement <i>(approximate, HK\$' million)</i>	Utilised net	Proposed	Proposed
			proceeds from the 2022 Placing and the 2023 Placing as at the date of this announcement <i>(approximate, HK\$' million)</i>	application of the unutilised net proceeds from the 2022 Placing <i>(approximate, HK\$' million)</i>	application of the unutilised net proceeds from the 2023 Placing <i>(approximate, HK\$' million)</i>
Firmwide upgrade of IT hardware and software (mainly to enhance cyber-security and infrastructural integrity)	7	2.35	4.67	2.33	2.35
Expansion and upgrade of IT operating infrastructure including in-house and external software development (mainly for its client-facing systems, trading system and custodian systems, as well as blockchain-related and cryptographic solutions)	9	7.06	10.67	0	5.39
Expansion of asset management fund product offerings and related marketing	3	4.12	4.26	0	2.86
Local and global brand building and marketing and establishment of presence in non-Hong Kong markets	5	4.12	7.39	0	1.73
Funding possible strategic investments and associated costs	1.4	1.77	3.17	0	0
General working capital	2.1	2.94	3.29	0	1.75
Total	27.5	22.36	33.45	2.33	14.08

Notes:

- (1) The unutilised net proceeds from the 2022 Placing have already been contractually committed towards the business objectives described above as intended and are expected to be paid within the next three months.
- (2) The unutilised net proceeds from the 2023 Placing are expected to be deployed for the business objectives described above by March 2024.

REASONS FOR AND THE BENEFITS OF THE ISSUE OF BONDS AND USE OF PROCEEDS

The Group is principally engaged in (a) global markets business (comprising securities and futures brokerage businesses and investment banking businesses), (b) asset management business, and (c) insurance brokerage business.

The operating environment of the Group's three main business lines have remained challenging during the financial year ending 31 March 2023 as noted in the Company's interim report for the six months ended 30 September 2022 and its announcement dated 15 March 2023. That said, the Group continues to be committed towards executing its business model and strategy and has been investing in the development of technological capabilities in financial services. As stated in its Interim Report, the Group is developing a wealth-management focused fintech platform across the current lines of its business, to include new services (such as asset custody and prime services), broadening product offerings (to include globally listed securities and futures as well as over-the-counter global fixed income securities and multi-asset derivatives) and alternative financial solutions via blockchain innovation. The long-term business objective of the Group is to develop a hybrid fintech platform that offers both traditional financial services and blockchain-related financial solutions.

The net proceeds of the 2022 Placing and 2023 Placing have provided necessary funding for the Group to commence a comprehensive revamp and upgrading of its operating infrastructure and to build and expand both the Group's brand and offering. However, as stated in the Company's announcement dated 24 March 2023 with respect to the 2023 Placing, market conditions since the 2022 Placing have been adversely affected by a combination of rising interest rates, slower than expected recovery of and continued weakness in financial services and insurance sectors generally, notwithstanding the reopening of the border between Hong Kong and Mainland China in January 2023 and the relaxation of COVID-19 restrictions within Hong Kong. Following the completion of the 2023 Placing, there have not been any significant events improving the market condition and sentiments of investors, and the operating environment of the Group's business remained challenging. While these developments are likely to be a drag on the Group's revenue growth at least in the near term, the Company is focused on taking the opportunity to invest in its future in line with its vision.

The issue of the Bonds will raise gross proceeds for the Company of HK\$40 million (or net proceeds (after deduction of expenses payable in connection with the issue of the Bonds) of approximately HK\$38.1 million). Specifically, the Company intends to deploy the estimated net proceeds from the issue of the Bonds in the following manner:

Business objectives	Intended use of net proceeds from the issue of Bonds <i>(approximate, HK\$' million)</i>
Firmwide upgrade of IT hardware and software (mainly to enhance cyber-security and infrastructural integrity)	7.0
Expansion and upgrade of IT operating infrastructure including in-house and external software development (mainly for its client-facing systems, trading system and custodian systems, as well as blockchain-related and cryptographic solutions)	8.1
Expansion of asset management fund product offerings and related marketing	5.0
Local and global brand building and marketing and establishment of presence in non-Hong Kong markets	5.0
Funding possible strategic investments and associated costs	7.0
General working capital	6.0
Total	38.1

The Board (including the Independent Non-executive Directors) considers the Bond Subscription Agreement and the transactions contemplated thereunder (including the issue of Bonds) to be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, having taken into account, among other things, the following factors:

- (a) the issue of Bonds is an appropriate means of raising additional capital for the Group to continue its development plans without having an immediate dilutive effect on the shareholding of existing Shareholders, and in the event that the Bonds are converted into Conversion Shares, the Company can improve its capital base, benefiting the long-term development of the Company;
- (b) the issue of Bonds would allow the Company to appropriately manage its gearing level;
- (b) the Bonds bear interests at a rate of 8% per annum to be accrued and payable quarterly (subject to a 1.0% interest step up, as described in the section headed above “Principal Terms and Conditions of the Bonds – Interest”), which the Directors considered to be on terms no less favourable than the prevailing market rate under current market conditions; and

- (c) the initial Conversion Price was determined after arm's length negotiations among the Company, the Issuer and the Bond Subscriber, with reference to the prevailing market price of the Shares as quoted on the Stock Exchange. As such, the Directors consider the initial Conversion Price to be fair and reasonable under the current market conditions and is in the best interests of the Company and the Shareholders as a whole.

The Company will consider raising further financing as and when business needs require.

INFORMATION OF THE ISSUER, THE COMPANY AND THE BOND SUBSCRIBER

The Company and the Issuer

The Company is an investment holding company. The principal activities of its subsidiaries are organised into business units based on their services and has reportable operating segments as follows:

- (a) global markets business segment composes of brokerage operations including (i) securities and futures brokerage and margin financing operations; (ii) placing, in both equity capital market and debt capital market, and underwriting; and (iii) provision of advisory service for private structured finance transactions and mergers and acquisitions;
- (b) asset management business segment offers traditional asset management products and services, including investment advisory services, portfolio management services and transaction execution services, to professional and institutional investors; and
- (c) insurance brokerage business segment engages in insurance brokerage business and the provision of wealth management planning and related services.

The Issuer is a wholly-owned subsidiary of the Company incorporated for the purpose of issuance of debt securities.

Bond Subscriber

The Bond Subscriber, a company incorporated in Hong Kong with limited liability, is wholly owned by Wuxi Guolian Development (Group) Co., Ltd.* (無錫市國聯發展(集團)有限公司), a wholly state-owned company established in the PRC with limited liability, and is principally engaged in investment holding.

* *for identification purpose only*

GENERAL MANDATE AND LISTING APPLICATION

The Conversion Shares will be issued under the General Mandate. Pursuant to the General Mandate granted to the Directors by a resolution of the Shareholders passed at the 2022 AGM, the Board was authorised to allot and issue up to 3,736,352,376 new Shares, being 20% of the number of Shares in issue on the date of the 2022 AGM. Up to the date of this announcement, save for the subscription by Radiant Alliance of 252,336,000 Shares as part of the 2022 Placing, the subscription by the Radiant Alliance of 209,082,000 Shares as part of the 2023 Placing and the Conversion Shares, no securities of the Company have been or agreed to be issued under the General Mandate.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the approval for the listing of, and the permission to deal in, the Conversion Shares. No application will be made for the listing of the Bonds on the Stock Exchange or any other stock exchange.

The Bond Subscription Agreement may be terminated pursuant to the termination provisions contained therein. In addition, Bond Closing is subject to satisfaction of the conditions described above. As such, the issue of the Bonds may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2022 AGM”	the annual general meeting of the Shareholders held on 8 August 2022
“2022 Placing”	the issue of 252,336,000 Shares to Radiant Alliance as part of the vendor placing exercise pursuant to the placing and subscription agreement dated 1 November 2022 that was the subject of the Company’s announcements dated 1 November 2022 and 11 November 2022
“2023 Placing”	the issue of 209,082,000 Shares to Radiant Alliance as part of the vendor placing exercise pursuant to the placing and subscription agreement dated 24 March 2023 that was the subject of the Company’s announcements dated 24 March 2023 and 31 March 2023

“Board”	the board of Directors
“Bond Closing”	the issue of the Bonds and payment for the Bonds pursuant to the terms of the Bond Subscription Agreement
“Bond Subscriber”	Surrich International Company Limited (錫洲國際有限公司), a company incorporated in Hong Kong with limited liability, information of which is further described in the section headed “Information of the Issuer, the Company and the Bond Subscriber”
“Bond Subscription Agreement”	the subscription agreement dated 16 May 2023 and entered into between the Company, the Issuer and the Bond Subscriber in relation to the subscription of the Bonds
“Bond Transaction Documents”	the Bond Subscription Agreement as well as ancillary transaction documents in relation to the Bonds including the deed of covenant entered into by the Issuer constituting the Bonds, the deed of guarantee executed by the Company in favour of the Bondholders and the fiscal agency agreement entered into by, among others, the Issuer and the Company in relation to the appointment of fiscal agent, paying agent, conversion agent, transfer agent and registrar in respect of the Bonds, all of which are to be dated on or around the date of the Bond Closing
“Bondholder(s)”	holder(s) of the Bonds
“Bonds”	8% guaranteed convertible bonds due 2025 in the aggregate principal amount of HK\$40 million issued by the Issuer convertible into Shares and guaranteed by the Company
“CMBI”	CMB International Capital Limited
“Company”	Arta TechFin Corporation Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 279)
“Conditions”	the terms and conditions of the Bonds

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.13475 per Conversion Share, subject to any adjustment in accordance with the Conditions
“Conversion Share(s)”	the full-paid Share(s) to be allotted and issued upon exercise of the conversion right attaching to the Bonds
“Director(s)”	the director(s) of the Company
“General Mandate”	the general authority granted to the Directors to allot, issue and otherwise deal with new Shares not exceeding 20% of the total number of issued Shares as at the date of the 2022 AGM, by the Shareholders at the 2022 AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Subsidiary”	means each of ARTA Joy Limited, De Oro Limited, ARTA-Emali HK Limited and their respective subsidiaries
“Issuer”	Aurum Strategic Limited, a company incorporated with limited liability in British Virgin Islands and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	two years from the date of issue of the Bonds
“Permitted Issue”	means (i) the issue of the Bonds; or (ii) any other new Shares or securities convertible into Shares that may be issued by the Company pursuant to the General Mandate to raise proceeds (net of related expenses) up to US\$5 million or its equivalent in other currencies excluding any issues which have been announced on the website of the Stock Exchange prior to the date of the Bond Subscription Agreement

“Permitted Security Interest”

any Security Interest which:

- (a) secures any Relevant Indebtedness or any guarantee or indemnity in respect of any Relevant Indebtedness of a person which Security Interests exists at the time that such person is merged into or consolidated with or is acquired by the Group, provided that such Security Interest was not created, nor was the principal amount of the relevant Relevant Indebtedness secured thereby increased, in contemplation of such acquisition, merger or consolidation or event and, in the case of an acquisition by the Company of any person, such Security Interest does not extend to any assets or property of the Group (other than those of the person acquired and its subsidiaries (if any)); or
- (b) secures any Relevant Indebtedness (or any guarantee or indemnity in respect of any Relevant Indebtedness) incurred to refinance any Relevant Indebtedness of the type referred to in (a) above provided that the principal amount of such Relevant Indebtedness is not increased (other than any increase attributable to any other costs and expenses arising on the repayment of the existing Relevant Indebtedness or to any up-front fees, original issue discount or other costs and expenses arising on the incurrence of the new Relevant Indebtedness) and is not extended to cover any additional property or assets which were not the subject of the original security

“PRC”

The People’s Republic of China

“Radiant Alliance”

Radiant Alliance Limited, a company incorporated with limited liability in British Virgin Islands and indirectly wholly owned by Dr. Cheng Chi-Kong, Adrian *JP*

“Relevant Indebtedness”	any future or present indebtedness issued outside the PRC in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement) but shall not include indebtedness under any “transferable loan facility” (which term shall for these purposes mean any loan agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions whereunder rights and (if any) obligations may be assigned and/or transferred)
“Security Interest”	a mortgage, charge, pledge, lien, encumbrance or security interest securing any obligation of any person
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trading Day(s)”	any day(s) when the Stock Exchange is open for dealing business, provided that if no closing price for the Share is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days

“US\$” United States dollar, the lawful currency of the United States of America

“%” per cent.

By Order of the Board of
Arta TechFin Corporation Limited
Lau Fu Wing, Eddie
Chief Executive Officer

Hong Kong, 16 May 2023

As at the date of this announcement, the Board of the Company comprises Dr. Cheng Chi-Kong, Adrian JP (Chairman) and Mr. Han Kam Leung, Michael as Non-executive Directors, Mr. Lau Fu Wing, Eddie (Chief Executive Officer), Ms. Li Chuchu, Tracy and Ms. Yeung Shuet Fan Pamela (Chief Financial Officer) as Executive Directors, and Ms. Ling Kit Sum Imma, Mr. Lo Chun Yu Toby and Dr. Tam Lai Fan Gloria as Independent Non-executive Directors.