
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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ETS GROUP LIMITED 易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8031)

(I) CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND (II) NOTICE OF EGM

Financial adviser to the Company

TRINITY

Trinity Corporate Finance Limited

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

AMASSE CAPITAL

寶積資本

Unless the context otherwise requires, capitalised terms used on this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 27 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 28 to 29 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 53 of this circular.

A notice convening the EGM to be held at 2nd Floor, China Paint Building, 1163 Canton Road, Mongkok, Kowloon, Hong Kong on Thursday, 5 August 2021 at 11:00 a.m. or any adjournment thereof, is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 11:00 a.m. on Tuesday, 3 August 2021) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least seven days from the date of the publication and will be published on the website of the Company at www.etsgroup.com.hk.

PRECAUTIONARY MEASURES FOR THE EGM

Due to the on-going COVID-19 pandemic, to safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the EGM:

- compulsory body temperature checks
- compulsory wearing of a surgical face mask for each attendee
- submission of personal information form, which may be used for contact tracing, if required
- no distribution of corporate gift nor provision of refreshment

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. All attendees are required to wear surgical face masks at all times at the EGM venue. The Company reminds the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

CHARACTERISTICS OF GEM

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

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

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	board of Directors
“Bondholder(s)”	a holder or holders in whose name the Convertible Bonds is registered in the register in relation to the Convertible Bonds
“Business Day”	any day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning No. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	ETS Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the GEM (stock code: 8031)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Conversion Period”	the period commencing from the date on which the Convertible Bonds are issued to the Bondholder(s) up to and including the Initial Maturity Date, or if the Initial Maturity Date has been extended, up to and including the Extended Maturity Date
“Conversion Price”	HK\$0.608 per Conversion Share (subject to adjustments)
“Conversion Rights”	the rights of the Bondholder(s) to convert the principal amount outstanding under the Convertible Bonds registered in its name into Conversion Shares

DEFINITIONS

“Conversion Share(s)”	Share(s) to be allotted and issued upon exercise of the Conversion Rights
“Convertible Bonds”	unlisted zero coupon convertible bonds in the principal amount of HK\$9,500,000 to be issued by the Company pursuant to the terms and conditions of the Subscription Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held by the Company at 2nd Floor, China Paint Building, 1163 Canton Road, Mongkok, Kowloon, Hong Kong on Thursday, 5 August 2021 at 11:00 a.m. to consider and, if thought fit, approve, among other things, the Subscription Agreement and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights under the Specific Mandate)
“Event(s) of default”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Events of default” in this circular
“Extended Maturity Date”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Maturity date” in this circular
“Extension”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Maturity date” in this circular
“Extension Notice”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Maturity date” in this circular
“GEM”	GEM of the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Wong Sik Kei, Mr. Cheung Kong Ting and Mr. Wong Kam Tai, established to give recommendations to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights under the Specific Mandate)
“Independent Financial Adviser” or “Amasse Capital Limited”	Amasse Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights under the Specific Mandate)
“Independent Shareholders”	Shareholders other than the Subscriber and parties acting in concert with it and their respective associates (as defined under the GEM Listing Rules) and all other Shareholders (if any) who are involved or interested in the Subscription Agreement and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights under the Specific Mandate)
“Initial Maturity Date”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Maturity date” in this circular
“Latest Practicable Date”	9 July 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular

DEFINITIONS

“Mandatory Conversion Mechanism at Maturity”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Mandatory conversion” in this circular
“Mandatory Conversion Right”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Mandatory conversion” in this circular
“Mandatory Conversion Triggering Event”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Mandatory conversion” in this circular
“Material Adverse Effect”	a condition, a development or a circumstance which, individually or together, would have a material adverse effect on: (a) the condition (financial or otherwise), prospects, results of operations, assets or liabilities of the companies within the Group; or (b) the ability of the Company to perform any of its obligations under the Subscription Agreement, the Convertible Bonds and/or the instrument constituting the Convertible Bonds; (c) the validity or enforceability of the Subscription Agreement, the Convertible Bonds and/or the instrument constituting the Convertible Bonds
“Maturity Date”	Initial Maturity Date, or if the Initial Maturity Date has been extended, Extended Maturity Date
“Million Top Enterprises”	Million Top Enterprises Limited, a company incorporated in Hong Kong with limited liability which was wholly and beneficially owned by Mr. Tang
“Mr. Tang”	Mr. Tang Shing Bor, being (i) the late non-executive Director and chairman of the Company; and (ii) the late father of Mr. YS Tang
“Mr. YS Tang”	Mr. Tang Yiu Sing, being (i) an executive Director and chief executive officer of the Company; (ii) an executive director and chairman of Pine Care Group; and (iii) the son of Mr. Tang
“Pine Care Group”	Pine Care Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1989)

DEFINITIONS

“Refusal Notice”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Maturity date” in this circular
“Refusal Period”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Maturity date” in this circular
“Relevant Event”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Redemption” in this circular
“Remaining Principal Amount after Mandatory Conversion”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Mandatory conversion” in this circular
“Remaining Principal Amount at Maturity”	has the meaning ascribed thereto in the section headed “Issue of Convertible Bonds under Specific Mandate – Mandatory conversion” in this circular
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	specific mandate to be sought from the Independent Shareholders for the allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Pine Care Titanium Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Pine Care Group
“Subscription”	the subscription of the Convertible Bonds in the principal amount of HK\$9.5 million by the Subscriber pursuant to the terms and conditions of the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	the conditional subscription agreement dated 10 May 2021 and entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended from time to time
“Trading Day”	a day when the Stock Exchange is open for dealing business, provided that, if no closing price 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 existed when ascertaining any period of dealing days
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD

ETS GROUP LIMITED
易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8031)

Executive Directors:

Mr. Tang Yiu Sing (*Chief Executive Officer*)
Mr. Yeung Ka Wing

Independent non-executive Directors:

Mr. Wong Sik Kei
Mr. Cheung Kong Ting
Mr. Wong Kam Tai

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

4th Floor
China Paint Building
1163 Canton Road
Mongkok
Kowloon
Hong Kong

15 July 2021

To the Shareholders

Dear Sir or Madam,

(I) CONNECTED TRANSACTION
ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
AND
(II) NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 10 May 2021. On 10 May 2021, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK\$9.5 million.

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under

LETTER FROM THE BOARD

the Specific Mandate); (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same regard; and (iv) a notice of the EGM.

SUBSCRIPTION AGREEMENT

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

Date: 10 May 2021

Parties: (i) the Company, as the issuer; and
(ii) Pine Care Titanium Limited, as the Subscriber

Subscription

The Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK\$9.5 million.

Conditions precedent

The obligations of the Company and the Subscriber to effect Completion are conditional upon:

- (i) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights under the Specific Mandate, having been obtained;
- (ii) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iii) the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights under the Specific Mandate;
- (iv) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Bonds;

LETTER FROM THE BOARD

- (v) none of the warranties given by the Company under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (vi) none of the warranties given by the Subscriber under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (vii) as at the date of the Subscription Agreement and up to the date of Completion, there shall have been no occurrence of any circumstances or events which individually or together, is or is likely to have a Material Adverse Effect or a prolonged suspension or material limitation of trading in the Shares on GEM.

As at the Latest Practicable Date, save for condition (ii) above, none of the conditions above has been fulfilled or waived.

The conditions set out in (i), (ii), (iii) and (iv) above are incapable of being waived. If the conditions above are not fulfilled (or waived, as the case may be) on or before 9 September 2021 or such later date as may be agreed by the Company and the Subscriber in writing, the Subscription Agreement shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Subscription Agreement save in respect of any antecedent breach of any obligation thereof.

Completion

Completion shall take place on a date falling on the third Business Day (or such other date as the Company and the Subscriber may agree) after fulfilment (or waiver, as the case may be) of all conditions precedent set out above.

ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

The principal terms of the Convertible Bonds to be issued under the Subscription Agreement are set out as follows:

Issuer:	The Company
Principal amount:	HK\$9.5 million
Interest:	The Convertible Bonds shall bear no interest.
Maturity date(s):	The day falling on the second anniversary of the issue of the Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date (the “ Initial Maturity Date ”).

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In the event that any of the Convertible Bonds remain unconverted and outstanding on the date falling one (1) month prior to the Initial Maturity Date, the Company may serve a written notice on the Bondholder(s) (the “**Extension Notice**”) at least 14 days prior to the Initial Maturity Date to extend the maturity date of such Convertible Bonds which remain unconverted and outstanding at the Initial Maturity Date to the day falling on the third anniversary of the issue of the Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date (the “**Extended Maturity Date**”) (the “**Extension**”), whereupon the Bondholder(s) shall have a right to refuse the Extension by serving a written notice (the “**Refusal Notice**”) to the Company within 7 days from the receipt of the Extension Notice (the “**Refusal Period**”). For the avoidance of doubt, consent to the Extension shall be deemed to have given by the Bondholder(s) to the Company unless the Refusal Notice was served by the Bondholder(s) to the Company within the Refusal Period.

Conversion right and
limitation:

A Bondholder shall have the right at any time during the Conversion Period to convert the whole or part (in multiples of HK\$1,000,000) of the outstanding principal amount of Convertible Bonds registered in its name into Conversion Shares at the Conversion Price, provided that only a portion of the principal amount of the Convertible Bonds may be converted such that:

- (i) the conversion of such portion of the principal amount of the Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder(s) which exercised the Conversion Rights and parties acting in concert with it;
- (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules for the minimum percentage of Shares being held by the public as per Rule 11.23(7) of the GEM Listing Rules) of the issued Shares of the Company at the time in compliance with the GEM Listing Rules; and
- (iii) the conversion will not cause a change of control of the Company (collectively, the “**Conversion Restrictions**”).

LETTER FROM THE BOARD

- Mandatory conversion:
- (i) During the Conversion Period, in the event that the closing price per Share as quoted on the Stock Exchange represents a premium of 5% over the then applicable Conversion Price (the initial Conversion Price being HK\$0.608 per Conversion Share) for five (5) consecutive Trading Days (the “**Mandatory Conversion Triggering Event**”), subject to the Conversion Restrictions, the Company has the absolute right (the “**Mandatory Conversion Right**”) to require the Bondholder(s) to mandatorily convert all or such maximum portion of the principal amount of the Convertible Bonds remaining outstanding without triggering the Conversion Restriction(s) into Conversion Shares at the then applicable Conversion Price at any time during the Conversion Period. For the avoidance of doubt, the Mandatory Conversion Right is a continuing right and may be exercised by the Company more than once during the Conversion Period.

 - (ii) At maturity, provided that there are any Convertible Bonds which remain outstanding on the Maturity Date (“**Remaining Principal Amount at Maturity**”), subject to the Conversion Restriction(s), the Bondholder(s) is required to mandatorily convert all or such maximum portion of the Remaining Principal Amount at Maturity into Conversion Shares at the then applicable Conversion Price on the Maturity Date (“**Mandatory Conversion Mechanism at Maturity**”).

In the event that all of the Remaining Principal Amount at Maturity are converted into Conversion Shares at the then applicable Conversion Price on the Maturity Date immediately after the Mandatory Conversion Mechanism at Maturity, provided that the closing price per Share as quoted on the Stock Exchange on the Maturity Date is equal to or is higher than the then applicable Conversion Price on the Maturity Date, neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

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In the event that all of the Remaining Principal Amount at Maturity are converted into Conversion Shares at the then applicable Conversion Price on the Maturity Date immediately after the Mandatory Conversion Mechanism at Maturity, but the closing price per Share as quoted on the Stock Exchange on the Maturity Date is lower than the then applicable Conversion Price on the Maturity Date, the Company is obliged to pay to the Bondholder(s) an amount in cash equivalent to the difference between (I) 105% of the Remaining Principal Amount at Maturity and (II) the multiplication of such number of Conversion Shares issued by the Company by virtue of the Mandatory Conversion Mechanism at Maturity and the closing price of the Shares as quoted on the Stock Exchange on the Maturity Date.

In the event that only a portion of the Remaining Principal Amount at Maturity are converted into Conversion Shares at the then applicable Conversion Price on the Maturity Date immediately after the Mandatory Conversion Mechanism at Maturity, such remaining portion of the Remaining Principal Amount at Maturity not converted immediately after the Mandatory Conversion Mechanism at Maturity (**“Remaining Principal Amount after Mandatory Conversion”**) shall be redeemed by the Company in accordance with the provisions under the paragraph headed “Redemption – Redemption of the outstanding Convertible Bonds on the Maturity Date” below in this section.

Conversion price:

The initial Conversion Price for the Convertible Bonds shall be equal to HK\$0.608 per Conversion Share, subject to adjustments as set out in the paragraph headed “Adjustments to the Conversion Price” below in this section.

LETTER FROM THE BOARD

Adjustments to the
Conversion Price:

The initial Conversion Price shall from time to time be adjusted in accordance with the following events:

(i) Consolidation, Subdivision or Reclassification:

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

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

Where:

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

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

Such adjustment shall become effective on the date the alteration takes effect.

(ii) Capitalisation of Profits or Reserves:

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued (except any scrip dividend) and which would not have constituted a distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

LETTER FROM THE BOARD

Where:

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

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective from the commencement of the day following the record date for such issue.

In the case of an issue of Shares by way of a scrip dividend where the current market price of such Shares on the date of announcement of the terms of the scrip dividend exceeds the amount of the relevant cash dividend or the relevant part thereof and which would not have constituted a distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

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

Where:

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

B is the aggregate nominal amount of the Shares issued by way of such scrip dividend multiplied by a fraction of which (a) the numerator is the amount of the whole, or the relevant part, of the relevant cash dividend and (b) the denominator is the current market price of the Shares issued by way of scrip dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the relevant cash dividend on the date of announcement of the terms of the scrip dividend; and

C is the aggregate nominal amount of the Shares issued by way of such scrip dividend.

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

LETTER FROM THE BOARD

(iii) Capital Distributions:

- (a) Subject to adjustment (iii)(b) below, if and whenever the Company shall pay or make any capital distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under adjustment (ii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such capital distribution by the following fraction:

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

Where:

A is the current market price of one Share on the last trading day preceding the date on which the capital distribution is publicly announced; and

B is the fair market value of the portion of the capital distribution attributable to one Share on the date of such announcement.

Such adjustment shall become effective on the date that such capital distribution is actually made.

- (b) If and whenever the Company shall pay or make any capital distribution in cash only to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such capital distribution by the following fraction:

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

Where:

A is the current market price of one Share on the record date for the determination of Shareholders entitled to receive such capital distribution in cash; and

B is the amount of cash so distributed attributable to one Share.

LETTER FROM THE BOARD

Such adjustment shall become effective on the record date for the determination of Shareholders entitled to receive such capital distribution in cash.

(iv) Rights Issues of Shares or Options over Shares:

If and whenever the Company shall (a) issue Shares to all or substantially all of the Shareholders as a class by way of rights or (b) issue or grant to all or substantially all of the Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than the current market price per Share on the last trading day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

Where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such current market price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on (aa) with respect to the situation envisaged in sub-paragraph (iv)(a) above, the date of issue of such Shares or (bb) with respect to the situation envisaged in sub-paragraph (iv)(b) above, on the date when the said issue or grant of such options, warrants or other rights occurs.

LETTER FROM THE BOARD

Transferability: The Bondholder may assign or transfer the Convertible Bonds in whole or in part to any other persons subject to the prior written notification to the Company having been made, and compliance with the GEM Listing Rules and applicable laws.

Any such assignment or transfer of the Convertible Bonds to connected person(s) of the Company shall be subject to compliance with the applicable GEM Listing Rules.

Ranking of Conversion Shares: The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares.

Redemption: *Redemption of the Convertible Bonds on the occurrence of an Event of Default*

Following the occurrence of an Event of Default, a Bondholder has the right at its option, to require the Company to redeem all (or any portion of the principal amount thereof) of the Convertible Bonds on the fifth (5th) Business Day after the date of the notice of redemption duly completed and signed by the Bondholder to the Company at their principal amount.

Redemption of the Convertible Bonds on the occurrence of a Relevant Event

Following the occurrence of (i) when the Shares cease to be listed on the Stock Exchange or (ii) when there is a change of control in the Company (each a “**Relevant Event**”), a Bondholder has the right at its option, to require the Company to redeem all (or any portion of the principal amount thereof) of the Convertible Bonds on the tenth (10th) Business Day after the date of notice of redemption duly completed and signed by the Bondholder to the Company at their principal amount.

LETTER FROM THE BOARD

Redemption prior to Maturity

Except as otherwise provided on the occurrence of an Event of Default or a Relevant Event, the Company is not entitled to redeem any of the Convertible Bonds prior to maturity.

Redemption of the outstanding Convertible Bonds on the Maturity Date

In the event that there is any Remaining Principal Amount after Mandatory Conversion, whether by reason of the Conversion Restriction(s) or otherwise, provided that the closing price of the Shares as quoted on the Stock Exchange is equal to or is higher than the then applicable Conversion Price on the Maturity Date, any Remaining Principal Amount after Mandatory Conversion shall be redeemed by the Company at 105% of such Remaining Principal Amount after Mandatory Conversion on the Maturity Date in cash.

In the event that there is any Remaining Principal Amount after Mandatory Conversion, whether by reason of the Conversion Restriction(s) or otherwise, but the closing price of the Shares as quoted on the Stock Exchange is lower than the then applicable Conversion Price on the Maturity Date, any Remaining Principal Amount after Mandatory Conversion shall be redeemed and settled by the Company on the Maturity Date by way of payment of an amount in cash equivalent to the difference between (I) 105% of the Remaining Principal Amount at Maturity and (II) the multiplication of such number of Conversion Shares issued by the Company by virtue of the Mandatory Conversion Mechanism at Maturity as set out in the paragraph headed “Mandatory conversion” above in this section and the closing price of the Shares as quoted on the Stock Exchange on the Maturity Date.

LETTER FROM THE BOARD

Events of Default: Any of the following events, among others, shall constitute an event of default (“**Event of Default**”):

(i) Failure to pay:

the Company fails to pay the principal amount and entitlements due in respect of any of the Convertible Bonds, and such default is not cured within thirty (30) days;

(ii) Insolvency:

the Company is insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Company; or if an administrator or liquidator of the Company or the whole or any substantial part of the assets and revenues of the Company is appointed (or application for any such appointment is made);

LETTER FROM THE BOARD

(iii) Winding-up:

any action, legal proceedings or other procedure or step is taken (or any analogous procedure or step is taken in any jurisdiction) against the Company or any of its subsidiaries in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution or reorganisation except a solvent liquidation;
- (b) a composition, assignment or arrangement with any creditor;
- (c) the appointment of an administrator or a liquidator (except in respect of a solvent liquidation) or other similar officer in respect of any of the assets of the Company or any of its subsidiaries;
- (d) enforcement of any security over any of the assets of the Company or any of its subsidiaries; or
- (e) termination of the business of the Company or any of its subsidiaries;

(iv) Cessation of listing and suspension of trading:

the Shares cease to be listed on the Stock Exchange or are suspended for the trading on the Stock Exchange for more than 30 consecutive trading days, unless otherwise agreed to be extended by the Bondholder(s) in writing;

(v) Illegality:

it is or will become unlawful for the Company to perform its payment and/or delivery of Shares obligations under any of the Convertible Bonds.

Voting:

A Bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only it being a Bondholder.

Listing:

No application will be made for a listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

LETTER FROM THE BOARD

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Conversion Shares

Assuming full conversion of the Convertible Bonds at the Conversion Price of HK\$0.608 per Conversion Share (subject to adjustments), a maximum number of 15,625,000 Conversion Shares will be allotted and issued, representing approximately 5.58% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to conversion of the Convertible Bonds in full at the initial Conversion Price).

Conversion Price

The initial Conversion Price of HK\$0.608 per Conversion Share represents:

- (i) a premium of approximately 153.33% over the closing price of HK\$0.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 102.67% over the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (iii) a premium of approximately 102.67% over the average closing price of approximately HK\$0.30 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iv) a premium of approximately 102.67% over the average closing price of approximately HK\$0.30 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (v) a premium of approximately 46.86% over the audited net asset value attributable to the Shareholders of approximately HK\$0.414 per Share as at 31 December 2020 (based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$116,033,000 as at 31 December 2020 and 280,000,000 Shares in issue as at 31 December 2020).

The initial Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber taking into account (i) the business prospects of the Group, (ii) the existing capital market conditions in Hong Kong; and (iii) the recent closing prices of the Shares as quoted on the Stock Exchange up to and including the date of the Subscription Agreement.

LETTER FROM THE BOARD

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in providing comprehensive multi-media contact centre services, contact centre system and financial services. The principal activities of the Group include provisions of outsourcing inbound and outbound contact services, staff insource service, contact service centre and service centre facilities management service. The Group also carries out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO through Gear Securities Investment Limited and Gear Asset Management Limited, both being an indirect wholly-owned subsidiary of the Company.

Subject to completion of the Subscription, the gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bonds will be approximately HK\$9,500,000 and approximately HK\$8,700,000, respectively.

The detailed breakdown and proposed timeline of utilising the net proceeds from the Subscription are set out as follows:

Use of net proceeds	Approximate percentage of total net proceeds	Amount (HK\$ million)	Expected time of usage
Expansion of the financial services business of the Group, including costs of hiring additional staff for business development purposes of the Group's securities and asset management business as and when suitable candidates are available	71.3%	6.2	On or before 31 December 2022
Potential office relocation and renovation expenses of the Group's securities and asset management business	17.2%	1.5	On or before 31 December 2021
Replenishment of working capital and general corporate purposes of the Group	11.5%	1.0	Upon completion of the Subscription
Total	<u>100%</u>	<u>8.7</u>	

LETTER FROM THE BOARD

The Directors consider that the raising of funds by the issue of Convertible Bonds is justifiable taking into account the recent market conditions which represent an opportunity for the Group to strengthen its capital base and financial position. The Directors consider that the issue of Convertible Bonds is an appropriate means of raising additional capital since the Conversion Price is at a premium to the market price as set out above, which was arrived at after arm's length negotiations between the Company and the Subscriber.

The Company's latest unaudited consolidated cash balance as at 30 April 2021 was approximately HK\$41 million, which is expected to be reduced considerably, mainly due to the high operating costs of the Group, and uncertainties in business environment based on the current unfavourable market conditions and the expected utilisation of funds in the Group's financial services business, including costs of hiring additional staff for developing the Group's securities and asset management business. Since the Group's business includes money lending and mortgage loan business, although the Company has unaudited consolidated cash balance as at 30 April 2021 of approximately HK\$41 million, part and parcel of such cash position is expected to be utilised for money lending or mortgage loan business for the generation of revenue for the Group.

In order to manage the Group's working capital in a prudent manner and in view of the current circumstances, the Board has assessed equity and debt issuance fund raising alternatives as follows and considers that the Subscription is a preferred fundraising method because:

- (i) bank borrowings – it is expected that bank borrowings would require pledge of certain assets or collateral acceptable to the banks, repayment in short period of time and incurring of additional interest expenses on the Company; and
- (ii) placement of the Shares at market price and/or rights issue and/or open offer – it is expected that equity fund raising would require sufficient trading liquidity in the Shares and the procurement of placing agent(s) would incur placing fees and other additional costs on the Company. Also, fund raising by rights issue and/or open offer would require relatively longer time as compared to other fund raising alternatives.

In view of the Conversion Price at a premium to the market price which is in the interests of the Company and the Shareholders as a whole, despite the possible minor dilution effect upon conversion of the Convertible Bonds, the Directors (including the independent non-executive Directors having taken into account the independent advice from the Independent Financial Adviser) consider that the terms of the Subscription Agreement and the transactions contemplated thereunder, including the Conversion Price, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is the shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price, assuming there being no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the date of full conversion of the Convertible Bonds:

Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the date of full conversion of the Convertible Bonds)	
	<i>Number of Shares</i>	<i>Approximate % of shareholding</i>	<i>Number of Shares</i>	<i>Approximate % of shareholding</i>
Mr. Tang (<i>Note 1</i>)	210,000,000	75.00%	210,000,000	71.04%
The Subscriber (<i>Note 2</i>)	–	–	15,625,000	5.29%
Public Shareholders	<u>70,000,000</u>	<u>25.00%</u>	<u>70,000,000</u>	<u>23.67%</u>
Total	<u>280,000,000</u>	<u>100.00%</u>	<u>295,625,000</u>	<u>100.00%</u>

Notes:

1. These interests were held by Million Top Enterprises, which was wholly and beneficially owned by Mr. Tang. Mr. Tang passed away on 14 May 2021 and his interests in the Shares form part of his estate.

2. According to the Subscription Agreement, a Bondholder shall have the right at any time during the Conversion Period to convert the whole or part (in multiples of HK\$1,000,000) of the outstanding principal amount of Convertible Bonds registered in its name into Conversion Shares at the Conversion Price, provided that only a portion of the principal amount of the Convertible Bonds may be converted such that, among others, (i) the conversion of such portion of the principal amount of the Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder(s) which exercised the Conversion Rights and parties acting in concert with it; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules for the minimum percentage of Shares being held by the public as per Rule 11.23(7) of the GEM Listing Rules) of the issued Shares of the Company at the time in compliance with the GEM Listing Rules.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activities during the past 12 months immediately preceding the Latest Practicable Date.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Pine Care Group. It is principally engaged in investment holding. Pine Care Group (stock code: 1989) is a limited liability company incorporated in the Cayman Islands and the issued shares of which are listed on the Main Board of the Stock Exchange.

As at the Latest Practicable Date, Mr. YS Tang, who is an executive Director, is also an executive director and a controlling shareholder of Pine Care Group.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is an indirect wholly-owned subsidiary of Pine Care Group, and Mr. YS Tang, who is an executive Director, is also an executive director and a controlling shareholder of Pine Care Group. Accordingly, the Subscriber is a connected person of the Company under the GEM Listing Rules. The Subscription therefore constitutes a connected transaction on the part of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Conversion Shares will be allotted and issued under the Specific Mandate. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Save for Mr. Tang, being the late non-executive Director and father of Mr. YS Tang, and Mr. YS Tang and Mr. Yeung Ka Wing, each being an executive Director and also an executive director of Pine Care Group, who have abstained from voting on the relevant resolutions of the Board, none of the Directors has material interest in the Subscription Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions of the Board.

Completion of the Subscription is subject to fulfillment of the conditions precedent as set out in the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

EGM

The EGM will be held at 2nd Floor, China Paint Building, 1163 Canton Road, Mongkok, Kowloon, Hong Kong, on Thursday, 5 August 2021 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares) by way of poll.

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 11:00 a.m. on Tuesday, 3 August 2021) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) in the interests of the Company and the Shareholders as a whole; and (iv) on how to vote. The Company has appointed Amasse Capital Limited, as the Independent Financial Adviser, to advise the Independent Board Committee and the Independent Shareholders in the same regard.

The Subscriber and parties acting in concert with it and their respective associates which have material interest in the Subscription Agreement and the transactions contemplated thereunder are required to abstain from voting on the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the Subscription and shall be required to abstain from voting at the EGM in respect of the resolution to approve the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 28 to 29 of this circular which contains its recommendation to the Independent Shareholders in relation to Subscription Agreement and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 30 to 53 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription and the granting of the Specific Mandate for the allotment and issue of the Conversion Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolution in relation to the Subscription Agreement and transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
ETS Group Limited
Tang Yiu Sing
Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder.

ETS GROUP LIMITED

易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8031)

15 July 2021

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 15 July 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote in relation to the ordinary resolution to approve the Subscription Agreement and the transactions contemplated thereunder to be proposed at the EGM. Details of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares) are set out in the “Letter from the Board” contained in the Circular. The Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving such advice, are contained in its letter set out on pages 30 to 53 of the Circular. Your attention is also drawn to the letter from the Board.

RECOMMENDATION

Having considered the terms of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares) and the advice and recommendation of Independent Financial Adviser as contained in its letter set out on pages 30 to 53 of the Circular, we consider that the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Subscription Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and although the Subscription Agreement is not in the ordinary and usual course of business of the Group, the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares) are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to approve the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares) to be proposed at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Wong Sik Kei
Independent non-executive
Director

Mr. Cheung Kong Ting
Independent non-executive
Director

Mr. Wong Kam Tai
Independent non-executive
Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Amasse Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares), which has been prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL
寶 積 資 本

15 July 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION – ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 15 July 2021 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 10 May 2021 (the “**Announcement**”). On 10 May 2021, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK\$9.5 million.

The Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares). We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is an indirect wholly-owned subsidiary of Pine Care Group, and Mr. YS Tang, who is an executive Director, is also an executive director and a controlling shareholder of Pine Care Group. Accordingly, the Subscriber is a connected person of the Company under the GEM Listing Rules. The Subscription therefore constitutes a connected transaction on the part of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as an independent financial adviser to the Company, the Independent Board Committee and the Independent Shareholders for any transaction.

With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence, we consider that we are independent pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others, (i) the Announcement, the first quarterly report of the Company for the three months ended 31 March 2021 (the "**2021 First Quarterly Report**"), the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**") and the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**") in relation to the information of the Group; (ii) the information contained or referred to in the Circular; and (iii) relevant public information. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate). We have reviewed and discussed with the Company on the information provided as well as sought and received confirmation from the Management that all information and representations provided to us by the Management are true, accurate, complete and not misleading in all respects at the time they were made and as at the Latest Practicable Date. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with the GEM Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular as a whole misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate). We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have taken into consideration the following principal factors and reasons.

1. Background Information

(a) Information of the Group

The Company is an investment holding company and the Group is principally engaged in providing comprehensive multi-media contact centre services, contact centre system and financial services. The principal activities of the Group include provisions of outsourcing inbound and outbound contact services, staff insource service, contact service centre and service centre facilities management service. The Group also carries out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO through Gear Securities Investment Limited and Gear Asset Management Limited, both being an indirect wholly-owned subsidiary of the Company.

Set out below is a summary of the financial information of the Group as extracted from the 2019 Annual Report, the 2020 Annual Report and the 2021 First Quarterly Report, details of which are as follows:

	For the three months ended		For the year ended 31 December		
	31 March		2020	2019	2018
	2021	2020	2020	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	25,843	30,375	104,211	132,333	141,741
(Loss)/profit after taxation for the year	582	1,103	(5,137)	7,591	3,946
			As at 31 December		
			2020	2019	2018
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(audited)	(audited)	(audited)
Total assets		146,042	161,711	178,639	
Total liabilities		30,009	40,541	65,060	
Total equity		116,003	121,170	113,579	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the three months ended 31 March 2021

For the three months ended 31 March 2021, the Group recorded revenue of approximately HK\$25.84 million, representing a decrease of approximately 14.98% as compared to that of approximately HK\$30.38 million for the three months ended 31 March 2020. The decrease in revenue was mainly attributable to the decrease of the revenue generated from outsourcing outbound contact services and financial services.

For the three months ended 31 March 2021, the net profit after taxation of the Group was approximately HK\$0.58 million, representing a decrease of approximately 47.27% as compared to that of approximately HK\$1.10 million for the three months ended 31 March 2020 due to the decrease in revenue.

For the year ended 31 December 2020

For the year ended 31 December 2020, the Group recorded revenue of approximately HK\$104.21 million, representing a decrease of approximately 21.25% as compared to that of approximately HK\$132.33 million for the year ended 31 December 2019. The decrease in revenue was mainly attributable to the drop in demand of the Group's services due to the outbreak of novel coronavirus disease epidemic.

For the year ended 31 December 2020, the net loss after taxation of the Group was approximately HK\$5.14 million when compared to a net profit after taxation of the Group of approximately HK\$7.59 million for the year ended 31 December 2019 due to the decrease in revenue and gross profit margin as a result of the outbreak of novel coronavirus disease epidemic, one off impairment of the goodwill and increase of the expected credit loss.

For the year ended 31 December 2019

For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$132.33 million, representing a decrease of approximately 6.64% as compared to that of approximately HK\$141.74 million for the year ended 31 December 2018. The decrease in revenue was mainly attributable to the stringent regulation on data security, overall increasing labour cost and rental expenses of the contact centre business.

For the year ended 31 December 2019, the net profit after taxation of the Group was approximately HK\$7.59 million, representing an increase of approximately 92.15% as compared to that of approximately HK\$3.95 million for the year ended 31 December 2018 due to the growth of the financial business following the expansion of the asset management business and general reduction of the expenses.

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Financial position as at 31 December 2020

The total assets of the Group was approximately HK\$146.04 million as at 31 December 2020, representing a decrease of approximately 9.69% as compared to that of approximately HK\$161.71 million as at 31 December 2019.

The total liabilities of the Group was approximately HK\$30.01 million as at 31 December 2020, representing a decrease of approximately 25.97% as compared to that of approximately HK\$40.54 million as at 31 December 2019.

The total equity of the Group was approximately HK\$116.00 million as at 31 December 2020, representing a decrease of approximately 4.27% as compared to that of approximately HK\$121.17 million as at 31 December 2019.

Financial position as at 31 December 2019

The total assets of the Group was approximately HK\$161.71 million as at 31 December 2019, representing a decrease of approximately 9.48% as compared to that of approximately HK\$178.64 million as at 31 December 2018.

The total liabilities of the Group was approximately HK\$40.54 million as at 31 December 2019, representing a decrease of approximately 37.69% as compared to that of approximately HK\$65.06 million as at 31 December 2018.

The total equity of the Group was approximately HK\$121.17 million as at 31 December 2019, representing an increase of approximately 6.68% as compared to that of approximately HK\$113.58 million as at 31 December 2018.

(b) Information of the Subscriber

The Subscriber is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Pine Care Group. It is principally engaged in investment holding. Pine Care Group (stock code: 1989) is a limited liability company incorporated in the Cayman Islands and the issued shares of which are listed on the Main Board of the Stock Exchange.

As at the Latest Practicable Date, Mr. YS Tang, who is an executive Director, is also an executive director and a controlling shareholder of Pine Care Group.

(c) Reasons for the subscription and use of proceeds

Subject to completion of the Subscription, the gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bonds will be approximately HK\$9,500,000 and approximately HK\$8,700,000, respectively.

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The detailed breakdown and proposed timeline of utilising the net proceeds from the Subscription are set out as follows:

Use of net proceeds	Approximate percentage of total net proceeds	Amount <i>(HK\$ million)</i>	Expected time of usage
Expansion of the financial services business of the Group, including costs of hiring additional staff for business development purposes of the Group's securities and asset management business as and when suitable candidates are available	71.3%	6.2	On or before 31 December 2022
Potential office relocation and renovation expenses of the Group's securities and asset management business	17.2%	1.5	On or before 31 December 2021
Replenishment of working capital and general corporate purposes of the Group	11.5%	1.0	Upon completion of the Subscription
Total	<u>100%</u>	<u>8.7</u>	

The Directors consider that the raising of funds by the issue of Convertible Bonds is justifiable taking into account the recent market conditions which represent an opportunity for the Group to strengthen its capital base and financial position. The Directors consider that the issue of Convertible Bonds is an appropriate means of raising additional capital since the Conversion Price is at a premium to the market price as set out above, which was arrived at after arm's length negotiations between the Company and the Subscriber.

The Company's latest unaudited consolidated cash balance as at 30 April 2021 was approximately HK\$41 million, which is expected to be reduced considerably, mainly due to the high operating costs of the Group, and uncertainties in business environment based on the current unfavourable market conditions and the expected utilisation of funds in the Group's financial services business, including costs of hiring additional staff for developing the Group's securities and asset management business. Since the Group's business includes money lending and mortgage loan business, although the Company has unaudited

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consolidated cash balance as at 30 April 2021 of approximately HK\$41 million, part and parcel of such cash position is expected to be utilised for money lending or mortgage loan business for the generation of revenue for the Group.

In order to manage the Group's working capital in a prudent manner and in view of the current circumstances, the Board has assessed equity and debt issuance fund raising alternatives as follows and considers that the Subscription is a preferred fundraising method because:

- (i) bank borrowings – it is expected that bank borrowings would require pledge of certain assets or collateral acceptable to the banks, repayment in short period of time and incurring of additional interest expenses on the Company; and
- (ii) placement of the Shares at market price and/or rights issue and/or open offer – it is expected that equity fund raising would require sufficient trading liquidity in the Shares and the procurement of placing agent(s) would incur placing fees and other additional costs on the Company. Also, fund raising by rights issue and/or open offer would require relatively longer time as compared to other fund raising alternatives.

Considering (i) money lending and mortgage loan business is one of the principle business of the Group and the existing cash resources is expected to be reserved for money lending or mortgage loan business for the generation of revenue for the Group; (ii) based on the annual reports of the Company for the past three years ended 31 December 2020, (x) the average operating cost (consisted of employee benefits expenses and other operating expenses) was approximately HK\$113.8 million per year with (y) the diminishing revenue recorded by the Group for the three years ended 31 December 2020 and (z) the net loss position of the Group for the year ended 31 December 2020; and (iii) the uncertainties in business environment as the outbreak of COVID-19 has yet to be ended, we consider that it is prudent to reserve the existing cash resources to maintain the day to day operation of the Group and the Subscription represent a good opportunity for the Company to obtain additional funding for expansion of the financial services business and general working capital of the Group.

As advised by the Management, the Company has considered other financing alternatives to raise funds including (i) bank borrowings and (ii) placement of the Shares at market price and/or rights issue and/or open offer.

In respect of bank borrowings, the Directors consider that (i) the Group recorded a net loss position for the year ended 31 December 2020 and a diminishing revenue for the three years ended 31 December 2020, it would be difficult for the Group to obtain new bank borrowings; (ii) bank borrowings may subject to (x) lengthy due diligence and negotiations with the banks; and (y) requirement to pledge certain assets or collateral acceptable to the banks; and (iii) the bank borrowings would incur higher interest expenses as compared to the issue of the Convertible Bonds.

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In respect of placement of Shares at market price, the Directors consider that (i) the Group recorded a net loss position for the year ended 31 December 2020 and a diminishing revenue for the three years ended 31 December 2020; and (ii) the trading liquidity of the Shares were relatively low, it would be difficult for the Group to procure placing agent(s) to subscribe for new Shares without providing considerable discount and/or placing fees. Other equity financing such as rights issue and open offer would also be more time consuming and costly as compared to the Subscription.

Having considered the above, we concur with the Directors' view that the Subscription is a preferred fundraising method.

In view of the Conversion Price at a premium to the market price which is in the interests of the Company and the Shareholders as a whole, despite the possible minor dilution effect upon conversion of the Convertible Bonds, the Directors consider that the terms of the Subscription Agreement and the transactions contemplated thereunder, including the Conversion Price, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

2. The Subscription Agreement

The principal terms of the Subscription Agreement and the Convertible Bonds are set out below:

Date:	10 May 2021
Parties:	(i) the Company, as the issuer; and (ii) Pine Care Titanium Limited, as the Subscriber
Principal amount:	HK\$9.5 million
Interest:	The Convertible Bonds shall bear no interest.
Maturity date(s):	The day falling on the second anniversary of the issue of the Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date (the “ Initial Maturity Date ”).

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In the event that any of the Convertible Bonds remain unconverted and outstanding on the date falling one (1) month prior to the Initial Maturity Date, the Company may serve a written notice on the Bondholder(s) (the “**Extension Notice**”) at least 14 days prior to the Initial Maturity Date to extend the maturity date of such Convertible Bonds which remain unconverted and outstanding at the Initial Maturity Date to the day falling on the third anniversary of the issue of the Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date (the “**Extended Maturity Date**”) (the “**Extension**”), whereupon the Bondholder(s) shall have a right to refuse the Extension by serving a written notice (the “**Refusal Notice**”) to the Company within 7 days from the receipt of the Extension Notice (the “**Refusal Period**”). For the avoidance of doubt, consent to the Extension shall be deemed to have given by the Bondholder(s) to the Company unless the Refusal Notice was served by the Bondholder(s) to the Company within the Refusal Period.

Conversion right and
limitation:

A Bondholder shall have the right at any time during the Conversion Period to convert the whole or part (in multiples of HK\$1,000,000) of the outstanding principal amount of Convertible Bonds registered in its name into Conversion Shares at the Conversion Price, provided that only a portion of the principal amount of the Convertible Bonds may be converted such that:

- (i) the conversion of such portion of the principal amount of the Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder(s) which exercised the Conversion Rights and parties acting in concert with it;
- (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules for the minimum percentage of Shares being held by the public as per Rule 11.23(7) of the GEM Listing Rules) of the issued Shares of the Company at the time in compliance with the GEM Listing Rules; and

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(iii) the conversion will not cause a change of control of the Company (collectively, the “**Conversion Restrictions**”).

Mandatory conversion:

- (i) During the Conversion Period, in the event that the closing price per Share as quoted on the Stock Exchange represents a premium of 5% over the then applicable Conversion Price (the initial Conversion Price being HK\$0.608 per Conversion Share) for five (5) consecutive Trading Days (the “**Mandatory Conversion Triggering Event**”), subject to the Conversion Restrictions, the Company has the absolute right (the “**Mandatory Conversion Right**”) to require the Bondholder(s) to mandatorily convert all or such maximum portion of the principal amount of the Convertible Bonds remaining outstanding without triggering the Conversion Restriction(s) into Conversion Shares at the then applicable Conversion Price at any time during the Conversion Period. For the avoidance of doubt, the Mandatory Conversion Right is a continuing right and may be exercised by the Company more than once during the Conversion Period.
- (ii) At maturity, provided that there are any Convertible Bonds which remain outstanding on the Maturity Date (“**Remaining Principal Amount at Maturity**”), subject to the Conversion Restriction(s), the Bondholder(s) is required to mandatorily convert all or such maximum portion of the Remaining Principal Amount at Maturity into Conversion Shares at the then applicable Conversion Price on the Maturity Date (“**Mandatory Conversion Mechanism at Maturity**”).

In the event that all of the Remaining Principal Amount at Maturity are converted into Conversion Shares at the then applicable Conversion Price on the Maturity Date immediately after the Mandatory Conversion Mechanism at Maturity, provided that the closing price per Share as quoted on the Stock Exchange on the Maturity Date is equal to or is higher than the then applicable Conversion Price on the Maturity Date, neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

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In the event that all of the Remaining Principal Amount at Maturity are converted into Conversion Shares at the then applicable Conversion Price on the Maturity Date immediately after the Mandatory Conversion Mechanism at Maturity, but the closing price per Share as quoted on the Stock Exchange on the Maturity Date is lower than the then applicable Conversion Price on the Maturity Date, the Company is obliged to pay to the Bondholder(s) an amount in cash equivalent to the difference between (I) 105% of the Remaining Principal Amount at Maturity and (II) the multiplication of such number of Conversion Shares issued by the Company by virtue of the Mandatory Conversion Mechanism at Maturity and the closing price of the Shares as quoted on the Stock Exchange on the Maturity Date.

In the event that only a portion of the Remaining Principal Amount at Maturity are converted into Conversion Shares at the then applicable Conversion Price on the Maturity Date immediately after the Mandatory Conversion Mechanism at Maturity, such remaining portion of the Remaining Principal Amount at Maturity not converted immediately after the Mandatory Conversion Mechanism at Maturity (“**Remaining Principal Amount after Mandatory Conversion**”) shall be redeemed by the Company in accordance with the provisions under the paragraph headed “Redemption – Redemption of the outstanding Convertible Bonds on the Maturity Date” below in this section.

Conversion price:

The initial Conversion Price for the Convertible Bonds shall be equal to HK\$0.608 per Conversion Share, subject to adjustments.

Please refer to the section headed “ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE – Adjustments to the Conversion Price” in the Circular for more details on the adjustments.

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- Transferability: The Bondholder may assign or transfer the Convertible Bonds in whole or in part to any other persons subject to the prior written notification to the Company having been made, and compliance with the GEM Listing Rules and applicable laws.
- Any such assignment or transfer of the Convertible Bonds to connected person(s) of the Company shall be subject to compliance with the applicable GEM Listing Rules.
- Conversion Price adjustments: The initial Conversion Price shall from time to time be adjusted due to occurrence of the following:
- (i) consolidation, sub-division or reclassification of Shares;
 - (ii) the Company issuing Shares credited as fully paid by capitalisation of profits or reserves;
 - (iii) the Company making a capital distribution in cash or specie to the Shareholders; or
 - (iv) the Company offering the Shareholders new Shares for subscription by way of rights, or granting Shareholders any options, warrants or other rights to subscribe for or purchase any Shares, at a price which is less than the current market price per Share on the last trading day preceding the date of announcement of the terms of the offer or grant.
- Ranking of Conversion Shares: The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares.

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Redemption:

Redemption of the Convertible Bonds on the occurrence of an Event of Default

Following the occurrence of an Event of Default, a Bondholder has the right at its option, to require the Company to redeem all (or any portion of the principal amount thereof) of the Convertible Bonds on the fifth (5th) Business Day after the date of the notice of redemption duly completed and signed by the Bondholder to the Company at their principal amount.

Redemption of the Convertible Bonds on the occurrence of a Relevant Event

Following the occurrence of (i) when the Shares cease to be listed on the Stock Exchange or (ii) when there is a change of control in the Company (each a “**Relevant Event**”), a Bondholder has the right at its option, to require the Company to redeem all (or any portion of the principal amount thereof) of the Convertible Bonds on the tenth (10th) Business Day after the date of notice of redemption duly completed and signed by the Bondholder to the Company at their principal amount.

Redemption prior to Maturity

Except as otherwise provided on the occurrence of an Event of Default or a Relevant Event, the Company is not entitled to redeem any of the Convertible Bonds prior to maturity.

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Redemption of the outstanding Convertible Bonds on the Maturity Date

In the event that there is any Remaining Principal Amount after Mandatory Conversion, whether by reason of the Conversion Restriction(s) or otherwise, provided that the closing price of the Shares as quoted on the Stock Exchange is equal to or is higher than the then applicable Conversion Price on the Maturity Date, any Remaining Principal Amount after Mandatory Conversion shall be redeemed by the Company at 105% of such Remaining Principal Amount after Mandatory Conversion on the Maturity Date in cash.

In the event that there is any Remaining Principal Amount after Mandatory Conversion, whether by reason of the Conversion Restriction(s) or otherwise, but the closing price of the Shares as quoted on the Stock Exchange is lower than the then applicable Conversion Price on the Maturity Date, any Remaining Principal Amount after Mandatory Conversion shall be redeemed and settled by the Company on the Maturity Date by way of payment of an amount in cash equivalent to the difference between (I) 105% of the Remaining Principal Amount at Maturity and (II) the multiplication of such number of Conversion Shares issued by the Company by virtue of the Mandatory Conversion Mechanism at Maturity as set out in the paragraph headed “Mandatory conversion” above in this section and the closing price of the Shares as quoted on the Stock Exchange on the Maturity Date.

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Events of Default: Any of the following events, among others, shall constitute an event of default (“**Event of Default**”):

(i) Failure to pay:

the Company fails to pay the principal amount and entitlements due in respect of any of the Convertible Bonds, and such default is not cured within thirty (30) days;

(ii) Insolvency:

the Company is insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Company; or if an administrator or liquidator of the Company or the whole or any substantial part of the assets and revenues of the Company is appointed (or application for any such appointment is made);

(iii) Winding-up:

any action, legal proceedings or other procedure or step is taken (or any analogous procedure or step is taken in any jurisdiction) against the Company or any of its subsidiaries in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution or reorganisation except a solvent liquidation;

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- (b) a composition, assignment or arrangement with any creditor;
- (c) the appointment of an administrator or a liquidator (except in respect of a solvent liquidation) or other similar officer in respect of any of the assets of the Company or any of its subsidiaries;
- (d) enforcement of any security over any of the assets of the Company or any of its subsidiaries; or
- (e) termination of the business of the Company or any of its subsidiaries;

(iv) Cessation of listing and suspension of trading:

the Shares cease to be listed on the Stock Exchange or are suspended for the trading on the Stock Exchange for more than 30 consecutive trading days, unless otherwise agreed to be extended by the Bondholder(s) in writing;

(v) Illegality:

it is or will become unlawful for the Company to perform its payment and/or delivery of Shares obligations under any of the Convertible Bonds.

Voting:

A Bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only it being a Bondholder.

Listing:

No application will be made for a listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

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

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Conversion Shares

Assuming full conversion of the Convertible Bonds at the Conversion Price of HK\$0.608 per Conversion Share (subject to adjustments), a maximum number of 15,625,000 Conversion Shares will be allotted and issued, representing approximately 5.58% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to conversion of the Convertible Bonds in full at the initial Conversion Price).

Conversion Price

The initial Conversion Price of HK\$0.608 per Conversion Share represents:

- (i) a premium of approximately 153.33% over the closing price of HK\$0.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 102.67% over the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (iii) a premium of approximately 102.67% over the average closing price of approximately HK\$0.30 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iv) a premium of approximately 102.67% over the average closing price of approximately HK\$0.30 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (v) a premium of approximately 46.86% over the audited net asset value attributable to the Shareholders of approximately HK\$0.414 per Share as at 31 December 2020 (based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$116,033,000 as at 31 December 2020 and 280,000,000 Shares in issue as at 31 December 2020).

The initial Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber taking into account (i) the business prospects of the Group; (ii) the existing capital market conditions in Hong Kong; and (iii) the recent closing prices of the Shares as quoted on the Stock Exchange up to and including the date of the Subscription Agreement.

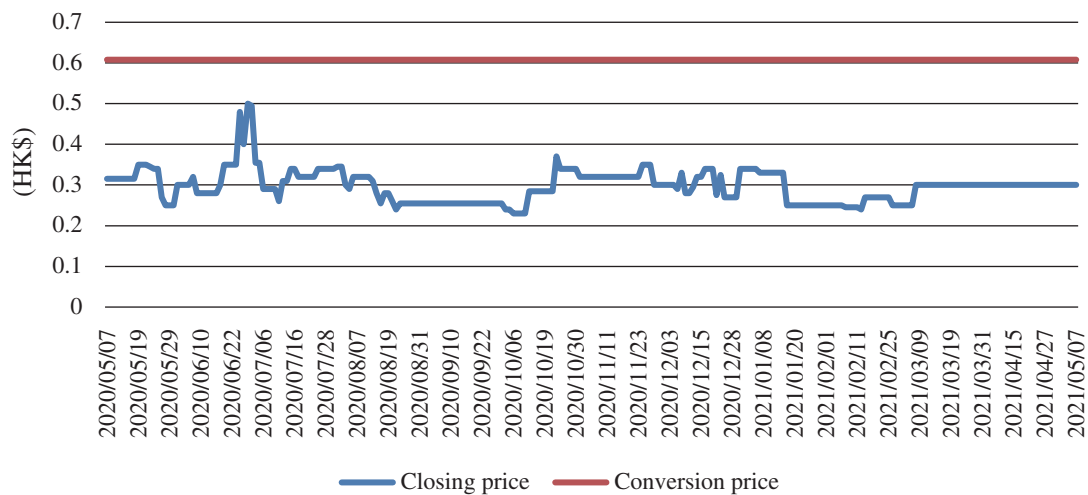
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In order to assess the fairness and reasonableness of the Conversion Price, we have conducted the following analyses:

Historical share price performance

In order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange during the period from 11 May 2020 up to the date of the Subscription Agreement (the “**Review Period**”), being approximately a one-year period prior to the date of the Subscription Agreement. We consider that a sampling period of approximately one year represents a fair and reasonable period to illustrate the general trend and level of movement of the recent price performance of the Shares for our analysis on the historical closing prices of the Shares and the Conversion Price.

The comparison of the closing prices of the Shares during the Review Period and the Conversion Price is illustrated in the following chart:



Source: the Stock Exchange's website (www.hkex.com.hk)

As illustrated by the above chart, the closing prices of the Shares ranged from HK\$0.23 to HK\$0.50 with an average of approximately HK\$0.30 over the Review Period. The Conversion Price of HK\$0.608 represents a premium of approximately 102.67% over the average closing price of the Shares and remained above the closing prices of the Shares throughout the Review Period. Considering (i) the Conversion Price of HK\$0.608 represents a premium of approximately 102.67% over the average closing price of the Comparables (defined as below); and (ii) the Conversion Price is above the closing prices of the Shares throughout the Review Period, we consider the Conversion Price to be fair and reasonable.

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Comparable transactions analysis

In assessing the fairness and reasonableness of the terms of the Convertible Bonds, we researched from publicly available information for comparable connected transactions regarding the subscription/placing of convertible bonds/notes under specific mandate announced by companies listed on the Stock Exchange from 11 November 2020 and up to the date of the Subscription Agreement (being around 6 months period prior to the date of the Subscription Agreement) (the “**Comparables**”). We consider a sampling period of around 6 months to be a sufficient period of time to reflect the prevailing market conditions and has covered sufficient number of samples such that the average figures calculated are representative and not significantly affected by any individual comparable.

To the best of our knowledge and endeavour, we have identified 8 transactions which met the said criteria and are considered to be an exhaustive list of Comparables and fair and representative. Notwithstanding the differences between the listed issuers of the Comparables and the Group in terms of business nature, financial performance, financial position as well as funding requirements, the Comparables are only used to provide a general reference for the recent market practice. Set out below are the details of the Comparables:

Date of announcement	Company name (Stock code)	Term to Maturity (years)	Interest rate (% per annum)	Premium/ (discount) of the conversion price to closing price per share on the date of/the date immediately prior to the agreement in relation to the respective subscription/placing of convertible bonds/note (approximate %)
17/11/2020	Grand Field Group Holdings Limited (stock code: 115)	1.5	5	2.6
3/12/2020	CAR Inc. (stock code: 699)	5	5	5.82
22/12/2020	SinoMab BioScience Limited (stock code: 3681)	1	4.95	25.00
29/12/2020	Genertec Universal Medical Group Company Limited (stock code: 2666)	5	2	14.29

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Date of announcement	Company name (Stock code)	Term to Maturity (years)	Interest rate (% per annum)	Premium/ (discount) of the conversion price to closing price per share on the date of/the date immediately prior to the agreement in relation to the respective subscription/placing of convertible bonds/note (approximate %)
30/12/2020	Century Entertainment International Holdings Limited (stock code: 959)	1.5	0	8.70
26/1/2021	Target Insurance (Holdings) Limited (stock code: 6161)	5	0	(8.06)
27/1/2021	i-CABLE Communications Limited (stock code: 1097)	10	2	13.30
1/4/2021	Sheng Yuan Holdings Limited (stock code: 851)	2	1	0.00
	Maximum	10	8	25.00
	Minimum	1	0	(8.06)
	Average	3.9	2.5	7.70
	Maximum (excluding outlier) (Note 2)	5	5	25.00
	Minimum (excluding outlier) (Note 2)	1	0	(8.06)
	Average (excluding outlier) (Note 2)	3.0	2.6	6.90
	The Convertible Bonds	2	2.5	102.67

(Note 1)

Source: the Stock Exchange's website (www.hkexnews.hk)

Notes:

- Pursuant to the terms of the Convertible Bonds, the Convertible Bonds shall be redeemed by the Company at 105% of the relevant remaining principal amount of the Convertible Bonds at Maturity. Considering that (i) the term of the Convertible Bonds is two years; and (ii) the redemption at 105% as mentioned above, it is estimated the annual interest rate to be 2.5% for comparison purpose.

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2. The terms of the case of i-CABLE Communications Limited (stock code: 1097) with a term to maturity of 10 years, which is (i) far beyond the range of respective terms of other Comparables; and (ii) significantly different from the terms of the Convertible Bonds, is considered to be outliers and thus excluded from the comparisons.

(a) Conversion price

The conversion prices of the Comparables (excluding outliers) ranged from discount of approximately 8.06% to a premium of 25.00% with an average of a premium of approximately 6.90% over the closing price on the date of/the date immediately prior to the agreement in relation to the respective subscription/placing of convertible bonds/note. The Conversion Price of HK\$0.608 of the Convertible Bonds, representing a premium of approximately 102.67% over the closing price of the Shares on the date of the Subscription Agreement, is above the average and upper range of the Comparables which is favourable to the Company. Therefore, we consider that the Conversion Price of the Convertible Bonds to be fair and reasonable.

(b) Interest rate

The interest rates of the Comparables (excluding outliers) ranged from nil to 5.0% with an average interest rate of approximately 2.6%. The interest rate of the Convertible Bonds, which is estimated at 2.5% is below the average interest rate of the Comparables, we consider the interest rate of the Convertible Bonds is fair and reasonable.

(c) Term to maturity

The terms to maturity of the Comparables (excluding outliers) ranged from 1 to 5 years with an average years of approximately 3.0. The term to maturity of the Convertible Bonds of 2 years falls within the range of the Comparables, we consider the maturity of the Convertible Bonds to be fair and reasonable.

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3. Possible Dilution effect on the Shareholding Interests of the Public Shareholders

For illustrative purpose only, set out below is the shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price, assuming there being no other change in the issued share capital of the Company from the Latest Practicable Date and up to the date of full conversion of the Convertible Bonds:

Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the date of full conversion of the Convertible Bonds)	
	Number of Shares	Approximate % of Shareholding	Number of Shares	Approximate % of Shareholding
Mr. Tang (Note 1)	210,000,000	75.00%	210,000,000	71.04%
The Subscriber (Note 2)	–	–	15,625,000	5.29%
Public Shareholders	70,000,000	25.00%	70,000,000	23.67%
Total	280,000,000	100.00%	295,625,000	100.00%

Notes:

- These interests were held by Million Top Enterprises, which was wholly and beneficially owned by Mr. Tang. Mr. Tang passed away on 14 May 2021 and his interests in the Shares form part of his estate.
- According to the Subscription Agreement, a Bondholder shall have the right at any time during the Conversion Period to convert the whole or part (in multiples of HK\$1,000,000) of the outstanding principal amount of Convertible Bonds registered in its name into Conversion Shares at the Conversion Price, provided that only a portion of the principal amount of the Convertible Bonds may be converted such that, among others, (i) the conversion of such portion of the principal amount of the Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder(s) which exercised the Conversion Rights and parties acting in concert with it; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules for the minimum percentage of Shares being held by the public as per Rule 11.23(7) of the GEM Listing Rules) of the issued Shares of the Company at the time in compliance with the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, (i) assuming there are no other changes in the issued share capital of the Company from the Latest Practicable Date and up to the full conversion of the Convertible Bonds at the initial Conversion Price; and (ii) the public float of Shares being 25% as at the Latest Practicable Date, pursuant to the terms of the Convertible Bonds, the Convertible Bonds can only be converted provided that the public float of Shares shall not be less than 25%, it is expected that there is no dilution effect to the shareholdings of the existing public Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and although the Subscription Agreement is not in the ordinary and usual course of business of the Group, the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares) are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares).

Yours faithfully,
For and on behalf of
Amasse Capital Limited
Stephen Lau
Director

Mr. Stephen Lau is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Amasse Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 9 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issue of the Conversion Shares in full (assuming no further issue of Shares from the Latest Practicable Date and up to the date of Completion) was and will be as follows:

Authorised share capital:

	<i>HK\$</i>
<u>5,000,000,000</u> Shares of HK\$0.01 each	<u>50,000,000</u>

Issued and fully paid share capital or credited as fully paid:

280,000,000 Shares as at the Latest Practicable Date	2,800,000
<u>15,625,000</u> Conversion Shares	<u>156,250</u>
<u>295,625,000</u> Total	<u>2,956,250</u>

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

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

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

3. DISCLOSURE OF INTERESTS

(a) Directors and chief executives

As at the Latest Practicable Date, the following Directors and chief executives of the Company had or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

Long position in the Shares and underlying Shares of the Company

Name	Capacity	Number of Shares	Approximate percentage of the Company's issued share capital
Mr. Tang Shing Bor	Interest in a controlled corporation	210,000,000 <i>(Note)</i>	75%

Note: These interests were held by Million Top Enterprises Limited under Mr. Tang Shing Bor's estate. Mr. Tang Shing Bor passed away on 14 May 2021 and his interests in the Shares form part of his estate.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as known to the Directors, the following parties (not being the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Long positions in the Shares and underlying Shares of the Company

Name	Capacity	Number of Shares	Approximate percentage of the Company's issued share capital
Million Top Enterprises Limited (<i>Note</i>)	Beneficial owner	210,000,000	75%

Note: Million Top Enterprises Limited was wholly and beneficially owned by Mr. Tang Shing Bor, the late non-executive Director.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware that there is any other party (other than the Directors or chief executives of the Company) who had, or was deemed to have, an interest or short position in the Shares, underlying Shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were required, pursuant to section 336 of the SFO, to be entered in the register refer to therein.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in the assets which had been, since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

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

5. SERVICE CONTRACTS

As at the Latest Practicable Date, there is no service contract or proposed service contract between the Directors and any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claims which would materially and adversely affect the operations of the Company is known to the Directors to be pending or threatened by or against any members of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 December 2020, being the date to which the latest audited consolidated financial statements of the Group were made up.

8. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Amasse Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

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

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or may compete either directly or indirectly with the business of the Group.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Suen Fuk Hoi, who is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Association of International Accountants.
- (b) The compliance officer of the Company is Mr. Yeung Ka Wing, who is also an executive Director.
- (c) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (d) The head office and principal place of business in Hong Kong of the Company is situated at 4th Floor, China Paint Building, 1163 Canton Road, Mongkok, Kowloon, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) In case of inconsistency, the English texts of this circular shall prevail over the Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day and at the head office and principal place of business in Hong Kong of the Company at 4th Floor, China Paint Building, 1163 Canton Road, Mongkok, Kowloon, Hong Kong from the date of this circular up to and including the date of EGM, being a period of not less than 14 days:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the three financial years ended 31 December 2020;
- (iii) the letter from the Board, the text of which is set out on pages 7 to 27 of this circular;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 28 to 29 of this circular;
- (v) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 30 to 53 of this circular;
- (vi) the written consent referred to in the section headed “8. Expert’s consent and qualification” in this appendix;
- (vii) the Subscription Agreement; and
- (viii) this circular.

NOTICE OF EGM

ETS GROUP LIMITED 易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8031)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of ETS Group Limited (the “**Company**”) will be held at 2nd Floor, China Paint Building, 1163 Canton Road, Mongkok, Kowloon, Hong Kong on Thursday, 5 August 2021 at 11:00 a.m. to consider and, if thought fit, pass the following resolution, with or without amendment, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the subscription agreement dated 10 May 2021 (the “**Subscription Agreement**”) (a copy of which has been produced to the EGM and marked “A” and initialled by the chairman of the EGM for the purpose of identification) entered into between the Company as issuer and Pine Care Titanium Limited as subscriber (the “**Subscriber**”) in relation to the issue of the convertible bonds in the principal amount of HK\$9,500,000 (the “**Convertible Bonds**”), which entitles the holder(s) thereof to convert the same into shares (the “**Conversion Share(s)**”) in the share capital of the Company in accordance with the terms of the Convertible Bonds at the initial conversion price of HK\$0.608 (subject to adjustments) per Conversion Share and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares pursuant thereto) be and are hereby approved, confirmed and ratified;
- (b) the issue of the Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved;
- (c) the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Conversion Shares to the relevant holder(s) of the Convertible Bond(s) in accordance with the terms of the Convertible Bonds, where such Conversion Shares shall rank equally in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue. The aforementioned specific mandate is in addition to, and shall not prejudice nor revoke any general or special mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

NOTICE OF EGM

- (d) any one or more of the Directors be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents (and to affix the common seal of the Company thereon, if necessary) and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement and any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

By order of the Board
ETS Group Limited
Tang Yiu Sing
Executive Director and Chief Executive Officer

Hong Kong, 15 July 2021

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

4th Floor
China Paint Building
1163 Canton Road
Mongkok
Kowloon
Hong Kong

Notes:

1. Any member of the Company (“**Member**”) entitled to attend and vote at the EGM shall be entitled to appoint another person(s) (who must be an individual) as his/her/its proxy to attend and vote instead of him/her/it and a proxy so appointed shall have the same right as the Member to speak at the EGM. On a poll, votes may be given either personally or by proxy. A proxy need not be a Member. A Member may appoint more than one proxy to attend on the same occasion. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the office of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 11:00 a.m. on Tuesday, 3 August 2021) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, but the appointment of the proxy will be revoked if you attend in person at the EGM.
3. For determining the entitlement to attend and vote at the EGM or any adjournment thereof, the record date is fixed on Thursday, 5 August 2021. Shareholders whose names appear on the register of members of the Company at the close of business on the record date will be entitled to attend and vote at the EGM. The register of members of the Company will be closed from Monday, 2 August 2021 to Thursday, 5 August 2021, both days inclusive, during which period no transfers of Shares shall be effected. In order to be eligible for attending the EGM, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged

NOTICE OF EGM

with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 30 July 2021.

4. Where there are joint registered holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto but if more than one of such joint registered holders be present at the EGM personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint registered holders stand on the register of members of the Company in respect of the relevant joint holding.
5. Any Member who has a disability (as defined under the Disability Discrimination Ordinance) and need special arrangements to participate in the EGM please provide your contact information including name, telephone and email address via our office email address info@eprotel.com.hk or telephone number (852) 2799 0202. We shall contact you and will endeavour to make the necessary arrangements unless there is unjustifiable hardship in arranging for them.
6. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company at www.etsgroup.com.hk and on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com to notify shareholders of the Company of the date, time and place of the rescheduled meeting.
7. Due to the on-going COVID-19 pandemic, to safeguard the health and safety of the shareholders of the Company, the Company will implement the following precautionary measures at the EGM:
 - compulsory body temperature checks
 - compulsory wearing of a surgical face mask for each attendee
 - submission of personal information form, which may be used for contact tracing, if required
 - no distribution of corporate gift nor provision of refreshment

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. All attendees are required to wear surgical face masks at all times at the EGM venue. The Company reminds the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

8. Pursuant to Rule 17.47(4) of the GEM Listing Rules, all resolutions set out in this notice will be decided by poll at the EGM.

As at the date of this notice, the executive directors of the Company are Mr. Tang Yiu Sing and Mr. Yeung Ka Wing; and the independent non-executive directors of the Company are Mr. Wong Sik Kei, Mr. Cheung Kong Ting and Mr. Wong Kam Tai.