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*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8112)**

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE RIGHTS SHARES FOR EVERY ONE SHARE  
HELD ON THE RECORD DATE;  
AND  
(2) CLOSURE OF REGISTER OF MEMBERS**

**Financial Adviser**



**Underwriter to the Rights Issue**



**PROPOSED RIGHTS ISSUE**

The Board proposes to raise gross proceeds of approximately HK\$65.38 million on the basis of three (3) Rights Share for every one (1) Share held on the Record Date by issuing 172,063,836 Rights Shares at the Subscription Price of HK\$0.38 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The estimated net proceeds (after deducting all related expenses in the Rights Issue) will be approximately HK\$61.18 million (assuming no change in the number of Shares in issue on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue for (i) the development of the Group's margin financing business; and (ii) general working capital of the Group.

The Rights Issue will be fully underwritten by the Underwriter. Details of the underwriting arrangement are set out in the section headed “THE UNDERWRITING AGREEMENT” below.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (together with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration by no later than 4:30 p.m. on Friday, 25 March 2022.

## **GEM LISTING RULES IMPLICATIONS**

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders in general meeting by a resolution at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, since the Company has no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. As at the date of this announcement, save for Mr. An Xilei, the deputy chairman of the Board and an executive Director, is interested in 6,800,000 Shares, no other Directors and the chief executive of the Company, and their respective associates held any Shares.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue. An independent financial adviser will be appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Thursday, 3 March 2022.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Monday, 4 April 2022.

## **WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES**

**Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “THE UNDERWRITING AGREEMENT” below). Accordingly, the Rights Issue may or may not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **PROPOSED RIGHTS ISSUE**

The Board proposes to raise gross proceeds of approximately HK\$65.38 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing not less than 172,063,836 Rights Shares at the Subscription Price of HK\$0.38 per Rights Share.

On 21 January 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

### **Issue statistics**

Basis of the Rights Issue	:	Three (3) Rights Share for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.38 per Rights Share
Number of Shares in issue as at the date of this announcement	:	57,354,612 Shares
Number of Rights Shares	:	172,063,836 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	229,418,448 Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Gross proceeds to be raised	:	Approximately HK\$65.38 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

The Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

Assuming no change in the number of issued Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 172,063,836 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represents 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

## Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (together with the relevant share certificates) with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Friday, 25 March 2022.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 25 March 2022.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

### Closure of register of members

The register of members of the Company will be closed from Thursday, 17 March 2022 to Tuesday, 22 March 2022 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Monday, 28 March 2022 to Sunday, 3 April 2022 (both dates inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

## **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

## **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Company will comply with Rule 17.41(1) of the GEM Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses and stamp duty, of more than HK\$100 will be paid on pro-rata basis (rounded down to the nearest cent) to the relevant Excluded Shareholders.

In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Subscription price**

The Subscription Price for the Rights Shares is HK\$0.38 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or where a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 11.63% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 17.39% to the average of the closing prices of approximately HK\$0.4600 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 18.28% to the average of the closing prices of approximately HK\$0.4650 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 3.18% to the theoretical ex-rights price of approximately HK\$0.3925 per Share based on the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a discount of approximately 87.86% to the unaudited net asset value per Share of approximately HK\$3.130 (based on the latest published consolidated net asset value of the Group of approximately HK\$179,498,725 as at 30 June 2021 as disclosed in the interim report of the Company for the six months ended 30 June 2021 and 57,354,612 Shares in issue as at the date of this announcement); and
- (f) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 14.62%, represented by the theoretical diluted price of approximately HK0.4030 per Share to the theoretical benchmarked price of HK\$0.472 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.43 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.4720 per Share).

The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account, among others, (i) the prevailing market price of the Shares; (ii) the latest business performance and financial position of the Group; and (iii) the funding and capital needs of the Company.

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising possible dilution impact.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares; and (iv) the Qualifying Shareholders are given opportunity to increase their investment in the Company through excess application of the Rights Shares to participate in the future growth of the Company.

### **Status of Rights Shares**

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment and issue of the Rights Shares in their fully-paid form.

### **Fractions of the Rights Shares**

On the basis of three (3) Rights Shares for every one (1) Share held on the Record Date, no fractional entitlement will arise under the Rights Issue. No odd lot matching services will be provided by the Company in respect of the Rights Shares.

## **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Tuesday, 26 April 2022 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Tuesday, 26 April 2022 by ordinary post to the applicants, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares.

### **Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders, for any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Thursday, 21 April 2022.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (a) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (b) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and
- (c) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any application may have been made with the intention to abuse the mechanism, such application for excess Rights Shares may be rejected at the sole discretion of the Board.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

### **Application for listing of the Right Shares**

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. Nil-paid Rights Shares are expected to be traded in board lots of 24,000 (as the Shares are currently traded on the Stock Exchange in board lots of 24,000).

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **Stamp duty and other applicable fees**

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

### **Taxation**

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

## THE UNDERWRITING AGREEMENT

On 21 January 2022 (after trading hours), the Underwriter and the Company entered into the Underwriting Agreement, pursuant to which the Underwriter has conditionally agreed to fully underwrite the Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement. Details of the Underwriting Agreement are as follows:

- Date : 21 January 2022
- Underwriter : Koala Securities Limited, a corporation licensed to carry out businesses in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.
- To the best knowledge and information of the Directors, after reasonable enquiries, the Underwriter and its ultimate beneficial owner are Independent Third Parties. As such, the Underwriter complies with Rule 10.24A(1) of the GEM Listing Rules.
- Number of Rights Shares : Up to 172,063,836 Rights Shares, being the total number of the  
underwritten by the Underwriter Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date.
- Commission : The Underwriter will receive 3.5% of the aggregate Subscription Price in respect of the total number of the Underwritten Shares as underwriting commission.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiations between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issue, and the market conditions.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) are of the view that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the date of despatch of the Prospectus Documents;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) in accordance with section 342C of the Companies (WUMP) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules, the Companies Ordinance and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For information only” to the Excluded Shareholders on or before the Prospectus Posting Date;
- (d) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of their dealings;
- (e) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof prior to the Latest Time for Termination;
- (f) the compliance with and performance by the Company in all material respects of the undertakings and obligations under the Underwriting Agreement; and
- (g) there being no Specified Event occurring prior to the Latest Time for Termination.

Conditions (a), (b), (c), (d) and (e) above are incapable of being waived. If any of the conditions of the Rights Issue is not satisfied (or waived, as the case maybe) in whole or in part by the Company by the Latest Time for Termination or such other time and/or date as the Company and the Underwriter may agree in writing, the Underwriting Agreement will terminate and none of the parties shall, have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breaches.

## Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue;
- (iii) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the absolute opinion of the Underwriter would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole;
- (iv) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (v) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate and no party shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breaches.

**If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter or the Company.**

## **EXPECTED TIMETABLE**

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

<b>Event</b>	<b>2022</b>
Expected despatch date of circular with Notice of the EGM and form of proxy for the EGM . . . . .	Thursday, 3 March
Latest time for lodging transfer of Shares to qualify for attendance and voting at the EGM . . . . .	4:30 p.m. on Wednesday, 16 March
Closure of register of members of the Company for attending and voting at the EGM (both dates inclusive) . . . . .	Thursday, 17 March to Tuesday, 22 March
Latest time for lodging forms of proxy for the purpose of the EGM . . . . .	11:00 a.m. on Sunday, 20 March
Record date for determining entitlements and voting at the EGM . . . . .	Tuesday, 22 March
Expected date and time of the EGM . . . . .	11:00 a.m. on Tuesday, 22 March
Announcement of poll results of the EGM . . . . .	Tuesday, 22 March
Register of members of the Company re-opens . . . . .	Wednesday, 23 March

The following events are conditional upon passing the relevant resolutions approving the Rights Issue at the EGM:

**Event**

**2022**

Last day of dealings in Shares on a cum-rights basis . . . . . Wednesday, 23 March

First day of dealings in Shares on an ex-rights basis . . . . . Thursday, 24 March

Latest time for lodging transfers of  
Shares in order to qualify for the Rights Issue. . . . . 4:30 p.m. on Friday, 25 March

Closure of register of members to determine the eligibility of  
the Rights Issue (both days inclusive) . . . . . Monday, 28 March to  
Sunday, 3 April

Record Date for determining entitlements to the Rights Issue. . . . . Sunday, 3 April

Register of members of the Company re-opens . . . . . Monday, 4 April

Despatch of the Prospectus Documents. . . . . Monday, 4 April

First day of dealings in nil-paid Rights Shares . . . . . 9:00 a.m. on Thursday, 7 April

Latest time for splitting of PAL. . . . . 4:30 p.m. on Monday, 11 April

Last day of dealings in nil-paid Rights Shares . . . . . 4:00 p.m. on Thursday, 14 April

Latest time for acceptance of and payment for  
the Rights Issue and application for and  
payment for the excess Rights Shares . . . . . 4:00 p.m. on Thursday, 21 April

Latest time to terminate the Underwriting Agreement and  
for the Rights Issue to become unconditional . . . . . 4:00 p.m. on Friday, 22 April

Announcement of the results of the Rights Issue. . . . . Monday, 25 April

Despatch of certificates for the fully-paid Rights Shares or  
 refund cheques if the Rights Issue is terminated/  
 unsuccessful applications for excess Rights Shares . . . . . Tuesday, 26 April

Commencement of dealings in fully-paid Rights Shares . . . . . 9:00 a.m. on Wednesday, 27 April

All time and dates in this announcement refer to Hong Kong local time and dates.

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoons:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 21 April 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 21 April 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Thursday, 21 April 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

## SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company as at the date of this announcement, and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement (assuming there is no other change in the shareholding structure of the Company before completion of the Rights Issue), is as follow:

Name of Shareholders	As at the date of this announcement		Assuming all Qualifying Shareholders have taken up their respective entitlements of the Right Shares in full		Immediately upon completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Right Issue and all Untaken Shares were subscribed for by or through the Underwriter	
	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)
<b>Name of Shareholders</b>						
An Xilei (Note 2)	6,800,000	11.86	27,200,000	11.86	6,800,000	2.96
<b>Public</b>						
Other public Shareholders	50,554,612	88.14	202,218,448	88.14	50,554,612	22.04
Underwriter (Note 3)	–	–	–	–	172,063,836	75.00
<b>Total</b>	<b>57,354,612</b>	<b>100.00</b>	<b>229,418,448</b>	<b>100.00</b>	<b>229,418,448</b>	<b>100.00</b>

### Notes:

- The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
- Mr. An Xilei is the deputy chairman of the Board and an executive Director.
- This scenario is for illustrative purpose only. Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that if it or any of its sub-underwriters is required to take up the Rights Shares pursuant to its underwriting/sub-underwriting obligations, (i) it and parties acting in concert (within the meaning of the Takeovers Code) with it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of it in respect of performing its obligation hereunder; (ii) it shall ensure that the public float requirement under Rule 11.23 of the GEM Listing Rules is fulfilled by the Company upon completion of the Rights Issue; (iii) it shall and shall cause its sub-underwriters to use its best endeavours to ensure that each of the subscribers of the Rights Shares procured by it shall be an Independent Third Party not acting in concert (within the meaning of the Takeovers Code) with the Company, the Directors, the chief executive or the substantial shareholders (as defined under the GEM Listing Rules) of the Company or its subsidiaries or any of their respective associates; and (iv) none of the persons to be procured by it and its sub-underwriters to subscribe for the Shares not taken up by the Qualifying Shareholders will be holding more than 9.9% of the total issued share capital of the Company immediately after completion of the Rights Issue.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

## **REASONS AND BENEFITS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

The Company is an investment holding company. The Group is principally engaged in (i) financial service business including securities brokerage services and margin financing services; and (ii) advertising and media business, which mainly includes out-of-home advertising services in Hong Kong and Singapore.

As disclosed in the third quarterly report 2021 of the Company for the nine months period ended 30 September 2021 (the “**2021Q3 Period**”), the advertising and media business remained the main contributor to the Group’s revenue while the financial services continued to generate stable revenue for the Group. The COVID-19 pandemic continues to affect business and social activities and causes economic uncertainties, which also bring impacts to the overall performance and financial results of the Group for the 2021Q3 Period.

As for the Group’s advertising and media business, the revenue amounted to approximately HK\$31 million for the 2021Q3 Period (corresponding period in 2020: HK\$28 million) and has not yet recovered to pre-COVID-19 pandemic level of approximately HK\$62 million for the corresponding period in 2019. As detailed in the 2021Q3 Report, the management of the advertising and media business segment considers the epidemic situation in Hong Kong has remained stable over the past few months, however, the situation in Singapore continued to be affected by the COVID-19 pandemic as the default “Work-from-Home” measurement was re-imposed during the third quarter of 2021 that its business operation temporarily halted again. It depends on how long more will the restrictions be lifted in Singapore and when the latest outbreak will be contained. The segment performance is only expected to improve if and when social distancing/gathering and “Work-from-Home” restrictions are lifted in Singapore, and in Hong Kong.

Since the acquisition of the financial services business in 2016, this segment has been developed into one of the key revenue contributors for the Group. The revenue from margin loan interest amounted to approximately HK\$13.72 million, HK\$13.81 million and HK\$13.03 million for the years ended 31 December 2018, 2019 and 2020 respectively. Based on the financial figures, it was observed that despite the impact of pandemic to the general economic environment, local stock trading activities had not been weakened to a significant deteriorating level. The margin financing business constituted approximately 78% of the segment revenue for the 2021Q3 Period and approximately HK\$125 million margin loan financing was granted to margin account clients as at 30 September 2021. However, after considering the relevant compliance requirements of the securities business, the room for granting new margin loans is very limited, unless there are additional settlement by margin clients or the Group could raise additional funds. The management of the financial services business segment believes that with more capital, more interest income and brokerage commission could be generated. To further expand and grow the margin financing business, it is considered that rights issue shall be the most appropriate option at this point of time.

The gross proceeds of the Rights Issue will be approximately HK\$65.38 million (assuming no change in the number of Shares in issue on or before the Record Date). The estimated net proceeds of the Rights Issue, after deducting the related expense, will be approximately HK\$61.18 million (assuming no change in the number of Shares in issue on or before the Record Date). The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) is estimated to be approximately HK\$0.356. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$51.18 million (or approximately 83.65% of the total net proceeds) for the expansion of the Group's margin financing business; and
- (ii) approximately HK\$10.00 million (or approximately 16.35% of the total net proceeds) for general working capital of the Group.

The Board (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) considers that the Rights Issue provides a good opportunity for the Group to enhance its financial position and expands its margin financing business, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms to maintain their respective pro-rata shareholdings in the Company. Hence, the Board (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

## **FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS**

The Company proposed a rights issue in January 2021 and a share placing in April 2021. As reported and publicly announced in March 2021 and May 2021 respectively, both of them did not complete.

Save as disclosed above, the Company had not conducted any fund raising activities involving issue of securities in the past 12 months immediately preceding the date of this announcement.

## **GEM LISTING RULES IMPLICATIONS**

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders in general meeting by a resolution at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, since the Company has no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. As at the date of this announcement, save for Mr. An Xilei, the deputy chairman of the Board and an executive Director, is interested in 6,800,000 Shares, no other Directors and the chief executive of the Company, and their respective associates held any Shares.

The Company has not conducted any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placing within such 12-month period. The Rights Issue will not result in a theoretical dilution effect of 25% or more.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to provide recommendation to the Independent Shareholders in connection with the Rights Issue. An independent financial adviser will be appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated hereunder. A circular containing, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Thursday, 3 March 2022.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Monday, 4 April 2022.

### **WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES**

**Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” above). Accordingly, the Rights Issue may or may not proceed.**

**The Shares are expected to be dealt in on an ex-rights basis from Thursday, 24 March 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 7 April 2022 to Thursday, 14 April 2022 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.**

**Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it under GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions’ caused by typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Cornerstone Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8112)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules

“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue

“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
“Last Trading Day”	21 January 2022, being the last trading day of the Shares on the Stock Exchange before the publish of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 21 April 2022 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Friday, 22 April 2022 or such other time as may be agreed between the Company and the Underwriter, being the latest time for the termination of the Underwriting Agreement
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF

“Prospectus Posting Date”	Monday, 4 April 2022 or such other date as may be agreed between the Company and the Underwriter for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Sunday, 3 April 2022 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Investor Services Limited, the branch share registrar of the Company, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	172,063,836 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Price”	HK\$0.38 per Rights Share
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Koala Securities Limited, a corporation licensed to carry out businesses in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 21 January 2022 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	172,063,836 Rights Shares, being the total number of the Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“%”	per cent

By Order of the Board  
**Cornerstone Financial Holdings Limited**  
**Gao Ran**  
*Chairman*

Hong Kong, 21 January 2022

*As at the date of this announcement, the Board comprises seven Directors, including four executive Directors, namely, Mr. Gao Ran, Mr. An Xilei, Mr. Wong Hong Gay Patrick Jonathan and Mr. Mock Wai Yin and three independent non-executive Directors, namely, Mr. Chan Chi Keung Alan, Ms. Lau Mei Ying and Mr. Wong Man Hong.*

*This announcement, 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 announcement 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 announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting. This announcement will also be posted on the Company’s website at [www.cs8112.com](http://www.cs8112.com).*