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

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

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MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

CONNECTED TRANSACTION — PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

Financial Adviser to the Company



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

VINCO 榮高

Vinco Financial Limited

A notice convening the EGM of Merdeka Financial Group Limited to be held at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong on Friday, 23 December 2022 at 11:00 a.m. or any adjournment or postponement thereof is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as practicable and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. not later than 11:00 a.m. on Wednesday, 21 December 2022) or any adjournment thereof (as the case may be). Such form of proxy for the EGM is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.merdeka.com.hk>). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment or postponement thereof (as the case may be) should you so wish.

This circular will remain on the Stock Exchange's website at <http://www.hkexnews.hk> on the "Latest Listed Company Information" page for at least seven days from the day of its publication and will be published and remains on the website of the Company at <http://www.merdeka.com.hk>.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the attendees who will attend the EGM and to prevent the spreading of the coronavirus (COVID-19) pandemic, the Company will implement precautionary measures at the EGM, including, among others:

- compulsory body temperature checks and health declarations;
- compulsory wearing of surgical face masks during the attendance at the EGM; and
- no provision of refreshments and corporate gifts.

The Company reserves the right to deny entry into or require any person to leave the EGM venue if such person: (i) refuses to comply with any of the above precautionary measures; (ii) is having a body temperature of over 37.3 degree Celsius; and/or (iii) has any flu-like symptoms. For the health and safety of Shareholders, the Company would like to encourage Shareholders to appoint the chairman of the EGM as their proxy to vote on the proposed resolutions at the EGM, instead of attending the EGM in person.

Subject to the development of COVID-19, the Company may implement further procedures and precautionary measures at short notice and may issue further announcement as appropriate. Shareholders should check the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.merdeka.com.hk>) for updates on the latest arrangement of the EGM.

This circular is made in English and Chinese. In case of any inconsistency, the English version shall prevail.

8 December 2022

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 expressions have the meanings as set out below:

“2023 August CB”	the zero coupon convertible bonds due on 12 August 2023 issued by the Company on 12 August 2008 and with outstanding principal amount of HK\$69,068,000 as at the Latest Practicable Date
“2023 August Remaining CB”	the 2023 August CB in an aggregate outstanding principal amount of HK\$14,068,000 held by Independent Third Parties
“2023 August Remaining CB Conversion Shares”	the Shares to be issued and allotted upon conversion of the 2023 August Remaining CB
“2023 May CB”	the zero coupon convertible bonds due on 21 May 2023 issued by the Company on 21 May 2020 and with outstanding principal amount of HK\$38,805,651 as at the date of the Announcement. On 15 November 2022 and 29 November 2022, the Company has redeemed HK\$2,000,000 in aggregate of the outstanding principal amount of such convertible bonds and the outstanding principal amount is HK\$36,805,651 as at the Latest Practicable Date
“Announcement”	the announcement of the Company dated 14 November 2022 in relation to, among other things, the Subscription
“associate”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	Board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which “extreme conditions” announced by the Government of Hong Kong or a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“Company”	Merdeka Financial Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8163)
“Completion”	the completion of the Subscription under the Subscription Agreement

DEFINITIONS

“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Conversion Price”	the conversion price per Conversion Share of the Convertible Bonds
“Conversion Shares”	the Shares to be issued and allotted upon conversion of the Convertible Bonds as set out in the principal terms of the Convertible Bonds (subject to adjustments)
“Convertible Bonds”	the zero coupon convertible bonds due on 12 August 2024 in principal amount of HK\$91,000,000 to be issued by the Company to the Subscriber in accordance with the terms of the Subscription Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve the Subscription and the transactions contemplated thereunder including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares
“Existing Bonds”	collectively, the 2023 May CB and the 2023 August CB
“GEM”	GEM of the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the proposed Subscription and the transactions contemplated thereunder
“Independent Financial Adviser” or “Vinco Financial”	Vinco Financial Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription

DEFINITIONS

“Independent Shareholders”	the Shareholders not required under the GEM Listing Rules to abstain from voting on the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder including but not limited to the grant of the Specific Mandate for the allotment and issue of the Conversion Shares
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the GEM Listing Rules) with the Company and connected person(s) of the Company
“Latest Practicable Date”	5 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Mr. Wong”	Mr. Wong Hin Shek, the sole beneficial owner of the Subscriber which is a substantial shareholder of the Company and interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company as the Latest Practicable Date
“Outstanding Share Options”	as at the Latest Practicable Date, 6,960,644 outstanding share options granted under the Share Option Scheme
“PRC”	the People’s Republic of China which, and for the sole purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 30 December 2020
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders at the EGM to allot and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscriber” or “Team Sunny”	Team Sunny International Holdings Limited, a company incorporated in the British Virgin Islands, which is the legal and beneficial owner of 136,755,500 Shares, and is wholly-owned by Mr. Wong
“Subscription”	the subscription of the Convertible Bonds under the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 14 November 2022 and entered into between the Company as issuer and the Subscriber in relation to the subscription of the Convertible Bonds
“Subscription Price”	the subscription price of HK\$91,000,000 pursuant to the Subscription Agreement
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“%”	per cent.

In case of inconsistency, the English text of this circular shall prevail over its Chinese text.



MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

Executive Directors:

Mr. Wong Hin Shek

(Chairman and Chief Executive Officer)

Mr. Cheung Wai Yin, Wilson

Ms. Tsang Kwai Ping

Registered Office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Independent non-executive Directors:

Ms. Ng Ka Sim, Casina

Mr. Wong Wing Kit

Ms. Yeung Mo Sheung, Ann

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

Room 1108, 11/F

Wing On Centre

111 Connaught Road Central

Central, Hong Kong

8 December 2022

To the Shareholders,

Dear Sir or Madam,

**CONNECTED TRANSACTION —
PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the Announcement, in which the Board announced that on 14 November 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for the Convertible Bonds in the principal amount of HK\$91,000,000 and pay the Subscription Price by setting off against the outstanding principal amounts of the 2023 May CB and 2023 August CB held by the Subscriber at Completion. As at the date of the Announcement, the outstanding principal amounts of the 2023 May CB is HK\$38,805,651 and the 2023 August CB held by the Subscriber is HK\$55,000,000 respectively, and pursuant to the Subscription Agreement, the Company undertakes to the Subscriber to redeem HK\$2,805,651 of the principal

LETTER FROM THE BOARD

outstanding amount of the 2023 May CB prior to the date of EGM (the “**Early Redemption**”). On 15 November 2022 and 29 November 2022, the Company has redeemed HK\$2,000,000 of the principal outstanding amount of the 2023 May CB and the outstanding principal amount of the 2023 May CB is HK\$36,805,651 as at the Latest Practicable Date.

The Subscription is subject to the Independent Shareholders’ approval.

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, including the issue of the Convertible Bonds and the Conversion Shares under the Specific Mandate; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from an Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement; and (iv) a notice convening the EGM.

BACKGROUND OF THE EXISTING BONDS

2023 May CB

As at the date of the Announcement and immediately before the entering into of the Subscription Agreement, the outstanding principal amount of the 2023 May CB is HK\$38,805,651 and is held by the Subscriber. The maturity date of the 2023 May CB is 21 May 2023 with a conversion price of HK\$0.903 per conversion share.

Pursuant to the Subscription Agreement, the Company undertakes to the Subscriber to redeem HK\$2,805,651 of the principal outstanding amount of the 2023 May CB prior to the date of EGM.

On 15 November 2022 and 29 November 2022, the Company has redeemed HK\$2,000,000 in aggregate of the outstanding principal amount of the 2023 May CB and the outstanding principal amount of the 2023 May CB is HK\$36,805,651 as at the Latest Practicable Date.

2023 August CB

As at the date of the Announcement and immediately before the entering into of the Subscription Agreement, the 2023 August CB in the aggregate outstanding principal amount of HK\$69,068,000 with a conversion price of HK\$0.90 per conversion share remains outstanding as follows:

- a. part of the 2023 August CB in the outstanding principal amount of HK\$55,000,000 maturing on 12 August 2023 is held by the Subscriber; and
- b. the remaining 2023 August CB in the outstanding principal amount of HK\$14,068,000 maturing on 12 August 2023 is held by Independent Third Parties.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the aggregate outstanding principal amount of the 2023 August CB is HK\$69,068,000.

THE SUBSCRIPTION AGREEMENT

Set out below are the principal terms of the Subscription Agreement:

Date : 14 November 2022

Parties : (i) the Company as issuer, and
(ii) the Subscriber.

The Subscriber, is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Subscription Price : HK\$91,000,000

The Subscription Price shall be set off against the aggregate outstanding principal amount of HK\$91,000,000 at Completion, comprising HK\$36,000,000 under the 2023 May CB (after the Early Redemption) and HK\$55,000,000 under the 2023 August CB held by the Subscriber.

As at the date of the Announcement, the outstanding principal amounts of the 2023 May CB is HK\$38,805,651 and the 2023 August CB held by the Subscriber is HK\$55,000,000 respectively, and pursuant to the Subscription Agreement, the Company undertakes to the Subscriber to redeem HK\$2,805,651 of the principal outstanding amount of the 2023 May CB prior to the date of EGM.

On 15 November 2022 and 29 November 2022, the Company has redeemed HK\$2,000,000 in aggregate of the outstanding principal amount of the 2023 May CB and the outstanding principal amount of the 2023 May CB is HK\$36,805,651 as at the Latest Practicable Date.

LETTER FROM THE BOARD

Conditions of the Subscription Agreement

The Subscription is conditional upon:

- (i) the passing by the Independent Shareholders of relevant resolution(s) at the EGM in compliance with the requirements of the GEM Listing Rules approving:
 - (a) the Subscription Agreement and the transactions contemplated thereunder; and
 - (b) the issue of the Convertible Bonds and the Specific Mandate for the allotment and issue of the Conversion Shares to holder(s) of the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds;
- (ii) 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 having been obtained;
- (iii) 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;
- (iv) the GEM Listing Committee of the Stock Exchange granting the 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;
- (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; and
- (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.

In the event that the conditions of the Subscription are not fulfilled on or before 31 January 2023 or such other date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and terminate and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

LETTER FROM THE BOARD

Completion

The Subscription Agreement shall complete within three (3) Business Days after the day on which the conditions set out above are fulfilled or, as the case may be, waived (or such later date as may be agreed between the Company and the Subscriber in writing). Upon Completion, the outstanding principal amount of the Existing Bonds held by the Subscriber will be set-off against the Subscription Price in full, and the obligation and liability of the Company to the Subscriber under the Existing Bonds will be extinguished.

Principal terms of the Convertible Bonds

- Issuer : The Company
- Subscriber : Team Sunny International Holdings Limited, which is principally engaged in investment holding
- Issue price : 100% of the principal amount
- Principal amount : HK\$91,000,000
- Conversion price : The Conversion Price per Conversion Share, subject to adjustments as hereafter described, shall be as follows:
- (a) The Conversion Price per Conversion Share for HK\$36,000,000 of the principal amount of the Convertible Bonds for the period from the date of issue of the Convertible Bonds up to and including 21 May 2023 shall be HK\$0.903 per Conversion Share and for the period from 22 May 2023 up to and including the Maturity Date (as defined below) shall be HK\$0.186 per Conversion Share; and
 - (b) The Conversion Price per Conversion Share for HK\$55,000,000 of the principal amount of the Convertible Bonds for the period from the date of issue of the Convertible Bonds up to and including 12 August 2023 shall be HK\$0.90 per Conversion Share and for the period from 13 August 2023 up to and including the Maturity Date (as defined below) shall be HK\$0.186 per Conversion Share.

LETTER FROM THE BOARD

Adjustment events : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

(a) Consolidation or sub-division of the Shares

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

(b) Capitalisation of profits or reserves

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a capital distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

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

where:

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

B = the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for such issue.

LETTER FROM THE BOARD

(c) Capital distribution

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such holders right(s) to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

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

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the independent auditors, of the portion of the capital distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the independent auditors is not required.

Provided that (aa) if in the opinion of an independent auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent auditors may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and (bb) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the capital distribution or grant.

LETTER FROM THE BOARD

(d) Issue of Shares for subscription by way of rights

If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

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

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per Share; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.

Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the holder(s) of the Convertible Bonds (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if they had exercised the conversion rights under the Convertible Bonds registered in their holders of the Convertible Bonds out of the total principal amount of the Convertible Bonds outstanding at the time of the proposed redemption.

LETTER FROM THE BOARD

(e) (aa) Issue of convertible or exchangeable securities

If and whenever the Company shall issue wholly for cash any securities convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined in this paragraph (e) below) initially receivable for such securities is less than 80% of the market price on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

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

A = the number of Shares in issue immediately before the date of the issue;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

LETTER FROM THE BOARD

(bb) Modification of rights of convertible or exchangeable securities

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this paragraph (e) are modified so that the total Effective Consideration per Share (as defined below) initially receivable for such securities shall be less than 80% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

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

- A = the number of Shares in issue immediately before the date of such modification;
- B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and
- C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of the Conversion Price provided that corresponding adjustment has already been made to the Conversion Price in respect of such an event.

LETTER FROM THE BOARD

For the purposes of this paragraph (e), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(f) Issue of Shares being made wholly for cash at a price less than 80% of the market price per Share

If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the market price on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

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

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

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

LETTER FROM THE BOARD

(g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined in this paragraph (g) below) which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

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

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares so issued.

For the purpose of this paragraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

- Interest rate: : Zero coupon
- Conversion Shares : Based on the principal amount of the Convertible Bonds of HK\$91,000,000, the Convertible Bonds is convertible into 489,247,311 Conversion Shares at the initial conversion price of HK\$0.186 per Conversion Share (subject to adjustments)
- Conversion period : The period commencing from the issue date of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date (as defined below)

LETTER FROM THE BOARD

Conversion rights and restrictions : The holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$500,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted; and (ii) the exercise of the conversion right attached to the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.

In the event the holder(s) of the Convertible Bonds convert the Convertible Bonds to the extent that immediately after such conversion the holder(s) of the Convertible Bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder(s) of the Convertible Bonds would be obliged to make a general offer under the Takeovers Code, the holder(s) of the Convertible Bonds together with parties acting in concert with it shall comply with the requirement of the Takeovers Code in accordance to the Takeovers Code.

Early redemption at the option of the Company : The Company shall be entitled at its sole discretion, by giving not less than seven (7) days' notice to the holder(s) of the Convertible Bonds, propose to the holder(s) to redeem the outstanding Convertible Bonds (in multiples of HK\$500,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Convertible Bonds at any time after the date of issue of the Convertible Bonds up to and including the date falling seven (7) days immediately before the Maturity Date (as defined below).

Ranking : The Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.

LETTER FROM THE BOARD

- Maturity date : 12 August 2024 (the “**Maturity Date**”)
- Voting rights : The holder(s) of the Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company
- Transferability : Subject to compliance with the GEM Listing Rules, the Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$500,000 by the holder(s) of the Convertible Bonds to any party, save and except that the Convertible Bonds shall not be transferred to a connected person of the Company unless with the prior written consent of the Company
- Listing : No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares
- Security : The obligations of the Company under the Convertible Bonds are unsecured

Based on the Conversion Price of HK\$0.186 per Conversion Share, a maximum number of 489,247,311 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent: (i) approximately 86.33% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 86.33% of the issued share capital of the Company as at the date of the Announcement; (iii) approximately 46.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds in full; and (iv) approximately 45.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares and the 2023 August Remaining CB Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds and the 2023 August Remaining CB in full.

The maximum aggregate nominal value of the Conversion Shares is HK\$48,924,731.1.

Conversion Price

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

- (i) a premium of approximately 14.81% over the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 14.81% over the average closing price of HK\$0.162 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and

LETTER FROM THE BOARD

- (iii) a discount of approximately 14.68% to the closing price of HK\$0.218 per Share quoted on the Stock Exchange on the Latest Practicable Date.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.185 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group. The Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee contained in this circular) consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

Application for listing

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

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.186 (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bonds); and (iii) immediately upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.186 and the 2023 August Remaining CB (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bonds and the 2023 August Remaining CB) are as follows:

	(i) As at the Latest Practicable Date		(ii) Immediately upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.186		(iii) Immediately upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.186 and the 2023 August Remaining CB	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
The Subscriber (<i>Note 1</i>)	136,755,500	24.13	626,002,811	59.28	626,002,811	58.42
Mr. Cheung Wai Yin, Wilson (<i>Note 2</i>)	5,578	0.01	5,578	0.01	5,578	0.01
Ms. Tsang Kwai Ping (<i>Note 3</i>)	900,000	0.16	900,000	0.09	900,000	0.08
Mr. Ann, Yu Chiu Andy (<i>Note 4</i>)	19,999,999	3.52	19,999,999	1.89	19,999,999	1.87
Holders of the 2023 August Remaining CB (<i>Note 5</i>)	—	—	—	—	15,631,110	1.46
Other public Shareholders	409,067,869	72.18	409,067,869	38.73	409,067,869	38.16
Total	<u>566,728,946</u>	<u>100.00</u>	<u>1,055,976,257</u>	<u>100.00</u>	<u>1,071,607,367</u>	<u>100.00</u>

Notes:

1. The Subscriber, being Team Sunny International Holdings Limited is owned as to 100% by Mr. Wong, who is deemed to be interested in 136,755,500 Shares pursuant to the Part XV of the SFO.
2. Mr. Cheung Wai Yin, Wilson is an executive Director and personally interested in 5,578 Shares.
3. Ms. Tsang Kwai Ping is an executive Director and personally interested in 900,000 Shares.
4. Mr. Ann, Yu Chiu Andy is the director of NOIZChain Limited (a wholly-owned subsidiary of the Company) and personally interested in 19,999,999 Shares.
5. Upon Completion of the Subscription, the remaining outstanding principal amount of the 2023 August CB is HK\$14,068,000 with an initial conversion price of HK\$0.90.

LETTER FROM THE BOARD

FUND RAISING DURING THE PAST TWELVE MONTHS

Save as disclosed below, the Company had not conducted any fund raising activities involving issue of its securities in the past twelve months immediately preceding the Latest Practicable Date.

Date of announcement	Event	Net proceeds and intended use of proceeds	Actual use of net proceeds	Utilization of the remaining net proceeds
19 June 2022	Subscription of 15,000,000 Shares by Oriental Watch Holdings Limited under general mandate granted to the Directors at the extraordinary general meeting of the Company held on 17 December 2021	Approximately HK\$3,000,000 for the general working capital of NOIZChain Limited (a wholly-owned subsidiary of the Company)	Approximately HK\$1,700,000 has been utilized as intended as at the Latest Practicable Date	The remaining net proceeds of approximately HK\$1,300,000 is expected to be utilized as intended within 5 months from the Latest Practicable Date

INFORMATION OF THE GROUP

The Company is an investment holding company. As at the Latest Practicable Date, the Group is principally engaged in (i) financial services business including securities brokerage services, provision of corporate finance advisory services, asset management business and money lending services; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; and (iii) digital platform business including Blockchain-as-a-Service that provides tailor made services and advice to businesses allowing them to use cloud-based solutions to manage and develop their applications and smart contracts without needing to develop and maintain their own blockchain environments.

INFORMATION OF THE SUBSCRIBER

The Subscriber, is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

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

The Group has been loss making for the recent financial years and as noted from the annual report of the Company for the financial year ended 31 December 2021, the Group recorded a loss of approximately HK\$31 million and HK\$98 million for the financial year ended 31 December 2021 and 2020 respectively. As further set out in the interim report of the Company for the six months ended 30 June 2022 and the third quarterly report of the Company for the nine months ended 30 September 2022, the Group had a net liabilities position of approximately HK\$41 million as at 30 June 2022 and approximately HK\$26 million as at 30 September 2022, respectively. Given the Group's financial position, the representatives from the commercial banks that the Group had connection with did not respond to the Company's email enquiry previously and also the recent verbal enquiry with respect to the possibility for any debt financing proposal for the Company. The Directors are of the view that it is impracticable for the Group to secure third party financing.

The 2023 May CB and 2023 August CB (collectively being the Existing Bonds) with an outstanding principal amount of HK\$38,805,651 (before the Early Redemption) and HK\$69,068,000 would mature in May 2023 and August 2023 respectively, and it is not expected that the Company would have sufficient internal resources to redeem all the Existing Bonds upon maturity. Taking into account the financial position of the Group and given the size of the outstanding principal amounts of the Existing Bonds (being an aggregate outstanding principal amount of HK\$107,873,651 (before the Early Redemption)), the Directors consider that it is impracticable to secure third party financing on the terms that are favourable to the Company to settle them when they fall due.

In light of the current market circumstances, the Subscriber has no intention to exercise the conversion rights attached to the Existing Bonds the Subscriber held, taking into account of that the prevailing conversion price of the Existing Bonds per Share is significantly higher than the current market price per Share. As such the Company considers that the entering into of the Subscription Agreement would be an effective way to settle the Existing Bonds the Subscriber held and the lower Conversion Price would be an incentive for the Subscriber to convert the Convertible Bonds into Shares.

Having considered, among other things, the recent financial performance and financial position of the Group, the prevailing market prices and trading volume of the Shares alongside the recent market sentiment, it may not be favourable to the Company to conduct a fund raising exercise of substantial amount by way of issuing new Shares to Independent Third Party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required.

Given that the Subscriber holds the majority amount of the Existing Bonds (i.e. approximately 87% of the aggregate amount of the Existing Bonds), the Company has decided to negotiate with the Subscriber on the proposed settlement plan of the Existing Bonds the Subscriber held. As a result of the negotiations, the Company and the Subscriber agreed to settle the amount to be due under the Existing Bonds held by the Subscriber principally through entering into the Subscription Agreement.

LETTER FROM THE BOARD

No net proceeds will be received by the Company from the issue of the Convertible Bonds. The outstanding principal amount of the Existing Bonds held by the Subscriber at Completion will be settled through the issuance of the Convertible Bonds on the date of Completion. Accordingly, no immediate cash outflow will be incurred in the settlement of the principal amount of the Existing Bonds (other than the Early Redemption) held by the Subscriber. As such, it provides more flexibility to the Company in its future cash management, and may be able to strengthen the capital base and reduce the short-term liability of the Company, and thus improve the financial position of the Company.

Hence, the Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) consider that the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable based on the current market conditions and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The Subscriber, is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. In addition, the Convertible Bonds and the Conversion Shares will be issued under the Specific Mandate which is subject to Independent Shareholders' approval at the EGM. The EGM will be convened and held for the purposes of considering of, and if thought fit, approving, among other things, the Subscription, and the Specific Mandate to allot and issue the Conversion Shares.

Mr. Wong has abstained from voting on the resolutions in relation to Subscription Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Subscription.

EGM

The EGM will be held at Room 1108, 11/F, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong on Friday, 23 December 2022 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 issue of the Convertible Bonds and the grant of the Specific Mandate) by way of poll.

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

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider, and to advise the Independent Shareholders regarding the Subscription and the transactions contemplated thereunder, and as to whether the Subscription is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Vinco Financial has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Subscriber and its associates, being interested in the transactions contemplated under the Subscription Agreement, shall abstain from voting for 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 resolutions to approve the Subscription Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, the Subscriber and its associate are interested in 136,755,000 Shares, representing approximately 24.13% of the issued share capital of the Company.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 26 to 27 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 28 to 61 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 issue of the Convertible Bonds and the granting of the Specific Mandate) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

8 December 2022

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION — PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 8 December 2022 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Subscription is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders how to vote at the EGM. Vinco Financial has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages 28 to 61 of the Circular. Your attention is also drawn to the Letter from the Board and the additional information set out in the Appendix I to the Circular.

We wish to draw your attention to the Letter from the Board and the Letter from Vinco Financial to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Subscription Agreement and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the Appendix I to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement and the transactions contemplated thereunder, the advice of Vinco Financial and the relevant information contained in the Letter from the Board, we consider that although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, the proposed issue of the Convertible Bonds to the connected person of the Company, the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions for approving the Subscription Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Ms. Yeung Mo Sheung, Ann Ms. Ng Ka Sim, Casina Mr. Wong Wing Kit
Independent Non-executive Directors

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the Subscription and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:

VINCO 榮高 Vinco Financial Limited

8 December 2022

*To the Independent Board Committee and the Independent Shareholders of
Merdeka Financial Group Limited*

Dear Sirs,

CONNECTED TRANSACTION — PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 8 December 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

As set out in the Letter from the Board, on 14 November 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for the Convertible Bonds in the principal amount of HK\$91,000,000 and pay the Subscription Price by setting off against the outstanding principal amounts of the 2023 May CB and 2023 August CB held by the Subscriber at Completion. As at the date of the Announcement, the outstanding principal amounts of the 2023 May CB is HK\$38,805,651 and 2023 August CB held by the Subscriber is HK\$55,000,000 respectively, and pursuant to the Subscription Agreement, the Company undertakes to the Subscriber to redeem HK\$2,805,651 of the principal outstanding amount of the 2023 May CB prior to the date of EGM (the “**Early Redemption**”). On 15 November 2022 and 29 November 2022, the Company has redeemed HK\$2,000,000 of the principal outstanding amount of the 2023 May CB and the outstanding principal amount of the 2023 May CB is HK\$36,805,651 as at the Latest Practicable Date.

LETTER FROM VINCO FINANCIAL

The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM. The Subscription is conditional upon the Stock Exchange granting the Company the approval for the listing of, and the permission to deal in, the Conversion Shares and the passing of necessary resolution(s) by the Independent Shareholders at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate).

The Subscriber, is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholder's approval requirement under Chapter 20 of the GEM Listing Rules. In addition, the Convertible Bonds and the Conversion Shares will be issued under the Specific Mandate which is subject to Independent Shareholders' approval at the EGM. Mr. Wong has abstained from voting on the resolutions in relation to Subscription Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Subscription. The EGM will be convened and held for the purpose of considering of, and if thought fit, approving, among other things, the Subscription, and the Specific Mandate to allot and issue the Conversion Shares. The Subscriber and its associates, being interested in the transactions contemplated under the Subscription Agreement, shall abstain from voting for the resolution to approve the Subscription Agreement and the transaction contemplated thereunder at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Yeung Mo Sheung, Ann, Ms. Ng Ka Sim, Casina and Mr. Wong Wing Kit, has been established to advise the Independent Shareholders regarding the Subscription and the transactions contemplated thereunder, and so as to whether the Subscription is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

We, Vinco Financial Limited, have been appointed and approved by the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Subscription and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Subscription and the transactions contemplated thereunder so far as the Independent Shareholders are concerned.

LETTER FROM VINCO FINANCIAL

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, 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. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Subscription and the transactions contemplated thereunder of the Company.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading.

LETTER FROM VINCO FINANCIAL

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 that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular 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.

We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Subscription and the transaction contemplated thereunder since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Subscription.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have discussion with the management of the Group to understand the information collected from the Company including but not limited to (i) the published financial reports of the Company for the two financial years ended 31 December 2021 (the “**Annual Report 2021**”), the published third quarterly report of the Company for the nine months ended 30 September 2022 (the “**Q3 2022 Report**”); (ii) the Subscription Agreement; (iii) the 2023 August CB; (iv) the 2023 May CB; and (v) other information as set out in the Circular. Furthermore, we have researched and analyzed the market information obtained from the website of the Stock Exchange. Our opinion is necessarily based on the management’s representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscription and the transactions contemplated thereunder. 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 Chapters 17 and 20 of the GEM Listing Rules. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription Agreement and the transaction contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Subscription, we have taken into account the following principal factors and reasons:

1. Business and financial information of the Group

Information of the Group

The Company is an investment holding company. As at the Latest Practicable Date, the Group is principally engaged in (i) financial services business including securities brokerage services, provision of corporate finance advisory services, asset management business and money lending services; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; and (iii) digital platform business including Blockchain-as-a-Service that provides tailor made services and advice to businesses allowing them to use cloud-based solutions to manage and develop their applications and smart contracts without needing to develop and maintain their own blockchain environments.

Business and financial of the Group

Set out below is a summary of the unaudited consolidated financial information of the Group for the nine months ended 30 September 2022 and 2021 respectively extracted from the Q3 2022 Report:

	For the nine months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	15,540	15,415
Loss for the period attributable to owners of the Company	(16,736)	(20,078)

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	As at	
	30 September 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Current assets	49,589	62,386
Current liabilities	111,009	23,443
Total assets	89,086	88,890
Total liabilities	115,393	116,385
Net current (liability)/assets	(61,420)	38,943
Net liabilities	26,307	27,495

The Group recorded revenue for the nine months ended 30 September 2022 in the amount of approximately HK\$15.54 million, representing an increase of approximately 0.81% as compared to that for the nine months ended 30 September 2021 in the amount of approximately HK\$15.42 million. According to the Q3 2022 Report, the increase in revenue was mainly due to the increase in revenue of digital platform business. The Group recorded a loss attributable to owners of the Company for the nine months ended 30 September 2022 in the amount of approximately HK\$16.74 million as compared to a loss attributable to owners of the Company for the nine months ended 30 September 2021 in the amount of approximately HK\$20.08 million. Pursuant to the Q3 2022 Report, the decrease in loss was mainly because of the net off effect of (i) the absence of loss on deconsolidation of subsidiaries of approximately HK\$4.1 million; and (ii) the increase in imputed interest on convertible bonds of approximately HK\$1.3 million.

The Group's unaudited total assets as at 30 September 2022 amounted to approximately HK\$89.09 million. The Group's unaudited net liabilities value amounted to approximately HK\$26.31 million as at 30 September 2022, representing a decrease of approximately 4.32% as compared to that of approximately HK\$27.50 million as at 31 December 2021. In the meantime, the Group recorded net current liabilities as at 30 September 2022 in the amount of approximately HK\$61.42 million as compared to that of approximately HK\$38.94 million of net current assets as at 31 December 2021. The increase of net current liabilities was mainly due to the increase of convertible bonds of approximately HK\$94.55 million. As at 30 September 2022, the Group had total liabilities of approximately HK\$115.39 million.

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Set out below is a summary of the audited consolidated financial information of the Group for the two financial years ended 31 December 2020 and 2021 respectively which were extracted from the Annual Report 2021 respectively:

	For the year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	24,539	39,861
Loss attributable to owners of the Company	(31,123)	(71,711)
	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Current assets	62,386	90,999
Current liabilities	23,443	88,429
Total assets	88,890	108,198
Total liabilities	116,385	162,899
Net current assets	38,943	2,570
Net liabilities	27,495	54,701

The Group recorded revenue for the financial year ended 31 December 2021 in the amount of approximately HK\$24.54 million, representing a decrease of approximately 38.44% as compared to that for the financial year ended 31 December 2020 in the amount of approximately HK\$39.86 million. According to the Annual Report 2021, the decrease was mainly due to (i) the reduction in the value and volume of transactions in the businesses of corporate finance advisory and asset management services, (ii) the corporate consulting business that the business opportunities were much diminished during the current uncertain economic environment caused by the outbreak of COVID-19; and (iii) the decrease in revenue of the trading business was mainly due to the cross border restriction imposed by the Hong Kong Government, the number of customers, especially those from the PRC, dropped dramatically. The Group recorded a loss attributable to owners of the Company for the financial year ended 31 December 2021 in the amount of approximately HK\$31.12 million as compared to a loss attributable to owners of the Company for the financial year ended 31 December 2020 in the amount of approximately HK\$71.71 million. Pursuant to the Annual Report 2021, the decrease in loss was mainly attributable from the net off effect of (i) the absence of reversal of impairment loss on other receivables of

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approximately HK\$8.5 million; (ii) the absence of impairment loss on finance lease receivables of approximately HK\$78.0 million; and (iii) a loss on deconsolidation of subsidiaries of approximately HK\$4.1 million.

The Group's audited total assets as at 31 December 2021 amounted to approximately HK\$88.89 million. The Group's audited net liabilities attributable to owners of the Company amounted to approximately HK\$27.50 million as at 31 December 2021, representing a decrease of approximately 49.74% as compared to that of approximately HK\$54.70 million as at 31 December 2020. In the meantime, the Group recorded net current assets as at 31 December 2021 in the amount of approximately HK\$38.94 million, representing an increase of approximately 1,415.29% as compared to that of approximately HK\$2.57 million as at 31 December 2020. The increase of net current assets mainly due to the increase in bank and cash balances in general account and the decrease in trade payables and other payables and accruals. The Group's current liabilities mainly comprise of trade payables and other payables and accruals of approximately HK\$20.04 million and the Group had total liabilities of approximately HK\$116.39 million as at 31 December 2021.

Prospects and outlook of the Group

As stated in the Annual Report 2021, the Group will continue to expand the clients base and establish a strong track record in order to strengthen the businesses of corporate financial advisory services, asset management services and money lending services in the coming future. For the securities brokerage services business, the Group will explore the involvement in the share placement activities to enhance its revenue stream. Furthermore, the Group will continue to explore new business opportunities in Fin-tech to capture the potential growth of the booming of Fin-tech to create synergy effect with the Group's existing financial services business, including the securities brokerage services, corporate finance advisory services, asset management services and money lending services.

Given the worldwide awareness of corporate governance, the Group anticipates the demand from Hong Kong listed issuers requesting for professional services in relation to corporate governance matters and compliance with the appropriate local rules governing the listed companies in Hong Kong and other relevant legal and regulatory requirements will persist.

The business environment for retail trade was continued to be more difficult and challenging in the near term. The Board has taken various proactive measures, including but not limited to, develop an online platform of trading of goods, components and accessories, to minimise the impact of COVID-19 on the trading business operation. Since the performance of the trading business was unsatisfactory for the past years, on 23 September 2022, the Group disposed of the trading business to an independent third party. Upon the disposal, the Group ceased to have any interest in the trading business. The disposal allowed the Group to reallocate more resources on the remaining businesses.

2. Reasons for and benefits of the proposed issue of the Convertible Bonds and use of proceeds

The Group has been loss making for the recent financial years and as noted from the Annual Report 2021, the Group recorded a loss of approximately HK\$31 million and HK\$98 million for the financial year ended 31 December 2021 and 2020 respectively. As further set out in the interim report of the Company for the six months ended 30 June 2022 and the Q3 2022 Report, the Group had a net liabilities position of approximately HK\$41 million as at 30 June 2022 and approximately HK\$26 million as at 30 September 2022, respectively. Given the Group's financial position, the representatives from the commercial banks that the Group had connection with did not respond to the Company's email enquiry previously and also the recent verbal enquiry with respect to the possibility for any debt financing proposal for the Company. The Directors are of the view that it is impracticable for the Group to secure third party financing.

The 2023 May CB and 2023 August CB (collectively being the Existing Bonds) with an outstanding principal amount of HK\$38,805,651 (before the Early Redemption) and HK\$69,068,000 would mature in May 2023 and August 2023 respectively, and it is not expected that the Company would have sufficient internal resources to redeem all the Existing Bonds upon maturity. Taking into account the financial position of the Group and given the size of the outstanding principal amounts of the Existing Bonds (being an aggregate outstanding principal amount of HK\$107,873,651 (before the Early Redemption)), the Directors consider that it is impracticable to secure third party financing on the terms that are favourable to the Company to settle them when they fall due. In addition, we have obtained the correspondence between the Company and the commercial banks regarding the previous proposed debt financing from the Company. As discussed with and confirmed by the management of the Company, given the financial position of the Group the commercial banks did not respond to the Company's enquiry regarding the debt financing proposed by the Company. Furthermore, regarding the alternative mean of the latest fund raising of the Company, the Company confirmed that a verbal enquiry had been made to the commercial banks but the representatives from the commercial bank did not respond to the Company's enquiry with respect to the possibility for any debt financing proposal for the Company. Therefore, we concur with the view of the Directors that it is impracticable to secure third party financing.

In light of the current market circumstances, the Subscriber has no intention to exercise the conversion rights attached to the Existing Bonds the Subscriber held, taking into account of that the prevailing conversion price of the Existing Bonds per Share is significantly higher than the current market price per Share. As such the Company considers that the entering into of the Subscription Agreement would be an effective way to settle the Existing Bonds the Subscriber held and the lower Conversion Price would be an incentive for the Subscriber to convert the Convertible Bonds into Shares.

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Having considered, among other things, the recent financial performance and financial position of the Group, the prevailing market prices and trading volume of the Shares alongside the recent market sentiment, it may not be favourable to the Company to conduct a fund raising exercise of substantial amount by way of issuing new Shares to Independent Third Party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required.

Given that the Subscriber holds the majority amount of the Existing Bonds (i.e. approximately 87% of the aggregate amount of the Existing Bonds), the Company has decided to negotiate with the Subscriber on the proposed settlement plan of the Existing Bonds the Subscriber held. As a result of the negotiations, the Company and the Subscriber agreed to settle the amount to be due under the Existing Bonds held by the Subscriber principally through entering into the Subscription Agreement.

No net proceeds will be received by the Company from the issue of the Convertible Bonds. The outstanding principal amount of the Existing Bonds held by the Subscriber at Completion will be settled through the issuance of the Convertible Bonds on the date of Completion. Accordingly, no immediate cash outflow will be incurred in the settlement of the principal amount of the Existing Bonds held by the Subscriber. As such, it provides more flexibility to the Company in its future cash management, and may be able to strengthen the capital base and reduce the short-term liability of the Company, and thus improve the financial position of the Company.

Having considered (i) the Group's financial position as at 31 December 2021 and 30 June 2022; (ii) its ability to obtain debt financing at terms acceptable to the Company; (iii) its possibility to have sufficient internal resources to redeem all the Existing Bonds upon maturity; (iv) the impracticable consideration of securing third party financing on the terms that are favourable to the Company to settle the outstanding principal amounts of the Existing Bonds when they fall due; (v) the Subscriber has no intention to exercise the conversion rights attached to the Existing Bonds the Subscriber held; (vi) the prevailing market prices and trading volume of the shares alongside the recent market sentiment; (vii) the negotiation made between the Company and Subscriber; and (viii) the flexibility to the Company in its future cash management, we concur with the Director's view that the Subscription is fair and reasonable based on the current market conditions and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

3. Information of the Subscriber

The Subscriber, is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

4. Background of the Existing Bonds

According to the Letter from the Board, as at the date of the Announcement and immediately before the entering into of the Subscription Agreement, the outstanding principal amount of 2023 May CB is HK\$38,805,651 and is held by the Subscriber. The maturity date of the 2023 May CB is 21 May 2023 with a conversion price of HK\$0.903 per conversion share. Pursuant to the Subscription Agreement, the Company undertakes to the Subscriber to redeem HK\$2,805,651 of the outstanding principal amount of the 2023 May CB prior to the date of EGM. On 15 November 2022 and 29 November 2022, the Company has redeemed HK\$2,000,000 in aggregate of the outstanding principal amount of the 2023 May CB and the outstanding principal amount of the 2023 May CB is HK\$36,805,651 as at the Latest Practicable Date.

As at the date of the Announcement and immediately before the entering into of the Subscription Agreement, the 2023 August CB in the aggregate outstanding principal amount of HK\$69,068,000 with a conversion price of HK\$0.90 per conversion share remains outstanding as follows: (a) part of the 2023 August CB in the outstanding principal amount of HK\$55,000,000 maturing on 12 August 2023 is held by the Subscriber; and (b) the remaining 2023 August CB in the outstanding principal amount of HK\$14,068,000 maturing on 12 August 2023 is held by Independent Third Parties.

As at the Latest Practicable Date, the aggregate outstanding principal amount of the 2023 August CB is HK\$69,068,000.

5. Information of the Subscription Agreement

According to the Letter from the Board, on 14 November 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for the Convertible Bonds in the principal amount of HK\$91,000,000 and pay the Subscription Price by setting off against the outstanding principal amounts of the 2023 May CB and 2023 August CB held by the Subscriber at Completion. As at the Latest Practicable Date, the outstanding principal amounts of the 2023 May CB is HK\$36,805,651 and 2023 August CB held by the Subscriber is HK\$55,000,000 respectively, and subject to the Early Redemption. Set out below are the principal terms of the Subscription Agreement:

Date : 14 November 2022

Parties : (i) the Company as issuer, and
(ii) the Subscriber.

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The Subscriber, is wholly and ultimately owned by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 136,755,500 Shares, representing approximately 24.13% of the issued share capital of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Subscription Price : HK\$91,000,000

The Subscription Price shall be set off against the aggregate outstanding principal amount of HK\$91,000,000 at Completion, comprising HK\$36,000,000 under the 2023 May CB (after the Early Redemption) and HK\$55,000,000 under the 2023 August CB held by the Subscriber.

As at the date of the Announcement, the outstanding principal amounts of the 2023 May CB is HK\$38,805,651 and 2023 August CB held by the Subscriber is HK\$55,000,000 respectively, and pursuant to the Subscription Agreement, the Company undertakes to the Subscriber to redeem HK\$2,805,651 of the principal outstanding amount of the 2023 May CB prior to the date of EGM.

On 15 November 2022 and 29 November 2022, the Company has redeemed HK\$2,000,000 in aggregate of the outstanding principal amount of the 2023 May CB and the outstanding principal amount of the 2023 May CB is HK\$36,805,651 as at the Latest Practicable Date.

Conditions of the Subscription Agreement

The Subscription is conditional upon:

- (i) the passing by the Independent Shareholders of relevant resolution(s) at the EGM in compliance with the requirements of the GEM Listing Rules approving:
 - (a) the Subscription Agreement and the transactions contemplated hereunder; and
 - (b) the issue of the Convertible Bonds and the Specific Mandate for the allotment and issue of the Conversion Shares to holder(s) of the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds;

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- (ii) 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 hereunder having been obtained;
- (iii) 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 hereunder having been obtained;
- (iv) the GEM Listing Committee of the Stock Exchange granting the 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;
- (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; and
- (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.

In the event that the conditions of the Subscription are not fulfilled on or before 31 January 2023 or such other date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and terminate and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

Completion

The Subscription Agreement shall complete within three (3) Business Days after the day on which the conditions set out above are fulfilled or, as the case may be, waived (or such later date as may be agreed between the Company and the Subscriber in writing). Upon Completion, the outstanding principal amount of the Existing Bonds held by the Subscriber will be set-off against the Subscription Price in full, and the obligation and liability of the Company to the Subscriber under the Existing Bonds will be extinguished.

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6. Information of the Convertible Bonds

Set out below are the principal terms and conditions of the Convertible Bonds. For details of the terms of the Convertible Bonds, please refer to section headed “The Subscription Agreement” in the Letter from the Board.

- Issuer : The Company
- Subscriber : Team Sunny International Holdings Limited, which is principally engaged in investment holding
- Issue price : 100% of the principal amount
- Principal amount : HK\$91,000,000
- Conversion price : The Conversion Price per Conversion Share, subject to adjustments as hereafter described, shall be as follows:
- (a) The Conversion Price per Conversion Share for HK\$36,000,000 of the principal amount of the Convertible Bonds for the period from the date of issue of the Convertible Bonds up to and including 21 May 2023 shall be HK\$0.903 per Conversion Share and for the period from 22 May 2023 up to and including the Maturity Date (as defined below) shall be HK\$0.186 per Conversion Share; and
 - (b) The Conversion Price per Conversion Share for HK\$55,000,000 of the principal amount of the Convertible Bonds for the period from the date of issue of the Convertible Bonds up to and including 12 August 2023 shall be HK\$0.90 per Conversion Share and for the period from 13 August 2023 up to and including the Maturity Date (as defined below) shall be HK\$0.186 per Conversion Share.
- Adjustment events : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

(a) Consolidation or sub-division of the Shares

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

(b) Capitalisation of profits or reserves

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a capital distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

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

where:

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

B = the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for such issue.

(c) Capital distribution

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such holders right(s) to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

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

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the independent auditors, of the portion of the capital distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the independent auditors is not required.

Provided that (aa) if in the opinion of an independent auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent auditors may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and (bb) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

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Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the capital distribution or grant.

(d) Issue of Shares for subscription by way of rights

If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

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

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per Share; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.

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Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the holder(s) of the Convertible Bonds (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if they had exercised the conversion rights under the Convertible Bonds registered in their holders of the Convertible Bonds out of the total principal amount of the Convertible Bonds outstanding at the time of the proposed redemption.

(e) (aa) Issue of convertible or exchangeable securities

If and whenever the Company shall issue wholly for cash any securities convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined in this paragraph (e) below) initially receivable for such securities is less than 80% of the market price on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

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

A = the number of Shares in issue immediately before the date of the issue;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

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C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

(bb) Modification of rights of convertible or exchangeable securities

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this paragraph (e) are modified so that the total Effective Consideration per Share (as defined below) initially receivable for such securities shall be less than 80% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

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

A = the number of Shares in issue immediately before the date of such modification;

B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and

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C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of the Conversion Price provided that corresponding adjustment has already been made to the Conversion Price in respect of such an event.

For the purposes of this paragraph (e), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

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(f) Issue of Shares being made wholly for cash at a price less than 80% of the market price per Share

If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the market price on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

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

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

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

(g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined in this paragraph (g) below) which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

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

where:

A = the number of Shares in issue immediately before the date of such announcement;

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B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares so issued. For the purpose of this paragraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

- Interest rate : Zero coupon
- Conversion Shares : Based on the principal amount of the Convertible Bonds of HK\$91,000,000, the Convertible Bonds is convertible into 489,247,311 Conversion Shares at the initial conversion price of HK\$0.186 per Conversion Share (subject to adjustments)
- Conversion period : The period commencing from the issue date of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date (as defined below)

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Conversion rights and restrictions : The holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$500,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted; and (ii) the exercise of the conversion right attached to the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.

In the event the holder(s) of the Convertible Bonds convert the Convertible Bonds to the extent that immediately after such conversion the holder(s) of the Convertible Bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder(s) of the Convertible Bonds would be obliged to make a general offer under the Takeovers Code, the holder(s) of the Convertible Bonds together with parties acting in concert with it shall comply with the requirement of the Takeovers Code in accordance to the Takeovers Code.

Early redemption at the option of the Company : The Company shall be entitled at its sole discretion, by giving not less than seven (7) days' notice to the holder(s) of the Convertible Bonds, propose to the holder(s) to redeem the outstanding Convertible Bonds (in multiples of HK\$500,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Convertible Bonds at any time after the date of issue of the Convertible Bonds up to and including the date falling seven (7) days immediately before the Maturity Date (as defined below).

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- Ranking : The Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.
- Maturity date : 12 August 2024 (the “**Maturity Date**”)
- Voting rights : The holder(s) of the Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company
- Transferability : Subject to compliance with the GEM Listing Rules, the Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$500,000 by the holder(s) of the Convertible Bonds to any party, save and except that the Convertible Bonds shall not be transferred to a connected person of the Company unless with the prior written consent of the Company
- Listing : No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares
- Security : The obligations of the Company under the Convertible Bonds are unsecured

Based on the Conversion Price of HK\$0.186 per Conversion Share, a maximum number of 489,247,311 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent: (i) approximately 86.33% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 86.33% of the issued share capital of the Company as at the date of the Announcement; (iii) approximately 46.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds in full; and (iv) approximately 45.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares and the 2023 August Remaining CB Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds and the 2023 August Remaining CB in full.

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The maximum aggregate nominal value of the Conversion Shares is HK\$48,924,731.1.

7. Assessment of the principal terms of the Convertible Bonds and the Subscription Agreement

7.1 The Conversion Price

As disclosed in the Letter from the Board, the initial Conversion Price of HK\$0.186 per Conversion Share, which shall be subject to price adjustment, represents:

- (i) a premium of approximately 14.81% over the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 14.81% over the average closing price of HK\$0.162 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a discount of approximately 14.68% to the closing price of HK\$0.218 per Share quoted on the Stock Exchange on the Latest Practicable Date.

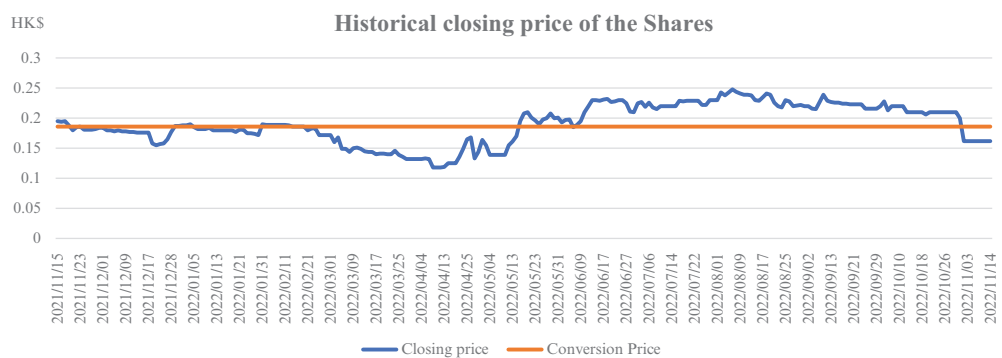
As stated in the Letter from the Board, the Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Share including the closing price of the Shares as at the date of the Subscription Agreement, the average of the closing prices of the Shares for the five consecutive trading days up to and including the date of the Subscription Agreement. Having considered that (i) it represents a premium of approximately 14.81% over the above-mentioned closing price or average closing prices; and (ii) the Group's net liabilities value in the past few years, we are of the view that the recent market price of the Shares is more representative of the fair value of the Shares that is generally perceived by the market which has taken into account the prevailing market condition, investor sentiment, and macroeconomic situations caused by the impacts of the COVID-19 pandemic. As such, the recent market price of the Shares is a more relevant factor in assessing the fairness and reasonableness of the Conversion Price. As confirmed with the management of the Company, we understand that in the event the holder(s) of the Convertible Bonds to the extent that immediately after such conversion the holder(s) of the Convertible Bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder(s) of the Convertible Bonds would be obliged to make a general offer under the Takeovers Code, the holder(s) of the Convertible Bonds together with parties acting in concert with it shall comply with the requirement of the Takeovers Code in accordance to the Takeovers Code. Accordingly, we concur

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with the Director's view that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7.2 Historical price performance of the Shares

To assess the fairness and reasonableness of the Conversion Price, we have performed a review on the daily closing price of the Shares from 15 November 2021 to and including 14 November 2022, the date of the Subscription Agreement (the “**Review Period**”), (being a period of one year, which is commonly used for analysis purpose to illustrate the general trend of the daily closing price and the level of movement of the Shares) and compared with the Conversion Price.



Data source: The website of the Stock Exchange

During the Review Period, the closing price was approximately HK\$0.118 per Share (the “**Lowest Closing Price**”) recorded on 8 April 2022, 11 April 2022 and 12 April 2022 respectively to HK\$0.248 per Share (the “**Highest Closing Price**”) recorded on 5 August 2022.

Since the beginning of the Review Period, the closing price remained relatively stable and went down to the Lowest Closing Price from 8 April 2022 and the following two trading days consecutively. We have enquired the management of the Company regarding the drop of closing price and were advised that save for (i) the 2021 Annual Report; (ii) the announcement of the Company dated 1 April 2022 regarding the discloseable transaction of provision of loan; and (iii) the downturn of stock prices of stock market globally and locally and low investors sentiment due to the volatility and market downturn of the global economy, they are not aware of any particular reason that may lead to the drop of the closing price. Since then, the closing price exhibited an upward trend generally and went up to the Highest Closing Price on 5 August 2022. As discussed with the management of the Company, saved for the announcement dated 4 July 2022 in relation to the completion of the acquisition of the entire issued share capital of NOIZChain Limited and the announcement dated 7 July 2022 in relation to the completion of subscription of new shares by Oriental Watch Holdings Limited (stock code: 0398), they were not aware of any particular reason that may lead to

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the upward trend and the hit to the Highest Closing Price. Thereafter, the closing price closed at HK\$0.162 on the date of the Subscription Agreement (i.e. 14 November 2022).

As illustrated in the chart above, the Conversion Price of HK\$0.186 per Share falls within the range between the Lowest Closing Price and the Highest Closing Price and it represents (i) a premium of approximately 57.63% over the Lowest Closing Price; (ii) a premium of approximately 14.81% over the closing prices of HK\$0.162 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (iii) a premium of approximately 14.81% over the average closing prices of HK\$0.162 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement. Although the Conversion Price was lower than the closing price of the Shares on approximately 50% of the trading days within the Review Period, considering that (i) the Conversion Price represents a premium over the closing price on the date of the Subscription Agreement and the average closing price for the 5 consecutive trading days up to and including the date of the Subscription Agreement; and (ii) the closing price of the Shares has remained relatively stable since November 2022 up to the date of Subscription Agreement, we are of the view that recent share prices are more representative of the latest market condition and sentiment, thus we concur with the Directors' view that the Conversion Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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7.3 Historical trading volume of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

Month/Period	Total trading volume (Shares)	No. of trading days	Average daily trading volume (Note 2) Approximately (Shares)	Percentage of the average daily trading volume over the total number of issued Shares (Note 3) Approximately
2021				
November (Note 1)	16,429,105	12	1,369,092	0.282%
December	29,109,064	22	1,323,139	0.273%
2022				
January	15,996,250	21	761,726	0.157%
February	7,554,362	17	444,374	0.092%
March	11,293,035	23	491,002	0.101%
April	28,843,906	18	1,602,439	0.330%
May	24,044,468	20	1,202,223	0.248%
June	33,545,257	21	1,597,393	0.329%
July	9,177,742	20	458,887	0.081%
August	8,445,217	23	367,183	0.065%
September	1,476,642	21	70,316	0.012%
October	2,920,769	20	146,038	0.026%
November (Note 4)	60,000	9	6,667	0.001%

Sources: the website of Stock Exchange

Notes:

1. From 15 November 2021, one year prior to the date of the Subscription Agreement to 31 November 2021.
2. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
3. Calculated based on the total number of Shares in issue at the end of each month/period.
4. From 1 November 2022 to 14 November 2022, the date of the Subscription Agreement.

As illustrated in the above table, we noted that the average trading volume of the Shares ranged from approximately 6,667 Shares to 1,602,439 Shares during the Review Period, representing approximately 0.001% to 0.330% of a total of 566,728,946 Shares in issued as at the Latest Practicable Date. We found that the highest average daily trading volume of 1,602,439 Shares in April 2022 could be attributable to the entering into of the loan agreement with an independent third party pursuant to the announcement dated 1 April 2022, which is not reflective of the average daily trading volume of the Shares during the Review Period. We also

noted that the average daily trading volume of the Share was low during the Review Period, with below or around 0.3% for the average daily trading volume over the total number of issued Shares.

Based on the above results, we considered that the trading liquidity of the Shares during the Review Period were relatively thin. Due to the generally low liquidity of the Shares, we consider that if the Company were to raise the necessary funds by way of issuing new Shares (e.g. rights issue and open offer), the subscription price would have to be set at a considerable discount to the market price of the Shares so as to attract subscription from Independent Third Party(ies) or existing Shareholders on a pro rata basis. As such, we consider that conducting a fund raising exercise of substantial amount by way of issuing new Convertible Bonds with the Conversion Price set at a premium over the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement is more appropriate as compared to other alternative means of financing.

7.4 Comparable analysis

To assess the fairness and reasonableness of key terms of the Convertible Bonds, we have conducted research, using our best endeavours, of recent proposed issue convertible bonds/notes under specific mandate. Based on our best endeavour and as far as we are aware, we have identified an exhaustive list of 15 comparable issues of convertible bonds under specific mandate (the “**Comparables**”), which were announced by companies listed on the Stock Exchange from 15 November 2021 to the date of the Subscription Agreement (the “**Comparison Period**”), being one year, to provide a general reference for the recent market practice in relation to the key terms of the convertible bonds under similar market condition. We considered that the Comparison Period is appropriate since it provided, in our opinion, a reasonable and meaningful number of samples for our analysis purpose and the Comparables as a whole provide a fair and representative sample.

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Shareholders should, however, note that the businesses, operations and prospect of the Company are not the same as the Comparables. Notwithstanding that, we consider that the terms of the Comparables were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transactions in Hong Kong. Therefore, we consider that the Comparables are indicative in assessing the fairness and reasonableness of the terms of the Convertible Bonds. The following table sets forth the relevant details of the Comparables:

Date of announcement	Name of Company	Stock code	Maturity (year) (Note 1)	Interest rate p.a. (%) Approximately	Premium/(discount) of conversion price over/to		Maximum dilution effect (Note 2) (%) Approximately
					The closing share price on the last trading day prior to/on the date of announcement (%) Approximately	The average closing share price for the last five consecutive trading days prior to/on the date of the announcement (%) Approximately	
14 October 2022	Winshine Science Company Limited	209	2	16.00	13.64	11.61	11.38
30 September 2022	China CBM Group Company Limited	8270	2	0.00	0.48	0.00	3.79
26 September 2022	Beijing Gas Blue Sky Holdings Limited	6828	3	6.04 (Note 3)	12.38	5.92	9.64
19 September 2022	Huscoke Holdings Limited	704	2	8.00	(30.50)	(31.40)	35.01
13 September 2022	South China Financial Holdings Limited	619	3	1.00	0.00	0.63	29.07
5 September 2022	Grand Field Group Holdings Limited	115	1.5	6.00	15.20	15.20	35.75
10 June 2022	Anchorstone Holdings Limited	1592	1	2.00	N/A (Note 4)	N/A (Note 4)	7.95
23 May 2022	Beaver Group (Holding) Company Limited	8275	2	2.50	33.33	30.29	17.16
13 May 2022	Huazhang Technology Holding Limited	1673	2-4	12.00	0.00	(2.80)	6.46
21 April 2022	China Baoli Technologies Holdings Limited	164	1	0.00	4.48	3.86	15.59
4 April 2022	Capital Finance Holdings Limited	8239	1.7-2.3	0.00	61.29	60.26	54.26
28 January 2022	China Ruifeng Renewable Energy Holdings Limited	527	3	10.00	9.09	7.14	39.31
18 January 2022	Rare Earth Magnesium Technology Group Holdings Limited	601	5	0.00	0.00	1.69	18.24
7 December 2021	Bingo Group Holdings Limited	8220	4.1	0.00	14.58	(22.32)	23.39
3 December 2021	China Public Procurement Limited	1094	7	5.00	(1.96)	(6.13)	10.38
	Minimum			0.00	(30.50)	(31.40)	3.79
	Maximum			16.00	61.29	60.26	54.26
	Average			4.57	9.43	5.28	21.16
	Convertible Bonds			0.00	14.81	14.81	33.45

Source: the relevant announcement or circular posted on the website of the Stock Exchange

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Notes:

- (1) For the term of maturity, either it is specified in the announcement or it is counted from the announcement date to the maturity date specified in the announcement.
- (2) Maximum dilution effect is calculated based on the difference between shareholding of the other public shareholders as at the date of the respective announcement and their shareholding after full conversion of convertible bonds.
- (3) According to the announcement of Beijing Gas Blue Sky Holdings Limited (stock code: 6828) dated 26 September 2022, the interest rate is based on the Hong Kong Interbank Offer Rate (the “**HIBOR**”) plus 1.8% per annum. For illustrative purpose, we have considered the HIBOR on the date of its announcement from www.hkab.org.hk.
- (4) According to the announcement of Anchorstone Holdings Limited (stock code: 1592) dated 10 June 2022, the conversion price shall be 90% of the average closing price per share (subject to adjustment) on any five consecutive business days as selected by the noteholder during the 45 business days immediately preceding the relevant conversion date on which shares were traded on the Stock Exchange.

Conversion price

As set out in the table above, we note that the conversion price to: (i) the closing share price on the last trading day prior to/on the date of announcement in relation to the Comparables ranged from a discount of approximately 30.50% to a premium of approximately 61.29%, with the average being premium of approximately 9.43%; and (ii) the average closing share price for the last five consecutive trading days prior to/on the date of the announcement in relation to the Comparables ranged from a discount of approximately 31.40% to a premium of approximately 60.26%, with the average being premium of approximately 5.28%. As the Conversion Price is (i) at a premium of approximately 14.81% to the closing price per Share on the date of the Subscription Agreement; and (ii) at a premium of approximately 14.81% over the average closing price per Share for the last five (5) consecutive trading days immediately prior to and including the date of the Subscription Agreement, the premium as represented by the Conversion Price is within the range of the premium of the conversion prices of the Comparables. Furthermore, as discussed with the management of the Company, the Conversion Price is a commercial decision negotiated between the Company and the Subscriber, arrived at considering, among other things, the recent market price of the Shares, the prevailing market conditions, and the amount of funds and capital needs.

With reference to our analysis above regarding the Comparables, we concur with the Directors’ view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

Interest rate

As presented by the table above, the Comparables had annual interest rates from nil to 16.00% and the Convertible Bonds will not bear any interest (zero-coupon). We consider that it is fair and reasonable.

Term to maturity

The term to maturity of the Comparables ranged from 1 year to 7 years. Considering that the term to maturity of the Convertible Bonds which is approximately 1.7 years respectively, falls within such range, we concur with the Directors' view that the term to maturity of the Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the above analysis, we are of the view that the terms of the Convertible Bonds are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

8. Potential dilution effect on the shareholding of the Company

With reference to the shareholding table in the section headed "Effect on the shareholding structure of the Company" of the Letter from the Board and as confirmed by the management of the Company, assuming that there are no other changes to the total number of Shares from the Latest Practicable Date to the completion, the shareholding in the Company held by the other public Shareholders will be diluted from approximately 72.18% as at the Latest Practicable Date to approximately 38.73% upon completion and assuming full exercise of the conversion rights attaching to the Convertible Bonds. However, such dilution effect is for illustration purpose only as, subject to the terms and conditions of the Convertible Bonds, the holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$500,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted; and (ii) the exercise of the conversion right attached to the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.

We are aware of the potential higher dilution effect as a result of the conversion of the Convertible Bonds based on the Conversion Price. Nonetheless, having considered that (i) the Conversion Price is set at a premium over the closing price of the Shares on the date of the Subscription Agreement, therefore the Convertible Bonds are currently out-of-money; (ii) the Group's financial performance and position; (iii) the Group's immediate needs for financial resources to settle the 2023 May CB and 2023 August CB held by the Subscriber; (iv) the Convertible Bonds are the preferred option over other

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equity and debt financing alternatives; (v) the terms of the Subscription Agreement and the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned; (vi) the Convertible Bonds, when converted into Conversion Shares, will be recognised as equity of the Company and will hence enlarge the capital base and potentially improve the net asset position of the Company; (vii) there is conversion restriction in order to comply with the GEM Listing Rules; (viii) the maximum dilution effect of the Convertible Bonds is within the range in respect of the Comparables as shown in the table above; and (ix) the reasons for and benefits of the Subscription as mentioned above, we concur with the view of the management of the Company that such potential dilution effect on the shareholding interests of the existing public Shareholders resulting from the Subscription is justifiable.

a. Effect on liquidity

According to the Annual Report 2021, the cash and cash equivalents of the Group was approximately HK\$36.36 million as at 31 December 2021. As the consideration payable by the Subscriber under the Subscription Agreement will be satisfied by setting off the aggregate outstanding principal amounts of 2023 May CB and 2023 August CB held by the Subscriber, there will be no proceeds arising from the issue of the Convertible Bonds. Accordingly, there will be no additional cash or fund injected into the Company upon completion. Save for the cash outflow of the expenses for any commissions, discounts or expenses paid to be incurred by the Company in relation to the Subscription, there would be no immediate cash outflow to be incurred in the settlement of the principal amount of the Existing Bonds (other than the Early Redemption) held by the Subscriber as confirmed by the management of the Company.

b. Effect on gearing ratio

According to the Annual Report 2021, the gearing ratio of the Group was approximately 0.96 times as at 31 December 2021, calculated based on the total interest-bearing debts, including borrowings and convertible bonds of approximately HK\$85.6 million over the total assets of approximately HK\$88.9 million. In any event the holder of the Convertible Bonds or the transferee of the Convertible Bonds exercises the conversion rights attaching to the Convertible Bonds, assuming no other factors affecting the financial position of the Group, the gearing position would improve and the conversion of the Convertible Bonds by the bondholder into Conversion Shares would enlarge the capital base and increase the net asset value of the Group. On the other hand, if the conversion rights attaching to the Convertible Bonds are not exercised upon maturity of the Convertible Bonds, the Company will have to repay the principal amount of the Convertible Bonds to the holder(s) of the Convertible Bonds with cash. The gearing position of the Group will still be improved on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group. The

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management of the Company expects that there will not be any material adverse impact to the gearing of the Group as a result of the issue of the Convertible Bonds.

c. Effect on net assets

According to the Annual Report 2021, the equity attributable to owners of the Company was approximately negative HK\$27.50 million as at 31 December 2021. As the consideration payable by the Subscriber under the Subscription Agreement will be satisfied by setting off the aggregate outstanding principal amounts of the 2023 May CB and 2023 August CB held by the Subscriber, there will be no proceeds arising from the issue of the Convertible Bonds. The Subscription for the Convertible Bonds therefore would not lead to any increase in cash and cash equivalents of the Company. The exact amount of the respective fair value of the liability and derivative components of the Convertible Bonds and their financial impacts to the Company will be subject to the review by the auditors of the Company and/or the assessment and valuation by an independent valuer at the time of completion of the Subscription for the Convertible Bonds.

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

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that although the entering into of the Subscription Agreement was not in the ordinary and usual course of business of the Group, the proposed issue of the Convertible Bonds to the connected persons of the Company under Chapter 20 of the GEM Listing Rules, the Subscription Agreement and the transactions contemplated thereunder, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution for approving the Subscription and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

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

Authorised:		<i>HK\$</i>
2,000,000,000	Shares of HK\$0.1 each	200,000,000.00
Issued and paid-up share capital:		
566,728,946	Shares of HK\$0.1 each	56,672,894.6

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

Authorised:		<i>HK\$</i>
2,000,000,000	Shares of HK\$0.1 each	200,000,000.00
Issued and paid-up share capital:		
566,728,946	Shares of HK\$0.1 each	56,672,894.6
489,247,311	Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	48,924,731.1
<u>1,055,976,257</u>	Total	<u>105,597,625.7</u>

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

Authorised:		<i>HK\$</i>
2,000,000,000	Shares of HK\$0.1 each	200,000,000.00
Issued and paid-up share capital:		
566,728,946	Shares of HK\$0.1 each	56,672,894.6
489,247,311	Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	48,924,731.1
15,631,110	2023 August Remaining CB Conversion Shares to be allotted and issued upon full conversion of the 2023 August Remaining CB	1,563,111.0
<u>1,071,607,367</u>	Total	<u>107,160,736.7</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 on the relevant date of allotment.

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

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

The Share Option Scheme

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

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

Save for the 2023 May CB, the 2023 August CB and the Outstanding Share Options, the Company had no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares and there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

a) Interest of Directors

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

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of the total issued share capital of the Company
Mr. Wong <i>(Note 1)</i>	Controlled corporation	136,755,500	591,117,725	727,873,225	128.43%
Mr. Cheung Wai Yin, Wilson <i>(Note 2)</i>	Beneficial owner	5,578	—	5,578	0.001%
Ms. Tsang Kwai Ping <i>(Note 3)</i>	Beneficial owner	900,000	—	900,000	0.16%
Ms. Ng Ka Sim, Casina <i>(Note 4)</i>	Beneficial owner	—	113,513	113,513	0.02%
Mr. Wong Wing Kit <i>(Note 4)</i>	Beneficial owner	—	113,513	113,513	0.02%
Ms. Yeung Mo Sheung, Ann <i>(Note 4)</i>	Beneficial owner	—	113,513	113,513	0.02%

Note:

1. The interest is held by Team Sunny, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Wong, being the Chairman, an executive Director and the chief executive officer of the Company. Team Sunny is interested in 136,755,500 Shares held by it, 101,870,414 underlying Shares under the 2023 May CB and the 2023 August CB and 489,247,311 underlying Shares under the Subscription Agreement.
2. Mr. Cheung Wai Yin, Wilson is an executive Director of the Company.
3. Ms. Tsang Kwai Ping is an executive Director of the Company.
4. Ms. Ng Ka Sim, Casina, Mr. Wong Wing Kit and Ms. Yeung Mo Sheung, Ann are the independent non-executive Directors of the Company.

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

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

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

Long position in the Shares and underlying Shares

Name	Capacity	Number of Shares held	Number of total underlying Shares	Total	Approximate percentage of the total issued share capital of the Company
Team Sunny <i>(Note)</i>	Beneficial owner	136,755,500	591,117,725	727,873,225	128.43%

Note: The interest is held by Team Sunny, a company incorporated in the British Virgin Islands owned as to 100% by Mr. Wong. Mr. Wong is also the sole director of Team Sunny. Team Sunny is interested in 136,755,500 Shares held by it, 101,870,414 underlying Shares under the 2023 May CB and the 2023 August CB and 489,247,311 underlying Shares under the Subscription Agreement.

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

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

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 2021, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

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

5. DIRECTORS' INTERESTS IN COMPETING INTERESTS

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

Pursuant to Ms. Tsang Undertaking, save for the HK Co Sec Business, (i) without the prior written consent of the Board, Ms. Tsang shall not, and shall procure her close associates not to, whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group ("**Ms. Tsang Restricted Business**"); (ii) if Ms. Tsang and/or any of her close associates is offered or becomes aware of any project or new business opportunity ("**Ms. Tsang New Business Opportunity**") that relates to the Ms. Tsang Restricted Business, Ms. Tsang shall (a) promptly within ten (10) Business Days notify the Company in writing of such Ms. Tsang New Business Opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such Ms. Tsang New Business Opportunity; and (b) use her best endeavors to procure that such Ms. Tsang New Business

Opportunity is offered to the Company on terms no less favorable than the terms on which such Ms. Tsang New Business Opportunity is offered to her and/or her close associates; and (iii) if the Group has not given written notice of its desire to invest in such Ms. Tsang New Business Opportunity or has given written notice denying the Ms. Tsang New Business Opportunity within thirty (30) Business Days of receipt of notice from Ms. Tsang, Ms. Tsang and/or her close associates shall be permitted to invest in or participate in the Ms. Tsang New Business Opportunity on her own record.

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

6. DIRECTORS' SERVICE CONTRACTS

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

7. LITIGATION

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

8. EXPERT AND CONSENT

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

Name	Qualifications
Vinco Financial	A licensed corporation 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 forms and context in which they respectively appear.

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

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 December 2021, 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. MATERIAL ADVERSE CHANGE

References are made to the profit warning announcement of the Company dated 4 November 2022 and the third quarterly report of the Company for the nine months ended 30 September 2022 in which it was announced that the Group has record a net loss of approximately HK\$16.74 million for the nine months ended 30 September 2022 as compared to the net loss of approximately HK\$19.74 million for the nine months ended 30 September 2021. The decrease in net loss was mainly attributable to the net off effect of (i) the absence of loss on deconsolidation of subsidiaries of approximately HK\$4 million; and (ii) the increase in imputed interest on convertible bonds of approximately HK\$1 million.

Save as disclosed in the publication above, the Directors were not aware of any material adverse change in the financial or trading position since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

10. GENERAL

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

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.merdeka.com.hk) from the date of this circular up to and including the date of the EGM, being a period of not less than 14 days:

- (i) the Letter from the Board, the text of which is set out on pages 5 to 25 of this circular;
- (ii) the letter from the Independent Board Committee, the text of which is set out from pages 26 to 27 of this circular;
- (iii) the letter from Vinco Financial, the text of which is set out on pages 28 to 61 in this circular;
- (iv) the written consent referred to in the paragraph headed “8. EXPERT AND CONSENT” in this Appendix I; and
- (v) the Subscription Agreement.



MERDEKA FINANCIAL GROUP LIMITED

領智金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Merdeka Financial Group Limited (the “**Company**”) will be held at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Central, Hong Kong on Friday, 23 December 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the conditional subscription agreement (the “**Subscription Agreement**”) dated 14 November 2022 and entered into between the Company as issuer and Team Sunny International Holdings Limited (the “**Subscriber**”) as subscriber in relation to the subscription of convertible bonds (the “**Convertible Bonds**”) in the principal amount of HK\$91,000,000 by the Subscriber (a copy of the Subscription Agreement having been produced to the Meeting and marked “**A**” and initialed by the chairman of the Meeting for the purpose of identification), 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 (the “**Conversion Shares**”) upon exercise of conversion rights attaching to the Convertible Bonds) be and are hereby approved, confirmed and ratified;
- (b) the board of Directors be and is hereby granted a specific mandate to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds; and

NOTICE OF EGM

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

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

Hong Kong, 8 December 2022

Notes:

- (1) Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxies (if a member who is the holder of two or more shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the Meeting by appointing the chairman of the Meeting as their proxy instead of attending the Meeting in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (i.e. 11:00 a.m. on Wednesday, 21 December 2022). Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the Meeting, and in such event the instrument appointing a proxy shall be deemed to be revoked.
- (3) In the case of joint holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto. However, if more than one of such joint holders be present at the Meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (4) The Meeting is expected to last for less than half a day. Members (in person or by proxy) attending the Meeting are responsible for their own transportation and accommodation expenses. Members or their proxies attending the Meeting shall present their identity certifications.
- (5) If Typhoon Signal No. 8 or above is expected to be hoisted or a Black Rainstorm Warning Signal or “extreme conditions” caused by a super typhoon is expected to be in force any time after 7:30 a.m. on the date of the Meeting, then the Meeting will be adjourned. The Company will post an announcement on the website of the Company at <http://www.merdeka.com.hk> and the Stock Exchange's website at <http://www.hkexnews.hk> to notify shareholders of the date, time and place of the adjourned meeting. The Meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Members of the Company should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.

NOTICE OF EGM

- (6) Regarding the recent outbreak of novel coronavirus in China, the Board will assess the impact of the outbreak of novel coronavirus in the local community, the disruption of the travel arrangement of the Shareholders and delivery of the proxy forms between China and Hong Kong and whether or not it is necessary to adjourn the Meeting. If necessary, the Company will post an announcement on the website of the Company at <http://www.merdeka.com.hk> and the Stock Exchange's website at <http://www.hkexnews.hk> as soon as practicable to notify members of the Company of the date, time and place of the adjourned meeting. Any adjourned meeting will be held in Hong Kong.
- (7) The Company will implement the following novel coronavirus precautionary measures at the EGM, including: (a) compulsory body temperature checks (any person with fever, respiratory symptoms or a body temperature of over 37.3 degree Celsius will not be permitted access to the Meeting venue); (b) request of wearing of surgical face masks throughout the EGM and not wearing surgical face masks will not be permitted access to the EGM venue; (c) hand sanitizer will be provided; (d) no refreshments will be served and there will be no corporate gifts; and (e) other safety measures as appropriate.

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