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(incorporated in Cayman Islands with limited liability)

(Stock code: 8331)

- (1) PROPOSED SHARE CONSOLIDATION;**
- (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE;**
- (3) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT; AND**
- (4) APPLICATION FOR WHITEWASH WAIVER**

Underwriter to the Rights Issue

P.B. Asia Holdings Limited

PROPOSED SHARE CONSOLIDATION

The Board intends to implement the Share Consolidation which involves the consolidation of every ten (10) issued and unissued Existing Shares of par value HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.1.

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000.00 divided into 10,000,000,000 Existing Shares of HK\$0.01 each, of which 795,572,000 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming no further Shares will be issued or repurchased between the date of this announcement and the date of the EGM, immediately after the Share Consolidation becoming effective but before the completion of the Rights Issue, the authorised share capital of the Company will become HK\$100,000,000.00 divided into 1,000,000,000 Consolidated Shares of HK\$0.1 each, of which 79,557,200 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM.

PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Share Consolidation becoming effective, to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date at the Subscription Price of HK\$0.35 per Rights Share, to raise gross proceeds of approximately HK\$27.8 million before expenses (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), by way of the Rights Issue of 79,557,200 Rights Shares to the Qualifying Shareholders.

The Company will provisionally allot to the Qualifying Shareholders one (1) Rights Share in nil-paid form for every one (1) Consolidated Share in issue and held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders. There will be no excess application arrangements in relation to the Rights Issue.

The estimated net proceeds from the Rights Issue, if fully subscribed, after deducting all necessary expenses are estimated to be approximately HK\$26.8 million (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date). Details of the use of proceeds are set out in the paragraph headed “Reasons for and benefits of the Rights Issue and use of proceeds” under the section headed “Proposed Rights Issue” in this announcement. The Rights Issue is conditional upon, among other things, the Share Consolidation having become effective.

As at the date of this announcement, the Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui, is beneficially interested in 125,000,000 Existing Shares, representing approximately 15.71% of the total issued share capital of the Company, and Dr. Chan is beneficially interested in 33,410,000 Existing Shares, representing approximately 4.20% of the total issued share capital of the Company. Pursuant to the Irrevocable Undertakings, each of the Underwriter and Dr. Chan has provided irrevocable and unconditional undertakings to the Company that (a) all the above Shares held by them will continue to be beneficially owned by each of them on the Record Date; and (b) each of them will accept and pay for all the Rights Shares to be provisionally allotted to each of them under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

THE COMPENSATORY ARRANGEMENTS AND THE PLACING AGREEMENT

The Company will make arrangements as described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the Qualifying Shareholders to whom they were offered by way of the Rights Issue. On 16 July 2021 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to procure placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions during the process of the Placing.

THE UNDERWRITING AGREEMENT

The Rights Shares will be fully underwritten by the Underwriter. On 16 July 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue, pursuant to which the Underwriter has conditionally agreed to underwrite 63,716,200 Rights Shares (being all of the Rights Shares under the Rights Issue other than the 15,841,000 Rights Shares that have been undertaken to be subscribed by the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings) on the terms and subject to the conditions set out in the Underwriting Agreement. Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings) and no placement is made under the Compensatory Arrangements, the Underwriter will be required to take up the Underwritten Shares and would, upon completion of the Rights Issue hold approximately 55.76% of the total issued Shares as enlarged by the allotment and issue of the Rights Shares.

In the event that the Underwriter taking up the Underwritten Shares pursuant to its obligations under the Underwriting Agreement upon completion of the Rights Issue would result in the public float of the Shares not being maintained, the Underwriter will take necessary action, including but not limited to the entry into of a placing agreement to place down the Shares held by the Underwriter such that sufficient public float could be maintained in compliance with Rule 11.23(7) of the GEM Listing Rules.

GEM LISTING RULES IMPLICATIONS

In accordance with Rule 10.29 of the GEM Listing Rules, as the Rights Issue will increase the issued shares of the Company by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the EGM by a resolution on which any controlling shareholders and their associates shall abstain from voting in favour under Rule 10.29(1) of the GEM Listing Rules. As at the date of this announcement, Mr. Zhang Qiang is a controlling shareholder which owns 275,000,000 Existing Shares, representing approximately 34.57% of the issued share capital of the Company, as such he and his associates shall abstain from voting in favour of the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively at the EGM.

As at the date of this announcement, the Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui, is beneficially interested in 125,000,000 Existing Shares, representing approximately 15.71% of the total issued share capital of the Company and is a substantial shareholder of the Company. As such, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Underwriter and parties acting in concert with it (comprising the Underwriter, Dr. Chan and Mr. Pui), taken together, in aggregate, hold 158,410,000 Shares, representing approximately 19.91% of the issued share capital of the Company.

If there is no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings) and no placement is made under the Compensatory Arrangements, the Underwriter will be required to take up the Underwritten Shares. In such circumstances and upon completion of the Rights Issue, assuming there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter and parties acting in concert with it will, in aggregate, be interested in 95,398,200 Consolidated Shares, representing approximately 59.96% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it, unless the Whitewash Waiver is granted by the Executive. Neither the Underwriter nor any parties acting in concert with it has dealt in any relevant securities of the Company in the 6-month period preceding the date of this announcement.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively.

The Underwriter, its associates and parties acting in concert with it, and any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively, and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the EGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approval by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Yip Chong Ho Eric, Mr. Chow Chi Hang Tony and Mr. Zhang Kun, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting at the EGM. The Independent Financial Adviser will be appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver. A further announcement will be made by the Company as soon as possible after the appointment of the Independent Financial Adviser.

DESPATCH OF CIRCULAR

The Circular containing, among other things, (i) further details of the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Friday, 6 August 2021, which is within 15 Business Days from the date of this announcement pursuant to Rule 20.66(11) of the GEM Listing Rules and 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code.

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver having been approved by the Independent Shareholders at the EGM and upon the Share Consolidation becoming effective, the Company will despatch the Prospectus Documents to the Qualifying Shareholders. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only but the Company will not send the PAL to the Non-Qualifying Shareholders.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is conditional upon fulfilment of the conditions set out in the paragraph headed “Conditions of the Underwriting Agreement” under the section headed “The Underwriting Agreement” of this announcement, including, among other things, the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof, a summary of which is set out in the section headed “The Underwriting Agreement” in this announcement. Accordingly, the Rights Issue may or may not proceed.

Any Shareholders or potential investors contemplating selling or purchasing the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every ten (10) issued and unissued Existing Shares into one (1) Consolidated Share. As none of the Shareholders or their respective associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

- (i) the passing of the ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the GEM Listing Rules to effect the Share Consolidation; and
- (iii) the GEM Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Share Consolidation will become effective on the second Business Day immediately following the fulfillment of the above conditions.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000.00 divided into 10,000,000,000 Existing Shares of HK\$0.01 each, of which 795,572,000 Existing Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that no further Existing Shares will be allotted, issued or repurchased prior thereto, the authorised share capital of the Company will become HK\$100,000,000.00 divided into 1,000,000,000 Consolidated Shares of HK\$0.1 each, of which 79,557,200 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association. No fractional Consolidated Shares will be issued by the Company to the Shareholders. Any fractional entitlements of Consolidated Shares will be aggregated, sold and retained for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

Adjustments in relation to the other securities of the Company

As at the date of this announcement, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares. The Company also has no intention to issue or grant any convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares on or before the Record Date.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares on a best effort basis. Further details in respect of the odd lots arrangements will be set out in the Circular to be issued by the Company.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period, submit the existing share certificates for the Existing Shares to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Consolidated Shares will be issued in yellow colour in order to distinguish them from the existing share certificates in blue colour.

Listing and Dealings

Application will be made to the GEM Listing Committee for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

REASONS FOR THE SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated on 1 October 2020, the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the date of this announcement, the closing price of each Existing Share is HK\$0.055, with a board lot size of 10,000 Existing Shares, the Existing Shares are trading under HK\$550 per board lot.

The Existing Shares have been constantly traded below HK\$1.00 for the past few years. In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Share Consolidation. It is expected that the Share Consolidation will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000. The Board believes the Share Consolidation will not have any material adverse effect on the financial position of the Company nor result in change in the relative rights of the Shareholders and are in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Share Consolidation becoming effective, the Rights Issue with the terms set out as follows:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.35 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.34 per Rights Share
Number of Shares in issue as at the date of this announcement	:	795,572,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	79,557,200 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	79,557,200 Rights Shares (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$7,955,720 (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date)
Total number of Consolidated Shares in issue upon completion of the Rights Issue	:	159,114,400 Consolidated Shares (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date)
Gross proceeds from the Rights Issue	:	Approximately HK\$27.8 million before expenses (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date)

Assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date, the 79,557,200 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 100% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and 50% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares.

Irrevocable Undertakings

As at the date of this announcement, the Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui, is beneficially interested in 125,000,000 Existing Shares, representing approximately 15.71% of the total issued share capital of the Company, and Dr. Chan is beneficially interested in 33,410,000 Existing Shares, representing approximately 4.20% of the total issued share capital of the Company. Pursuant to the Irrevocable Undertakings, each of the Underwriter and Dr. Chan has provided irrevocable and unconditional undertakings to the Company that (a) all the above 158,410,000 Existing Shares held by them in aggregate will continue to be beneficially owned by them on the Record Date; and (b) each of them will accept and pay for all the 15,841,000 Rights Shares to be provisionally allotted to them in aggregate under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents. The Irrevocable Undertakings shall automatically lapse and be of no further force and effect in the event the Underwriting Agreement is terminated in accordance with its terms at or before the Latest Time for Termination.

Save for the Irrevocable Undertakings, the Company has not received any information or irrevocable undertaking from any substantial shareholder of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue as at the date of this announcement.

The Subscription Price

The Subscription Price of HK\$0.35 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 36.4% to the theoretical closing price of HK\$0.55 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.055 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 31.4% to the theoretical closing price of HK\$0.51 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.051 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 31.4% to the average theoretical closing price of approximately HK\$0.51 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.051 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 22.2% to the theoretical ex-rights price of approximately HK\$0.45 per Consolidated Share (taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.055 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

- (v) a discount of approximately 74.8% to the net asset value of the Company of approximately HK\$1.39 per Consolidated Share based on the audited consolidated net asset value per Share of HK\$0.139 as at 31 December 2020 and the 795,572,000 Shares in issue as at the date of this announcement; and
- (vi) a discount of approximately 70.8% to the net asset value of the Company of approximately HK\$1.20 per Consolidated Share based on the unaudited consolidated net asset value per Share of HK\$0.12 as at 31 March 2021 and the 795,572,000 Shares in issue as at the date of this announcement.

The theoretical diluted price, the benchmarked price (taking into account the effect of the Share Consolidation) and the theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules and taking into account the Share Consolidation) for the Rights Issue are approximately HK\$0.45 per Share, HK\$0.55 per Share and 18.2%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Subscription Price was determined with reference to the average closing price of HK\$0.51 (taking into account the effect of the Share Consolidation) per Existing Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the Last Trading Day, the financial conditions of the Company, current market conditions and the reasons and benefits of Rights Issue as discussed in the paragraph headed “Reasons for the Rights Issue and use of proceeds” under the section headed “Proposed Rights Issue” in this announcement.

In view of the above, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the Circular after having been advised by the Independent Financial Adviser) consider that the terms of the Rights Issue, the Placing Agreement and the Underwriting Agreement, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Stamp duty and other fees and charges payable

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

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a Shareholder as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company, and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, 2 September 2021.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Tuesday, 31 August 2021, and the Consolidated Shares will be dealt with on an ex-rights basis from Wednesday, 1 September 2021.

Subject to the Share Consolidation having become effective and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus only (without the PAL) to the Non-Qualifying Shareholders for their information only.

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

Closure of register of members

The register of members of the Company will be closed from Friday, 3 September 2021 to Thursday, 9 September 2021 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Consolidated Shares will be registered during the above book closure period.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of one (1) Rights Share (in nil-paid form) for every one (1) Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date.

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

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will comply with Rule 17.41(1) of the GEM Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued. The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send the PAL to them.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. For the avoidance of doubt, the Non-Qualifying Shareholders may vote at the EGM unless such person is not an Independent Shareholder (in which case they shall abstain).

Any NQS Unsold Rights Shares will first be placed by the Placing Agent under the Placing Agreement together with the Unsubscribed Rights Shares, and if unsuccessfully sold, will be taken up by the Underwriter.

Net Gain (if any) will be paid (without interest) on a pro-rata basis (but rounded down to the nearest cent) to the relevant No Action Shareholders according to their shareholdings held on the Record Date in Hong Kong dollars on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK\$100 for its own benefit.

For the nil-paid Rights Shares that are sold in the market by the Company, if the buyer(s) of such nil-paid Rights Shares does not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. The Company reserves the right to treat as invalid any acceptance of Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares. The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. Shareholders and beneficial owners of the Shares (including, without limitation, their respective agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements

As at the date of this announcement, the Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui, is beneficially interested in 125,000,000 Existing Shares, representing approximately 15.71% of the total issued share capital of the Company and is a substantial shareholder of the Company. Pursuant to Rule 10.31(2) of the GEM Listing Rules, as the Underwriter is a substantial shareholder of the Company, the Company must make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights issue. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent places on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised from the Placing will be paid to the No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 5:00 p.m. on Monday, 4 October 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any) will be paid on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to those Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or about Thursday, 7 October 2021 by ordinary post to those entitled thereto, at their own risk, to their registered addresses. If the Rights Issue is terminated, refund cheques are expected to be sent on or about Thursday, 7 October 2021 by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

On the basis of the entitlement to subscribe one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements of the Consolidated Shares to the Rights Shares will arise from the Rights Issue.

Taxation

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

Application for listing

The Company will apply to the GEM Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

If the Underwriter exercises its right of termination in accordance with the Underwriting Agreement, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

THE PLACING AGREEMENT

On 16 July 2021 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent. Principal terms of the Placing Agreement are as follow:

Date : 16 July 2021 (after trading hours)

Placing Agent : CIS Securities Asset Management Limited was appointed as the Placing Agent to procure, on a best effort basis, places to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

To the best knowledge, information and belief of the Directors, after making reasonable enquiries,

- (a) the Placing Agent is an Independent Third Party;
- (b) as at the date of this announcement, neither the Placing Agent nor any of its associates hold any Shares;

- (c) there is no arrangement, agreement, understanding or undertaking with the Underwriter in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, save for the proposed terms of the Underwriting Agreement by which the Underwriter will take up all Unsubscribed Rights Shares and the NQS Unsold Rights Shares;
- (d) it is not a party acting in concert with the Underwriter, Dr. Chan, Mr. Pui or any of their respective associates and concert parties; and
- (e) none of the Placing Agent, its ultimate beneficial owner(s) and parties acting in concert with them holds any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company, and no sub-placing agents has been appointed by the Placing Agent as at the date of this announcement.

Placing fee and expenses	:	1% of the aggregate placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully placed by or on behalf of the Placing Agent.
Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case may be)	:	<p>The final price determination will be dependent on the demand for and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares.</p> <p>The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) shall not be less than the Subscription Price.</p>
Placees	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the placees who and whose ultimate beneficial owner(s) are Independent Third Parties, and not a party acting in concert with the Underwriter, Dr. Chan, Mr. Pui or any of their respective associates.
Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects among themselves and with the Shares then in issue.

- Conditions precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional and not terminated in accordance with the Underwriting Agreement.
- Completion date : The second Business Day after the Latest Placing Date or such other date as the Company and the Placing Agent may agree in writing.
- Termination : The Placing Agent may terminate the Placing Agreement without any liability to the Company, by giving notice in writing to the Company at any time prior to 4:00 p.m. one day before the completion date of the Placing upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have an adverse material effect on the business or financial conditions of the Group taken as a whole or the success of the Placing or otherwise makes it inappropriate to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:
- (a) there develops, occurs or comes into force:
- i. any material adverse event, development or change and including an event or change in relation to or a material adverse development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong; or
 - ii. the imposition of any moratorium, suspension (for more than seven (7) trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - iii. any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group; or

- iv. a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong; or
- (b) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the completion date of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (c) the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are not approved by the relevant regulatory bodies and/or regulatory authorities to be placed to any places as contemplated in the Placing Agreement.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. Having discussed with other potential placing agent candidates, the Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares for the Company; and (ii) a channel of participation in the Rights Issue for independent investors, the Directors (excluding the respective members of the Independent Board Committee whose opinion will be set forth in the Circular to be despatched by the Company after having been advised by the Independent Financial Adviser) consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Shareholders. The Company will ensure that it will continue to comply with the public float requirement under Rule 8.08(1) of the Listing Rules after the Placing and the Rights Issue.

THE UNDERWRITING AGREEMENT

On 16 July 2021 (after trading hours), the Company, the Underwriter and Dr. Chan entered into the Underwriting Agreement, pursuant to which the Underwriter has conditionally agreed to fully underwrite all the Rights Shares (other than those agreed to be taken up by the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings) at the Subscription Price, subject to the terms and conditions of the Underwriting Agreement. Principal terms of the Underwriting Agreement are as follow:

Date	:	16 July 2021 (after trading hours)
Underwriter	:	P.B. Asia Holdings Limited
Total number of Underwritten Shares	:	Up to 63,716,200 Rights Shares (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), representing all the Rights Shares under the Rights Issue other than the 15,841,000 Rights Shares that have been undertaken to be subscribed by the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings.
Underwriting commission	:	The Underwriter will not receive any underwriting commission.

Information on the Underwriter

The Underwriter is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding. As at the date of this announcement, the Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui (both being executive Directors), is beneficially interested in 125,000,000 Existing Shares, representing approximately 15.71% of the total issued share capital of the Company and is a substantial shareholder of the Company. As such, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Conditions of the Underwriting Agreement

The obligations of the Underwriter to subscribe for the Underwritten Shares pursuant to the Underwriting Agreement are conditional on the fulfilment of the following conditions:

- (i) the passing by the Independent Shareholders at the EGM of the resolutions to approve the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver;
- (ii) the granting of the Whitewash Waiver by the Executive (and any such grant not having been withdrawn or revoked) and the satisfaction of any condition(s) attached to the Whitewash Waiver;

- (iii) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms);
- (iv) the Share Consolidation having become effective;
- (v) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (vi) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and the posting of the Prospectus and a letter to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue within two business days after the Prospectus Posting Date;
- (vii) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (viii) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (ix) the Placing Agreement not being terminated on or before the Latest Time for Termination; and
- (x) the Underwriting Agreement is not terminated in accordance with the terms thereof.

None of the above conditions precedent is capable of being waived. If any of the conditions precedent are not satisfied by the Latest Time for Termination (or where appropriate, the times stipulated above or such later time and/or date as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, the Underwriter has agreed to underwrite the Underwritten Shares. Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings) and no placement made under the Compensatory Arrangements, the Underwriter will be required to take up the Underwritten Shares and would, upon completion of the Rights Issue hold approximately 55.76% of the then total issued Shares as enlarged by the allotment and issue of the Rights Shares.

In the event that the Underwriter taking up the Underwritten Shares pursuant to its obligations under the Underwriting Agreement upon completion of the Rights Issue would result in the public float of the Shares not being maintained, the Underwriter has undertaken that it shall take steps necessary to ensure the Company's compliance of the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Group, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of the Company or the destruction of any material asset of any member of the Group; or
- (4) there is any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) there is any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

the Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter exercises such right of termination, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Underwriter. Upon termination of the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate and cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of any antecedent breach of any obligation under it.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in bentonite mining, production and sales of drilling mud and pelletising clay and financial service business.

As at the date of this announcement, the cash and bank balance of the Company in Hong Kong is insufficient to meet the general working capital requirement of the Group, including staff costs, rental costs, professional fees and other overhead expenses in Hong Kong in the next 18 months. As such, the net proceeds of the proposed Rights Issue are intended to be applied primarily for the general working capital of the Group for the next 18 months in Hong Kong. For the remaining proceeds, the Company intends to apply it for financing the existing financial service business of the Group.

Assuming that there is no change in the number of issued Shares on or before the Record Date and all Rights Shares to be issued under the Rights Issue have been taken up in full, the gross proceeds from the Rights Issue will be approximately HK\$27.8 million. The net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1 million) are estimated to be approximately HK\$26.8 million (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), which are intended to be applied in following manner:

- (i) HK\$18.8 million, representing approximately 70.1% of the net proceeds, shall be applied for general working capital of the Company in Hong Kong for the next 18 months, as to approximately (i) 46.3% for directors' remuneration, consultancy fees, and other salaries and allowance; (ii) 34.0% for audit and other professional fees; (iii) 12.8% for administrative and other expenses; and (iv) 6.9% for miscellaneous fees including printing fees and listing fees;
- (ii) HK\$6.0 million, representing approximately 22.4% of the net proceeds, shall be applied for the operation and expansion of the wealth management service business of the Group; and
- (iii) HK\$2.0 million, representing approximately 7.5% of the net proceeds, shall be applied for the operation and expansion of the money lending business of the Group.

The Rights Issue will be conducted on a fully-underwritten basis. The terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the market conditions. It is not in the ordinary course of business of the Underwriter to underwrite issues of shares. The Underwriter's role as an underwriter in respect of the Rights Issue, together with the Irrevocable Undertakings, signify strong support from the substantial Shareholder to the Group and its confidence in the development of the Group. Save for the Underwriting Agreement, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriter or any of its connected persons and their respective associate.

The Board has considered other fund-raising alternatives before resolving to the proposed Rights Issue, including but not limited to debt financing, placing and open offer. As debt financing would result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations, the Board does not consider it to be beneficial to the Group. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for placing of new Shares, taking into account that (i) it is relatively smaller in scale as compared to fund raising through rights issue; (ii) the engagement of a placing agent which would incur additional costs and expenses on the part of the Company; (iii) it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company, it was not considered by the Board to be the most suitable fund-raising method for the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

The Board considers that the Rights Issue, when compared with other forms of equity fund raising, would offer the Qualifying Shareholders the opportunity to subscribe for Rights Shares in proportion to their existing shareholdings in the Company without having their relative shareholdings being diluted and the Board considers that the terms of the Rights Issue are fair and reasonable and in the best interest of the Shareholders as a whole as it allows Qualifying Shareholders to maintain their respective pro rata shareholding interests in the Company and to continue to participate in the future development of the Company and it will improve the capital base and gearing ratio of the Company. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

Having considered the above, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the Circular after having been advised by the Independent Financial Adviser) consider that the Underwriter, a substantial Shareholder who is willing to support the continuing growth of the Group, being as the underwriter for the Rights Issue is in the interests of the Company and the Shareholders as a whole, and that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

After completion of the proposed Rights Issue, the Company intends to continue with all of its existing businesses and it does not intend to downsize, dispose of or cease any existing business operations and the existing businesses of bentonite mining, production and sales of drilling mud and pelletising clay would remain as the core businesses of the Group.

Although the COVID-19 pandemic has had a big impact on the businesses of the Group in the past year, as the businesses of bentonite mining, production and sales of drilling mud and pelletising clay are the core businesses of the Group, with the aim to strengthen the market position of the Group in the PRC, the Group intends to continue to adopt the business strategies of broadening customer base and developing product recognition, new production technology and new products, recruiting more talents, acquiring other non-metal mines and improving the existing plant and equipment as its main focus.

The Group will continue to collaborate with external institutions in the PRC for the development of new technologies and new bentonite products to cater for high-valued downstream markets other than iron ore pelletising and civil engineering, attend and participate in industry forums and events to network with other industry professionals and potential customers and expand its sales and marketing team to further enhance sales and marketing activities. The Group will also continue to seek opportunities to recruit more experienced personnel who possess abundant knowledge and rich experience in various aspects of the business, including mine design and construction, mining, processing, sales and marketing and research and development of principal products and to acquire other non-metal mines if any potential suitable targets are identified. As at the date of this announcement, the Company has not yet identified any such acquisition targets given that the global economy continues to be impacted by the COVID-19 pandemic. Taking into account the prevalent demand in the market and the production needs of the Group, the Company may also consider upgrading current processing plant by, among others, purchasing new processing equipment such as Raymond mill, modifying the rotary drum dryer and construction of new storage bins for storing pelletising clay.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no other change in the number of Shares in issue save for the Share Consolidation from the date of this announcement up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Share Consolidation becoming effective; and (iii) immediately after completion of the Rights Issue:

Shareholders	As at the date of this announcement		Immediately after the Share Consolidation becoming effective		Assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue		Immediately after completion of the Rights Issue			
	No. of Existing Shares	Approximate %	No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %	Assuming no Qualifying Shareholders (save for the Underwriter and Dr. Chan) take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the places under the Compensatory Arrangements		Assuming no Qualifying Shareholders (save for the Underwriter and Dr. Chan) take up their respective entitlements under the Rights Issue and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter	
							No. of Consolidated Shares	Approximate %	No. of Consolidated Shares	Approximate %
The Underwriter (Note 1, Note 2)	125,000,000	15.71	12,500,000	15.71	25,000,000	15.71	25,000,000	15.71	88,716,200	55.76
Chan Man Fung (Note 1)	33,410,000	4.20	3,341,000	4.20	6,682,000	4.20	6,682,000	4.20	6,682,000	4.20
Subtotal of the Underwriter and parties acting in concert with it	158,410,000	19.91	15,841,000	19.91	31,682,000	19.91	31,682,000	19.91	95,398,200	59.96
Zhang Qiang	275,000,000	34.57	27,500,000	34.57	55,000,000	34.57	27,500,000	17.28	27,500,000	17.28
P.B. Capital Advanced Fund SPC – P.B. Capital Advanced Fund 1 Segregated Portfolio (Note 3)	111,762,000	14.05	11,176,200	14.05	22,352,400	14.05	11,176,200	7.02	11,176,200	7.02
Other public Shareholders	250,400,000	31.47	25,040,000	31.47	50,080,000	31.47	88,756,200	55.78	25,040,000	15.74
Total	795,572,000	100.00	79,557,200	100.00	159,114,400	100.00	159,114,400	100.00	159,114,400	100.00

Notes:

1. As at the date of this announcement, the Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui, both of whom are executive Directors. Dr. Chan is also beneficially interested in 33,410,000 Existing Shares.
2. The Company will take all appropriate steps to ensure that sufficient public float be maintained upon completion of the Rights Issue in compliance with Rule 11.23(7) of the GEM Listing Rules. In the event that the underwritten Rights Shares that the Underwriter has taken up pursuant to its obligations under the Underwriting Agreement upon completion of the Rights Issue would result in public float of the Company not being maintained, the Company and/or the Underwriter will take necessary action to place down the Shares held by the Underwriter such that sufficient public float could be maintained in compliance with Rule 11.23(7) of the GEM Listing Rules.
3. To the best knowledge, information and belief of the Directors, P.B. Capital Advanced Fund SPC – P.B. Capital Advanced Fund 1 Segregated Portfolio is a segregated portfolio company incorporated in the Cayman Islands. Save for being the beneficial owner of 111,762,000 Existing Shares, representing approximately 14.05% of the total issued share capital of the Company as at the date of this announcement, it (i) is independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates; (ii) does not have any relationship with the Underwriter or parties acting in concert with it or any of their respective associates; and (iii) is managed by a third party independent of and not acting in concert or connected with the Company or the Underwriter, or any of their respective connected persons or associates.
4. Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company did not conduct any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

EXPECTED TIMETABLE OF THE SHARE CONSOLIDATION AND THE RIGHTS ISSUE

The expected timetable for the Share Consolidation and the Rights Issue is set out below:

Event	Date (Hong Kong time) 2021
Expected despatch date of the Circular together with notice of EGM and proxy form for EGM	Friday, 6 August
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 23 August
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive)	Tuesday, 24 August to Friday, 27 August

Event	Date (Hong Kong time) 2021
Latest time for lodging proxy forms for the EGM	2:30 p.m. on Wednesday, 25 August
Record date for attendance and voting at the EGM	Friday, 27 August
Expected date and time of the EGM to approve the proposed Share Consolidation and the Rights Issue	2:30 p.m. on Friday, 27 August
Announcement of the poll results of the EGM	Friday, 27 August
Register of members of the Company re-opens	Monday, 30 August
Effective date of the Share Consolidation	Tuesday, 31 August
Commencement of dealings in the Consolidated Shares	Tuesday, 31 August
Original counter for trading in Existing Shares in board lots of 10,000 Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 31 August
Temporary counter for trading in the Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 31 August
First day of free exchange of existing share certificates for new share certificates for Consolidated Shares	Tuesday, 31 August
Last day of dealings in the Consolidated Shares on a cum-entitlement basis relating to the Rights Issue	Tuesday, 31 August
First day of dealings in Consolidated Shares on an ex-entitlement basis relating to the Rights Issue	Wednesday, 1 September
Latest time for the Shareholders to lodge transfer documents of Consolidated Shares in order to be qualified for the Rights Issue	4:30 p.m. on Thursday, 2 September
Closure of register of members to determine the entitlements to the Rights Issue (both dates inclusive)	Friday, 3 September to Thursday, 9 September

Event	Date (Hong Kong time) 2021
Record date for the Rights Issue	Thursday, 9 September
Register of members of the Company re-opens	Friday, 10 September
Expected despatch date of the Prospectus Documents (including the PAL and Prospectus), and in case of the Non-Qualifying Shareholders, the Prospectus only	Friday, 10 September
First day of dealings in nil-paid Rights Shares	Tuesday, 14 September
Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) reopens	9:00 a.m. on Tuesday, 14 September
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Tuesday, 14 September
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Tuesday, 14 September
Latest time for splitting the PAL	4:30 p.m. on Thursday, 16 September
Last day of dealing in nil-paid Rights Shares	Tuesday, 21 September
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain	4:00 p.m. on Monday, 27 September
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 27 September
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Tuesday, 28 September

Event	Date (Hong Kong time) 2021
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements and the NQS Unsold Rights Shares	Tuesday, 28 September
Commencement of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Wednesday, 29 September
Latest time of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	5:00 p.m. on Monday, 4 October
Announcement of allotment results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares)	Wednesday, 6 October
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Wednesday, 6 October
Temporary counter for trading in the Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 6 October
Parallel trading in Consolidated Shares (represented by both existing share certificates and new share certificates) ends	4:10 p.m. on Wednesday, 6 October
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if the Rights Issue is terminated)	Thursday, 7 October
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 8 October
Latest time for free exchange of existing share certificates for new share certificates	4:30 p.m. on Friday, 8 October
Payment of Net Gain to relevant No Action Shareholders (if any)	Thursday, 21 October

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out above and all dates and deadlines specified in this announcement are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in paragraph headed “Expected Timetable of the Share Consolidation and the Rights Issue” above may be affected. Announcement will be made by the Company in such event.

LISTING RULES IMPLICATIONS

In accordance with Rule 10.29 of the GEM Listing Rules, as the Rights Issue will increase the issued shares of the Company by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the EGM by a resolution on which any controlling shareholders and their associates shall abstain from voting in favour under Rule 10.29(1) of the GEM Listing Rules. As at the date of this announcement, Mr. Zhang Qiang is a controlling shareholder which owns 275,000,000 Shares, representing approximately 34.57% of the issued share capital of the Company, as such he and his associates shall abstain from voting in favour of the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively at the EGM.

As at the date of this announcement, the Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui, is beneficially interested in 125,000,000 Existing Shares, representing approximately 15.71% of the total issued share capital of the Company and is a substantial shareholder of the Company. As such, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Underwriter and parties acting in concert with it (comprising the Underwriter, Dr. Chan and Mr. Pui), taken together, in aggregate, hold 158,410,000 Shares, representing approximately 19.91% of the issued share capital of the Company.

If there is no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings) and no placement is made under the Compensatory Arrangements, the Underwriter will be required to take up the Underwritten Shares. In such circumstances and upon completion of the Rights Issue, assuming there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter and parties acting in concert with it will, in aggregate, be interested in 95,398,200 Consolidated Shares, representing approximately 59.96% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it, unless the Whitewash Waiver is granted by the Executive. Neither the Underwriter nor any parties acting in concert with it has dealt in any relevant securities of the Company in the 6-month period preceding the date of this announcement.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively.

As at the date of this announcement, the Company believes that the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

The Underwriter, its associates and parties acting in concert with it, and any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively, and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the EGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approval by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

If the Whitewash Waiver is granted and approvals by the Independent Shareholders are obtained as mentioned above, upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the maximum potential holding of voting rights of the Underwriter in the Company will exceed 50%. The Underwriter may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

DEALINGS OF THE SHARES BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT

As at the date of this announcement, neither the Underwriter, Dr. Chan, Mr. Pui nor any parties acting in concert with any one of them:

- (a) save for the Shares as set out in the section headed “Effects on the Shareholding Structure of the Company” in this announcement, owns, controls or has direction over any Shares and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) has received any irrevocable commitment to vote for or against the Rights Issue and/or the Placing Agreement and/or the Underwriting Agreement and/or the Whitewash Waiver;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) save for the Placing Agreement and the Underwriting Agreement, details of which are set out in the sections headed “The Placing Agreement” and “The Underwriting Agreement” respectively in this announcement, there are no arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue and/or the Placing Agreement and/or the Underwriting Agreement and/or the Whitewash Waiver, with any other persons;
- (e) save that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by the Underwriter as set out in the section headed “The Underwriting Agreement – Conditions of the Underwriting Agreement” in this announcement, has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver;

- (f) has dealt in any relevant securities of the Company in the 6-month period preceding the date of this announcement; and
- (g) has entered into any derivative in respect of the relevant securities in the Company which are outstanding.

As at the date of this announcement:

- (a) apart from the Rights Shares to be subscribed and underwritten by the Underwriter, the Company has not paid and will not pay any other consideration, compensation or benefit in whatever form to the Underwriter, Dr. Chan, Mr. Pui and parties acting in concert with any one of them in connection with the Rights Issue the Underwriting Agreement;
- (b) apart from the Underwriting Agreement, there is no other understanding, arrangement or special deal between the Group on the one hand, and the Underwriter, Dr. Chan, Mr. Pui and parties acting in concert with any one of them on the other hand; and
- (c) there is no understanding, arrangement or agreement or special deal between (i) any Shareholders (excluding the Underwriter, Dr. Chan, Mr. Pui and parties acting in concert with any one of them who are Shareholders); and (ii) the Underwriter, Dr. Chan, Mr. Pui and parties acting in concert with any one of them; or the Company, its subsidiaries or associated companies.

EGM

The register of members of the Company will be closed from Tuesday, 24 August 2021 to Friday, 27 August 2021 (with both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Share Consolidation; (ii) the Rights Issue (iii) the Placing Agreement; (iv) the Underwriting Agreement; and (v) the Whitewash Waiver. Only the Independent Shareholders will vote on the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver at the EGM.

In accordance with the GEM Listing Rules and the Takeovers Code, (i) the Underwriter and its associates; (ii) any parties acting in concert with the Underwriter; (iii) the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates; (iv) Mr. Zhang Qiang and his associates; and (v) Shareholders who are involved in, or interested in, the Rights Issue, the Placing Agreement, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriter and parties acting in concert with it, will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver at the EGM.

Save as disclosed in this announcement, no other Shareholder is involved or interested in or has a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver and, hence, is required to abstain from voting on the resolution(s) in relation to the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver at the EGM. As at the date of this announcement, the Company has not received any irrevocable commitments to accept or reject the Rights Shares or to vote for or against the Rights Issue and/or the Whitewash Waiver.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Yip Chong Ho Eric, Mr. Chow Chi Hang Tony and Mr. Zhang Kun, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting at the EGM. The Independent Financial Adviser will be appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver. A further announcement will be made by the Company as soon as possible after the appointment of the Independent Financial Adviser.

DESPATCH OF THE CIRCULAR

The Circular containing, among other things, (i) further details of the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Friday, 6 August 2021, which is within 15 Business Days from the date of this announcement pursuant to Rule 20.66(11) of the GEM Listing Rules and 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code.

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver having been approved by the Independent Shareholders at the EGM and upon the Share Consolidation becoming effective, the Company will despatch the Prospectus Documents to the Qualifying Shareholders. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only but the Company will not send the PAL to the Non-Qualifying Shareholders.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is conditional upon fulfilment of the conditions set out in the paragraph headed “Conditions of the Underwriting Agreement” under the section headed “The Underwriting Agreement” of this announcement, including, among other things, the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof, a summary of which is set out in the section headed “The Underwriting Agreement” in this announcement. Accordingly, the Rights Issue may or may not proceed.

Any Shareholders or potential investors contemplating selling or purchasing the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the 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 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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders giving details of, among others, the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“Company”	P.B. Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM of the Stock Exchange (stock code: 8331)

“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“connected person”	has the same meaning ascribed thereto under the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company immediately following the Share Consolidation becoming effective
“controlling shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Chan”	Dr. Chan Man Fung, the Co-chairman of the Company and an executive Director
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s)
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors (namely Mr. Yip Chong Ho Eric, Mr. Chow Chi Hang Tony and Mr. Zhang Kun), which has been established in compliance with the GEM Listing Rules and Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the terms of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver and as to the voting action at the EGM
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“Independent Shareholder(s)”	the Shareholder(s) other than: (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; (ii) the Underwriter, Dr. Chan, Mr. Pui, its/his associate(s) and parties acting in concert with any one of them; (iii) Mr. Zhang Qiang and his associates; and (iv) any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and/or the Whitewash Waiver
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the GEM Listing Rules
“Irrevocable Undertakings”	the irrevocable undertakings set out in the Underwriting Agreement and given by each of the Underwriter and Dr. Chan in favour of the Company, the details of which are set out in the section headed “Proposed Rights Issue – Irrevocable Undertakings” in this announcement
“Last Trading Day”	16 July 2021, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Placing Date”	Monday, 4 October 2021 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares

“Latest Time for Acceptance”	4:00 p.m. on Monday, 27 September 2021 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on the first Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Mr. Pui”	Mr. Pui Wai Lun, the Co-chairman of the Company and an executive Director
“Net Gain”	the aggregate of any premium (being the aggregate amount paid by the placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees)
“No Action Shareholder(s)”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s) to the placees on the terms and subject to the conditions of the Placing Agreement

“Placing Agent”	CIS Securities Asset Management Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 16 July 2021 and entered into between the Company and the Placing Agent in relation to the Placing on a best effort basis
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Friday, 10 September 2021 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Thursday, 9 September 2021, the record date for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every one (1) Consolidated Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions to be set out in the Prospectus Documents
“Rights Share(s)”	new Share(s) to be allotted and issued pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be

“Share Consolidation”	the consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.1
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.35 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	P.B. Asia Holdings Limited, a company incorporated in British Virgin Islands with limited liability which is owned as to 50% by Dr. Chan and 50% by Mr. Pui
“Underwriting Agreement”	the underwriting agreement entered into among the Company, the Underwriter and Dr. Chan on 16 July 2021 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	63,716,200 Rights Shares to be underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Underwriter to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it which would otherwise arise as a result of the taking up Unsubscribed Rights Shares, the NQS Unsold Rights Shares and the unsold fraction of the Rights Shares pursuant to the Underwriting Agreement
“%”	per cent.

By Order of the Board
P.B. Group Limited
CHAN Man Fung
Executive Director and Co-chairman

Hong Kong, 16 July 2021

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Dr. CHAN Man Fung (Co-chairman), Mr. PUI Wai Lun (Co-chairman), Mr. SU Chun Xiang and Mr. PANG Ho Yin; and (ii) three independent non-executive Directors, namely Mr. YIP Chong Ho Eric, Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun.

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

All Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the day of its publication. This announcement will also be published on the Company’s website at www.thepbg.com.