



(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 0575

29 May 2019

ANNOUNCEMENT



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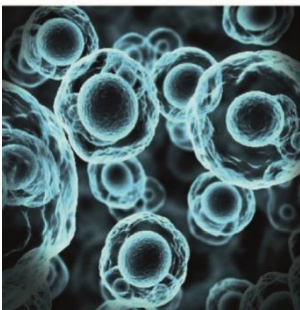
CONNECTED TRANSACTION PROPOSED ISSUE OF CONVERTIBLE NOTES



SUMMARY

This announcement is made by the Company in compliance with the disclosure requirements under Rule 13.09 and Chapter 14A of the HK Listing Rules and the Inside Information Provisions (as defined under the HK Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On 29 May 2019 (after trading hours), the Company entered into two conditional Subscription Agreements with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Notes in the principal amount of US\$17.50 million (or approximately HK\$136.50 million). Principal terms and conditions of the Convertible Notes are set out in paragraph 9 headed "Principal terms of the Convertible Notes" under the "Subscription Agreements" below.





The Convertible Notes will be issued in one tranche in an aggregate principal amount of US\$17.50 million (or approximately HK\$136.50 million). The Convertible Notes will bear interest at the rate of 4% per annum and will mature on the third anniversary of the Closing Date. Subject to and conditional upon the terms and conditions of the Convertible Notes, each Convertible Note entitles the Noteholder to convert the Convertible Note into Conversion Shares at any time during the Conversion Period at the Conversion Price. However, the Subscribers from both Subscription Agreements will be subject to a 6-month Lock-up Period from Closing in respect of any Conversion Shares issued to them during the first 6 months.

The aggregate subscription price for the Notes will comprise: (i) US\$12 million (or approximately HK\$93.60 million) in New Funds under both Subscription Agreements; and (ii) US\$5.50 million (or approximately HK\$42.90 million) in respect of the Previously Advanced Funds to be recategorized as subscription funds for the Notes under the Connected Subscription Agreement, and, in the case of the New Funds, such amounts will be transferred into a designated bank account of the Company by the Subscribers apportioned in the manner and amounts set out herein at Closing.

The Conversion Price will be equal to HK\$0.2125, representing:

- (a) a 15% discount to closing price of HK\$0.25 of the Shares as quoted on the HK Stock Exchange on the date immediately preceding the date of this announcement; and
- (b) a 15.5% discount to the Volume Weighted Average Price of approximately HK\$0.2514 per Share as quoted on the HK Stock Exchange over the five consecutive Trading Days ending on and including the date immediately preceding the date of the Subscription Agreement.

A maximum of 719,435,294 Conversion Shares, which assumes that the Convertible Notes are converted on the Maturity Date and that any and all interest that will accrue is capitalised, defined as the Maximum Number of Shares, may be issued, representing approximately 39.16% of the existing issued share capital of the Company and approximately 28.14% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Maximum Number of Shares. The aggregate nominal value of the Maximum Number of Shares will be US\$7,194,353 (or approximately HK\$56,115,953). The issuance of the Convertible Notes has been arranged directly by and between the Company and the various Subscribers and, as such, no brokerage or commissions will be payable. However, the Company will pay certain other expenses associated with the offering which are estimated at US\$100,000 (or approximately HK\$780,000), including the fees of the Independent Financial Adviser, legal counsel and other minor costs. The gross proceeds of the Subscription are US\$17.50 million (or approximately HK\$136.50 million). The net proceeds of the Subscription, of approximately US\$17.40 million (or approximately of HK\$135.72 million), together with existing resources available to the Company, will be applied towards meeting its general corporate purposes and for providing working capital to the Group.

The terms of the Subscription Agreements and the Convertible Notes were negotiated with the Independent Directors on an arm's length basis and the Directors (including the Independent Directors) consider that the Subscription Agreements and the Convertible Notes to be issued pursuant thereto are in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable having regard to the interests of the Company and the Shareholders as a whole.

The Connected Subscription Agreement and the Convertible Notes to be issued pursuant thereto, as they relate to James Mellon, Galloway and Jamie Gibson, all Subscribers thereunder, constitute connected transactions of the Company under Chapter 14A of the HK Listing Rules and require approval of the Independent Shareholders in general meeting of the Company. The Company proposes to seek from the Independent Shareholders at the EGM, among other things, an approval for the Connected Subscription Agreement and the Convertible Notes (including a Specific Mandate in respect of the issuance and allotment of the Conversion Shares).

Given their interests in the Subscription Agreements, James Mellon (and Galloway), Jamie Gibson, David Church, Anderson Whamond (and MAC Financial Pension Trustees Ltd) and Jayne Sutcliffe, together with their respective associates, will be required to abstain from voting in respect of the resolution(s) to be presented at the EGM approving the Subscription Agreements and the transactions contemplated thereunder (as detailed in the announcement). To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholder has a material interest in the Subscription Agreements and no other Shareholder will be required to abstain from voting on such resolution(s) at the EGM.

In addition and in order to provide for the issue and allotment of the Conversion Shares and to provide the Company with greater flexibility to raise future equity capital, the Directors propose that the authorised share capital of the Company be increased. The increase in the Company's authorised share capital is subject to the approval by the Shareholders by way of an ordinary resolution at the EGM.

GENERAL

The circular containing, among other things, further details of the Subscription Agreements and the Convertible Notes, the proposed increase in authorised share capital of the Company and notice of EGM, will be despatched to the Shareholders as soon as practicable.

It is expected that the circular will be despatched on or before 21 June 2019.

Closing is subject to the fulfillment of the conditions precedent of the Subscription Agreements and the Subscription Agreements and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

This announcement is made by the Company in compliance with the disclosure requirements under Rule 13.09 and Chapter 14A of HK Listing Rules and the Inside Information Provisions (as defined under the HK Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

SUBSCRIPTION AGREEMENTS

On 29 May 2019 (after trading hours), the Company entered into two conditional Subscription Agreements with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Notes. The Connected Subscription Agreement was between the Company, on the one hand as issuer, and Galloway (an associate of James Mellon), James Mellon, Jamie Gibson and David Church, on the other as Subscribers, while the Third Party Subscription Agreement was between the Company, as issuer, and Independent Third Party Subscribers and MAC Financial Pension Trustees Ltd (further details of which are set out below), as Subscribers.

The Subscription Agreements are inter-conditional upon one another, and the terms of the Convertible Notes are the same or substantially similar in both Subscription Agreements.

The Company and the Subscribers entered into the Subscription Agreements to record the arrangements agreed between them in relation to an issue of up to US\$17.50 million (or approximately HK\$136.50 million) 4% coupon Convertible Notes due 2022. Definitive certificates will be issued by the Company to the Noteholders in registered form in amounts of US\$50,000 (or approximately HK\$390,000) and integral multiples thereof. The Notes comprise of one tranche in an aggregate principal amount of US\$17.50 million (or approximately HK\$136.50 million).

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

(1) Date:

29 May 2019 (after trading hours)

(2) Parties:

- (i) The Company as issuer
- (ii) The Subscribers as subscribers

(3) The Subscribers

The Subscribers are:

- (i) Galloway (Note 1);
- (ii) James Mellon (Note 1);
- (iii) Jamie Gibson (Note 1);
- (iv) David Church (Note 1);
- (v) Abony Enterprises, LLC (Note 2);
- (vi) MAC Financial Pension Trustees Ltd (Note 3); and
- (vii) Independent Third Party Subscribers (Note 4).

Notes:

- (1) Galloway, Jamie Gibson and David Church are Subscribers pursuant to the Connected Subscription Agreement, which is a separate Subscription Agreement to the Third Party Subscription Agreement. However, David Church is a connected person of the Group only by means of directorships held with “insignificant subsidiaries” and is consequently not a connected person for the purposes of Rules 14A.09(1) to (3) of the HK Listing Rules.
- (2) Abony Enterprises, LLC is an Independent Third Party who has subscribed pursuant to the Third Party Subscription Agreement, further details of which are set out below.
- (3) MAC Financial Pension Trustees Ltd is the trustee of a pension fund, of which Anderson Whamond (a member of the Declared Concert Party Group) is the sole beneficiary, who has subscribed pursuant to the Third Party Subscription Agreement.
- (4) The other Subscribers to the Third Party Subscription Agreement are all Independent Third Parties.

Both James Mellon and Jamie Gibson are Directors and, in the case of James Mellon, a substantial Shareholder of the Company and, as such, the execution of the Connected Subscription Agreement with and the issuance of the Convertible Notes to these individuals (including Galloway, an associate of James Mellon) constitutes a connected transaction of the Company pursuant to Chapter 14A of the HK Listing Rules. David Church is a consultant to the Group and is a connected person only by means of directorships held with “insignificant subsidiaries” and is consequently not a connected person for the purposes of Rules 14A.09(1) to (3) of the HK Listing Rules.

Abony Enterprises, LLC is a Delaware LLC, beneficially owned by a family trust of Lorne Abony structured as a partnership, of which Lorne Abony is the general partner. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, James Mellon and Lorne Abony are directors of Fast Forward Innovations Limited ("**Fast Forward**"), whose shares are listed on the Alternative Investment Market ("**AIM**"), a market operated by the London Stock Exchange plc. Mr Mellon is the non-executive chairman, while Mr Abony is the chief executive officer of Fast Forward, with each of them holding (directly or indirectly) approximately 10.08% and 9.80% of Fast Forward's issued and outstanding shares, respectively. Mr Mellon and Mr Abony have a shareholding interest in three other companies whose shares are not publicly listed on any exchange and in which they have no directorships or management roles.

Save as disclosed above, Abony Enterprises, LLC is an Independent Third Party.

MAC Financial Pension Trustees Ltd is the trustee of a pension fund, of which Anderson Whamond (a member of the Declared Concert Party Group) is the sole beneficiary, who has subscribed for Convertible Notes pursuant to the Third Party Subscription Agreement. Anderson Whamond is not a connected person of the Group.

(4) Subscription price of the Convertible Notes

The aggregate subscription price for the Notes pursuant to the Third Party Subscription Agreement will comprise US\$10.80 million (or approximately HK\$84.24 million), which will be transferred into a designated bank account of the Company (together with the new funds to be subscribed for by Jamie Gibson and David Church under the Connected Subscription Agreement, the "**New Funds**").

The aggregate subscription price for the Notes pursuant to the Connected Subscription Agreement will comprise: (i) US\$3 million (or approximately HK\$23.40 million), in respect of which Galloway (an associate of James Mellon) has advanced or has agreed to and will advance (prior to Closing) the same to the Company pursuant to a loan agreement dated 28 May 2019 (the "**Galloway Loan**"); (ii) US\$1.65 million (or approximately HK\$12.87 million), in respect of which James Mellon has already advanced the same to the Company pursuant to loan agreements during the period from 20 December 2018 to 29 April 2019 and deferred salary for the period from February to May 2019 (together with the Galloway Loan, the "**Mellon Loans**"); (iii) US\$0.85 million (or approximately HK\$6.63 million), in respect of which Jamie Gibson has already advanced or has agreed to and will advance (prior to Closing) the same to the Company pursuant to loan agreements during the period from 20 December 2018 to 28 May 2019 and deferred salary for the period from February to May

2019 (together, the “**Gibson Loans**”) (hereinafter the Mellon Loans and the Gibson Loans shall be collectively referred to as the “**Previously Advanced Funds**”); and (iv) US\$1.20 million (or approximately HK\$9.36 million), which will be transferred into a designated bank account of the Company to be apportioned between Jamie Gibson and David Church in the manner set out under paragraph (8) headed “Closing” below.

Following the recategorization of the Previously Advanced Funds as subscriptions for the Notes under the Connected Subscription Agreement and the subscription of all New Funds under both Subscription Agreements to complete the subscription for the Notes, each Subscriber shall be issued with Notes for which it has successfully subscribed for. Subject to the Company’s right of rejection or, as the case may require, obligation to reject a conversion request, the Notes will be convertible, following the submission to the Company of an irrevocable notice of conversion (the “**Conversion Date**”) by and at the option of the holder thereof into fully paid Shares at a conversion price which is equal to HK\$0.2125, representing:

- (a) a 15% discount to closing price of HK\$0.25 of the Shares as quoted on the HK Stock Exchange on the date immediately preceding the date of the Subscription Agreement; and
- (b) a 15.5% discount to the Volume Weighted Average Price of approximately HK\$0.2514 per Share as quoted on the HK Stock Exchange over the five consecutive Trading Days ending on and including the date immediately preceding the date of the Subscription Agreement.

(5) Subscription of the Convertible Notes

Subject to the terms and conditions of the Subscription Agreements, the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Notes with a total principal amount of up to US\$17.50 million (or approximately HK\$136.50 million), bearing a 4% coupon per annum due 2022.

The Subscribers shall not be entitled to exercise any conversion right if the Shares of the Company held by the public, after the Conversion Shares are issued on the intended conversion of Convertible Notes, would be less than the minimum public shareholding requirement under the HK Listing Rules.

In addition, notwithstanding any other provision of the Subscription Agreements, a Subscriber shall not be entitled to exercise any conversion right if the Conversion Shares to be issued pursuant to a Conversion Notice results in the Subscriber (and/or persons with

whom that Subscriber might then be acting in concert, presumed or otherwise, under HK Takeover Code) having to make a mandatory general offer (“MGO”) for the Shares pursuant to the HK Takeover Code. In such circumstances, the Company must exclude or ignore all or part of the Notes, the subject of the Conversion Notice, so that no such MGO will result with that portion of the Conversion Notice being so excluded or ignored being deemed null and void. Such Notes that are so excluded or ignored will remain outstanding, to be made the subject of notices to redeem or convert at such date or dates thereafter in accordance with their terms and conditions and at all times ensuring that no MGO will result from any such action.

Each of the Subscribers pursuant to both Subscription Agreements has also undertaken with the Company that it will not dispose of or agree to dispose of any of the Conversion Shares that may be issued to it upon conversion of any Notes or any interest (as defined in Part XV of the SFO) therein for a period of 6 months (the “**Lock-up Period**”) from the Closing Date without the prior written consent of the Board and, if given, provided that any such disposal shall only be carried out through the Company’s preferred broker or brokers and in such a manner so as to preserve what the Board considers to be an orderly market of the Company’s securities.

(6) Conditions precedent

The obligations of the Subscribers to subscribe and pay for the Convertible Notes on the Closing Date are conditional on:

- (a) the Subscribers being satisfied with the results of their due diligence investigations with respect to the Company;
- (b) at the CP Satisfaction Date:
 - (i) the representations and warranties given by the Company in the Subscription Agreements being true, accurate and correct at, and as if made on such date;
 - (ii) the Company having performed all of its obligations under the Subscription Agreements to be performed on or before such date; and
 - (iii) there having been delivered to each Subscriber a certificate confirming no material adverse change in the specified form, dated as of such date, of a duly authorised officer of the Company to such effect;



- (c) after the date of the Subscription Agreements up to and at the CP Satisfaction Date, there shall not have occurred any change (nor any development or event involving a prospective change) in the condition (financial or other), prospects, results of operations or general affairs of the Company, which, in the opinion of the Subscribers (acting together), is material and adverse in the context of the issue and offering of the Convertible Notes;
- (d) on or prior to the CP Satisfaction Date, there shall have been delivered to the Subscribers copies of all consents and approvals required in relation to the issue of the Convertible Notes and the performance of the Company's obligations under the Subscription Agreements (including, to the extent required and applicable, the consents and approvals required from the HK Stock Exchange and the Shareholders in respect of both the Specific Mandate to be obtained for the issuance of all Conversion Shares contemplated under the Convertible Notes, together with Independent Shareholders' approval of the connected transaction under Chapter 14A of the HK Listing Rules in respect of the issuance of Notes to Galloway, James Mellon and Jamie Gibson pursuant to the Connected Subscription Agreement). For the avoidance of any doubt, if either: (i) the Specific Mandate to issue the Conversion Shares under both Subscription Agreements; or (ii) Independent Shareholders' approval of the connected transaction under Chapter 14A of the HK Listing Rules in respect of the issuance of Notes to Galloway, James Mellon and Jamie Gibson, has not been obtained, this condition will not have been satisfied and none of the Convertible Notes can or will be issued to any of the Subscribers under either Subscription Agreement;
- (e) on the CP Satisfaction Date, a certificate of no default in the specified form, dated as of such date, of a duly authorised officer of the Company having been delivered to the Subscribers;
- (f) the HK Stock Exchange having granted approval of listing of, and permission to deal in, all the Conversion Shares which may fall to be allotted and issued upon exercise of the rights attaching to all Convertible Notes (or the Subscribers being reasonably satisfied that such approval will be granted);
- (g) there having been delivered to the Subscribers such other resolutions, consents, authorities and documents relating to the issue of the Convertible Notes, as the Subscribers may reasonably require; and
- (h) the completion of the other Subscription Agreement (subject only to "Closing" (as defined therein)) in accordance with its terms.

The obligations of the Company to issue the Convertible Notes on the Closing Date are conditional on the representations and warranties given by the Subscribers in the Subscription Agreements being true, accurate and correct at, and as if made on such date and the Subscribers having performed all of his/her/its obligations under the Subscription Agreements to be performed on or before such date.

Save in respect of condition (d) above, the Subscribers may (acting together with the other Subscribers to such Subscription Agreement), at their discretion and upon such terms as they think fit, waive all or any of the conditions precedent as set out in the Subscription Agreement to which they are a party. The Company may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of its conditions stated above.

(7) Termination

The Subscribers may (acting together with the other Subscribers to such Subscription Agreement), by notice to the Company given at any time prior to payment of the New Funds for the Convertible Notes (as described in paragraph (8) headed “Closing” immediately below) to the Company, terminate the Subscription Agreement to which they are a party in any of the following circumstances:

- (a) if there shall have come to the notice of the Subscribers any material breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in the Subscription Agreement to which they are a party or any material failure to perform any of the Company’s undertakings or agreements in the Subscription Agreement to which they are a party;
- (b) if there shall have occurred any change (or any development or event involving a prospective change) in the condition (financial or other), prospects, results of operations or general affairs of the Company, which is material and adverse in the context of the issue and offering of the Convertible Notes;
- (c) if any of the conditions precedent has not been satisfied or waived by the Subscribers (acting together with the other Subscribers to such Subscription Agreement) on or prior to 31 August 2019;
- (d) if, in the opinion of the Subscribers (acting together with the other Subscribers to such Subscription Agreement), there shall have been, since the date of the Subscription Agreement to which they are a party, any change, or any development involving a

prospective change, in local, national or international monetary, financial, political or economic conditions (including any disruption to or restriction on trading generally, or trading in any securities of the Company on the HK Stock Exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially:

- (i) the success of the offering and distribution of the Convertible Notes or dealings in the Convertible Notes in the secondary market; or
 - (ii) the conversion of the Convertible Notes or the issuance of Conversion Shares or dealings in the Shares; and
- (e) if, in the opinion of the Subscribers (acting together with the other Subscribers to such Subscription Agreement), there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in its view, be likely to prejudice materially:
- (i) the success of the offering and distribution of the Notes or dealings in the Notes in the secondary market; or
 - (ii) the conversion of the Notes or the issuance of Conversion.

The Company may, by notice to the relevant Subscriber, given at any time, terminate that subscription (but, for the avoidance of doubt, not the entire Subscription Agreement) in the event that the Company is informed or otherwise becomes aware that: (i) any of its conditions (stated above) has not been satisfied or waived by the Issuer on or prior to 31 August 2019; or (ii) any proposed or actual subscription is or should have been prevented or precluded for any reason due to the securities or other applicable laws of the jurisdiction in which the relevant Subscriber is resident or is otherwise bound or subject to.

(8) Closing

Subject to the satisfaction or waiver (as the case may be) of the conditions precedent set out in the Subscription Agreements described above, the Company shall issue to the Subscribers, and the Subscribers shall subscribe and pay for, the Notes on the Business Day that is no later than five Business Days after the CP Satisfaction Date.

Payment: By 4:00pm (Hong Kong time) on the Closing Date, the Subscribers will send or cause to be sent to the Company: (i) in the case of Galloway, James Mellon and Jamie

Gibson under the Connected Subscription Agreement, an acknowledgement and agreement acknowledging and agreeing that the Previously Advanced Funds are now to be recategorized as subscriptions for the Notes and, in so doing, will extinguish the Previously Advanced Funds and any claim that Galloway, James Mellon or Jamie Gibson or any entity controlled by them may have or may have had against the Company in respect of the same; and (ii) in the case of all Subscribers under both Subscription Agreements (other than Galloway and James Mellon), the payment instruction of the New Funds as subscription moneys for the Notes, in each case in the amounts set out in the table immediately below:

| Subscriber | Previously Advanced Funds (US\$)* | New Funds (US\$) | TOTAL SUBSCRIPTION (US\$) |
|------------------------------------|--|-------------------------|----------------------------------|
| James Mellon | 1,650,000 | Not applicable | 1,650,000 |
| Galloway | 3,000,000 | Not applicable | 3,000,000 |
| Jamie Gibson | 850,000 | 1,000,000 | 1,850,000 |
| David Church | Not applicable | 200,000 | 200,000 |
| Abyony Enterprises, LLC | Not applicable | 1,500,000 | 1,500,000 |
| MAC Financial Pension Trustees Ltd | Not applicable | 200,000 | 200,000 |
| Other Third Parties | Not applicable | 9,100,000 | 9,100,000 |

* At Closing, the Previously Advanced Funds will be recategorized as subscriptions for the Notes in the amounts set out in this column and, in so doing, will extinguish the Mellon Loans and the Gibson Loans and any claim that James Mellon (including Galloway) or Jamie Gibson or any entity controlled by them may have or may have had against the Company in respect of the same.

Such payment of New Funds shall be made in US dollars in immediately available funds for value on the Closing Date to the account designated by the Company.

Issue of the Notes: By 6:00pm (Hong Kong time) on the Closing Date, the Company will issue the Notes and procure the entry in the register of Noteholders of the name of the Subscribers to be the holders of such Notes. The Company will be responsible for keeping the register of Noteholders.

It is expected that the CP Satisfaction Date shall be before the end of July 2019. The Closing Date will be at the same time in respect of both Subscription Agreements.

Closing is subject to the fulfilment of the conditions precedent of the Subscription Agreements and the Subscription Agreements and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the

Company are advised to exercise caution when dealing in the securities of the Company.

(9) Principal terms of the Convertible Notes

- Issuer : The Company.
- Principal amount : US\$17,500,000, in one tranche (which includes the Convertible Notes to be issued against relinquishment of the Previously Advanced Funds).
- Denomination : The Convertible Notes are in registered form in the denomination of US\$50,000 each.
- Issue price : 100% of the principal amount of the Convertible Notes.
- Maturity date : The date falling on the third anniversary of the Closing Date.
- Interest : The Convertible Notes shall bear interest at the rate of 4% per annum.
- Status : The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by mandatory provisions of applicable laws or regulations, at all times rank at least equally with all of its other present and future unsubordinated and unsecured obligations.
- Redemption : (i) Redemption on Maturity Date: the Company will redeem each Convertible Note at 100% of its principal amount, together with any accrued interest thereon on the Maturity Date, unless previously redeemed, converted or purchased and cancelled as provided by the terms and conditions of the Convertible Notes.

- (ii) Early redemption at the option of the Company: on giving not less than seven Business Days' notice to the Noteholders, the Convertible Notes may be redeemed by the Company in whole or in part (if in part, in authorised holdings only), at 100% of their principal amount, together with interest accrued to the date fixed for redemption.

- (iii) Redemption for Relevant Event: following the occurrence of any of the following events (the "**Relevant Event(s)**"), each Noteholder will have the option to require the Company to redeem all or in part (if in part, in authorised holdings only) of its Convertible Notes at 100% of their principal amount, together with interest accrued to the date fixed for redemption, on giving not less than seven Business Days' notice to the Company:
 - (a) the trading of the Shares is suspended, or has been suspended on the HK Stock Exchange for at least 10 consecutive Trading Days at any time, during the previous 60 days, unless such suspension is related to a positive event for the Company, as determined by the Calculation Agent¹;

 - (b) the Shares cease to be listed on the HK Stock Exchange;

 - (c) there has been a Change of Control of the Company; or

 - (d) the Company fails to deliver any of the Shares converted in accordance with the terms and conditions of the Convertible Notes.

¹ Such positive events that may have a positive effect on the financial or prospects of the Company may include positive profit alert or announcement of a new project to be determined on a case by case basis.

Conversion : Subject to and upon compliance with the terms and conditions of the Convertible Notes and the Subscription Agreements made between the Subscribers and the Company, each Convertible Note entitles the Noteholder to convert the Convertible Note into Conversion Shares at any time during the Conversion Period at the Conversion Price.

The Conversion Price will be HK\$0.2125, representing:

- (i) a 15% discount to closing price of HK\$0.25 of the Shares as quoted on the HK Stock Exchange on the date immediately preceding the date of the Subscription Agreement; and
- (ii) a 15.5% discount to the Volume Weighted Average Price of approximately HK\$0.2514 per Share as quoted on the HK Stock Exchange over the five consecutive Trading Days ending on and including the date immediately preceding the date of the Subscription Agreement.

Notwithstanding the above, if:

- (i) the Convertible Notes have become due and payable prior to the Maturity Date by reason of the occurrence of any Event of Default; or
- (ii) any Convertible Note is not redeemed on the Maturity Date in accordance with the terms and conditions of the Convertible Notes,

the conversion rights attached to the Convertible Notes will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the certificate(s) evidencing the Convertible Notes are deposited for conversion) on the date upon which the full amount of the moneys payable in respect of the Convertible Notes have been duly received by the Noteholders, in each case and at all times subject to the



conditions set out in the Subscription Agreements made between the Subscribers and the Company.

A Subscriber may not request a conversion if:

- (i) the number of Conversion Shares to be issued pursuant to a Conversion Notice results in a Subscriber (and/or persons with whom that Subscriber might then be acting in concert, presumed or otherwise, under HK Takeovers Code) having to make a MGO for the Shares pursuant to the HK Takeovers Code; or
- (ii) the Shares of the Company held by the public, after Conversion Shares are issued on the intended conversion of Convertible Notes, would be less than the minimum public shareholding requirement under the HK Listing Rules.

Conversion Price : The Conversion Price is HK\$0.2125 per Share, representing:

- (i) a 15% discount to closing price of HK\$0.25 of the Shares as quoted on the HK Stock Exchange on the date immediately preceding the date of the Subscription Agreement; and
- (ii) a 15.5% discount to the Volume Weighted Average Price per Share of approximately HK\$0.2514 per Shares as quoted on the HK Stock Exchange over the five consecutive Trading Days ending on and including the date immediately preceding the date of the Subscription Agreement.

The Conversion Price is subject to adjustments upon the following events:

- (i) consolidation, subdivision or reclassification of Shares;



- (ii) capitalisation of profits or reserves;
- (iii) a distribution of assets by the Company;
- (iv) an issue of Shares by way of rights, options, warrants or other rights to Shareholders to subscribe for Shares at less than 95% of the market price per Share as at the date of the announcement of the terms of such issue or grant;
- (v) an issue of securities (other than Shares or options, warrants, or other rights to subscribe for, or purchase or otherwise acquire Shares) by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);
- (vi) an issue (other than as mentioned above) of Shares, options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares at a price per Share which is less than 95% of the market price per Share on the date of the announcement of the terms of such issue;
- (vii) an issue of any securities (other than as mentioned in (iv), (v) or (vi) above) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the market price per Share on the date of the announcement of the terms of such issue;
- (viii) modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in (vii) above (other than in accordance with the terms of such securities) so



that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) has been reduced and is less than 95% of the market price per Share on the date of announcement of the proposals for such modification; and

- (ix) an issue, sale or distribution of any securities in connection with an offer, pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under conditions as mentioned in (ii), (iii), (iv), (v), (vi) or (vii) above (or, where applicable, would fall to be adjusted if the relevant issue or grant was at less than 95% of the market price per Share on the relevant Trading Day)).

Events of Default
 (“Event(s) of Default”)

: If, among others, any of the following events occurs and is continuing, the Noteholders at their discretion may give notice to the Company that the Convertible Notes are, and they shall accordingly thereby become, immediately due and payable at their principal amount:

- (1) Non-payment: the Company fails to pay the principal of any of the Convertible Notes when due and such failure continues for a period of 10 Business Days; or
- (2) Failure to deliver Shares: any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following conversion of Convertible Notes where such failure is not remedied within five Business Days of the delivery of the relevant Conversion Notice; or
- (3) Breach of other obligations: the Company does not perform or comply with any one or more of its other obligations in the Convertible Notes which default is



incapable of remedy or, if capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Company by the Noteholders; or

(4) Cross-default:

(a) any financial indebtedness (“**Financial Indebtedness**”, as defined in the terms and conditions of the Convertible Notes) of the Company is declared to be or otherwise becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or

(b) any Financial Indebtedness of the Company is not paid when due or, as the case may be, within any applicable grace period; or

(c) any commitment for any Financial Indebtedness of the Company is cancelled or suspended by a creditor of the Company as a result of an event of default (howsoever described); or

(d) any creditor of the Company becomes entitled to declare any Financial Indebtedness of the Company due and payable prior to its specified maturity as a result of an event of default (howsoever described), provided that the aggregate amount of the Financial Indebtedness or commitment for Financial Indebtedness in respect of which one or more of the events mentioned above have occurred equals or exceeds HK\$50,000,000 or its equivalent; or

(5) Enforcement proceedings: a distress, expropriation, attachment, sequestration, execution or other legal process is levied, enforced or sued out on or against



or otherwise affects any substantial part of the property, assets or revenues of the Company and is not discharged or stayed within 30 days; or

- (6) Security enforced: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company in respect of any substantial part of the property, assets or revenues of the Company becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (7) Winding-up: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company, or the Company ceases to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Noteholders; or
- (8) Insolvency: the Company is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Company; an administrator or liquidator of the Company or the whole or, in the opinion of the Noteholders, any substantial part of the assets and turnover of the Company is appointed; or



- (9) Authorisation and consents: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order:
 - (a) to enable the Company lawfully to exercise its rights and perform and comply with its obligations under the Convertible Notes;
 - (b) to ensure that those obligations are legally binding and enforceable; and
 - (c) to make the Convertible Notes admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

- (10) Illegality: it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Convertible Notes, or any obligation or obligations of the Company under the Convertible Notes are not or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Noteholders; or

- (11) Anti-money laundering:
 - (a) the operations of the Company and its subsidiaries are not conducted at any time in compliance with applicable financial recordkeeping and reporting and other requirements of the anti-money laundering statutes of any jurisdiction, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental

agency (collectively, the “**Money Laundering Laws**”): or

- (b) any action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any its subsidiaries with respect to the Money Laundering Laws occurs or is pending or threatened; or

(12) Sanctions:

- (a) any of the Company, its subsidiaries or affiliates, its directors, officers or employees, or its agents or representatives is or becomes an individual or entity (a “**Person**”) that is, or is or becomes owned or controlled by a Person that is, subject to any sanctions administered or enforced by the United States Government, including, without limitation, by the Office of Foreign Assets Control of the U.S. Department of the Treasury or any sanctions or measures imposed by the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority (collectively, the “**Sanctions**”); or
- (b) the Company or any of its subsidiaries is or becomes located, resident, organised or operating in a country or territory that is the subject of such Sanctions; or
- (c) the Company directly or indirectly uses the proceeds of any Convertible Notes, or lends, contributes or otherwise makes available all or part of such proceeds to, any subsidiary, affiliate, joint venture partner or other Person, for the purpose of financing or facilitating the activities of or business with any Person that, at the time of such funding or facilitation, is

subject to any Sanctions or operating in any country or territory that is the subject of Sanctions where such operations are in violation of such Sanctions or in any other manner that would result in a violation by any Person of such Sanctions; or

- (13) Environmental and social risk: the Company engages in any activity in the mining, agriculture, tobacco, gambling, nuclear, adult entertainment or military sectors, or is not in compliance with any laws, rules, principles and standard required of it (including environmental, gaming, securities and human rights related laws, rules, principles and standards) to conduct its businesses or has received any notice of any actual or potential liability under any such laws, rules, principles or standards^[2]; or
- (14) Analogous events: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs (5) to (9).

(10) Conversion Price

The Shares closed at HK\$0.250 on the date of the Subscription Agreements.

The Conversion Price is equal to HK\$0.2125 per Share, representing:

- (a) a 15% discount to closing price of HK\$0.25 of the Shares as quoted on the HK Stock Exchange on the date immediately preceding the date of the Subscription Agreement; and
- (b) a 15.5% discount to the Volume Weighted Average Price of approximately HK\$0.2514 per Share as quoted on the HK Stock Exchange over the five consecutive Trading

² The Company has no intention or any current plan to engage in the mining, agriculture, tobacco, gambling, nuclear, adult entertainment or military sectors. As such, the Company considers that such restriction will not affect its business development.

Days ending on and including the date immediately preceding the date of the Subscription Agreement.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers, taking into account of, among others, the recent trading performance of the Shares. In particular, the Conversion Price is set at a discount to prevailing market prices, at 15% of the closing price of the Shares as quoted on the HK Stock Exchange on the Trading Day immediately preceding the date of the Subscription Agreement. Based on general market review for placing of ordinary shares by Hong Kong listed companies for the last few years, it is noted that the average discount of the placing price to the market price was more than 10%. The discount of 15% of the closing price of the Shares as quoted on the HK Stock Exchange on the Trading Day immediately preceding the date of the Subscription Agreement is within the market range and will not create a significant dilution effect. As such, the Directors (including the Independent Directors) are of the view that such discount and incentive are fair and reasonable. The Directors (including the Independent Directors) consider that the Conversion Price and the terms and conditions of the Subscription Agreements and the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the event that the Conversion Price requires event-driven adjustment under the terms and conditions of the Notes, the Company shall, in consultation with the Calculation Agent, adjust the Conversion Price in the manner aforesaid and it will make commensurate adjustments to the Maximum Number of Shares accordingly, with a view to maintaining the economics of the Convertible Notes.

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares. Save in respect of the Lock-up Period, there are no restrictions which would apply to the subsequent sale of the Conversion Shares.

(11) Mandate to issue the Conversion Shares

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

(12) Application for listing

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

REASONS FOR THE SUBSCRIPTION AGREEMENTS

The Company is a diversified investment group based in Hong Kong currently holding various corporate and strategic investments focusing on the healthcare, wellness and life sciences sectors. Its wholly-owned subsidiary, Plethora Solutions Holdings plc, is a specialty pharmaceutical company whose core product Fortacin™ is the first EU approved topical prescription treatment for Premature Ejaculation that does not act on the central nervous system.

The Directors consider that the Subscription Agreements, by virtue of it recategorizing prior contributions and by raising new funds, through issuing Convertible Notes can provide an opportunity to the Company to enhance its working capital and strengthen its capital base and financial position for the future development of the Group as elaborated below.

The Directors have duly considered the terms of the subscription and the Convertible Notes. It is noted that:

- (i) the size of the Convertible Notes is US\$17.50 million (or approximately HK\$136.50 million), of which US\$12 million (or approximately HK\$93.60 million) is new funds which will provide a good level of potential capital raising for the Company;
- (ii) the 4% coupon on the Convertible Notes is substantially lower than the Hong Kong benchmark lending rate; and
- (iii) the Convertible Notes are redeemable during the tenor of the Convertible Notes which provides more flexibility to the Company as explained further below.

The Company estimates that the annual operating cash expenses of the Group for the financial year ended 31 December 2019 will be approximately US\$8.77 million (or approximately HK\$68.41 million). As shown in the Company's audited final results announcement for the year ended 31 December 2018, the Group had cash and bank balances and listed securities of approximately US\$6.52 million (or approximately HK\$50.86 million) and liabilities of US\$4.49 million (or approximately HK\$35.02 million), excluding non-cash deferred tax liabilities. It is also noted that, from the announcement issued on 18 March 2019, that the Group had agreed a settlement of its Australian taxation litigation of A\$9.5 million (or approximately US\$6.73 million or HK\$52.49 million), which will become due and payable (as extended, as announced on 27 May 2019) by 1 August 2019. It is the Company's intention to utilise the proceeds upon subscription of the Convertible Notes, together with existing resources available to it, for meeting its general corporate purposes and for working capital. The Directors consider that such application of funds will be in the interests of the Company and its Shareholders as a whole.

In particular, the Conversion Price is set at a discount to prevailing market prices, at 15% of the closing price of the Shares as quoted on the HK Stock Exchange on the Trading Day immediately preceding the date of the Subscription Agreement. Based on general market review for placing of ordinary shares by Hong Kong listed companies for the last few years, it is noted that the average discount of the placing price to the market price was more than 10%. The discount of 15% of the closing price of the Shares as traded on the HK Stock Exchange on the Trading Day immediately preceding the date of the Subscription Agreement is within the market range and will not create significant dilution effect. As such, the Company is of the view that such discount and incentive are fair and reasonable.

As noted above, the terms also provide the Company with a right to early redeem the Convertible Notes. This flexibility will assist the Company to react to potential future changes in market conditions. The Company would decide at its discretion at the relevant time by considering the relevant factors including general market conditions, historical and expected performance of the Share price and the remaining tenor of the Convertible Notes.

It is expected that the Subscription will enhance the working capital of the Group over a period of time.

In planning for this capital raising, the Company has considered its own business nature, business size, and the general market conditions. The Company has also considered a range of alternative methods of raising equity or debt. The analysis of the Company shows that the interest rate under general debt financing exercises will be significantly higher than the 4% coupon rate under the Convertible Notes. Alternate methods of raising equity, such as a placement or rights issue of new Shares, would likely be conducted at a deeper discount to the market price.

As such, the Company considers that the overall terms and conditions of the Convertible Notes are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Maximum Number of Shares that may be issued upon conversion of the Convertible Notes represents approximately 39.16% of the existing issued share capital of the Company and approximately 28.14% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Maximum Number of Shares, in each case assuming that full conversion only takes place at Maturity and that all accrued interest has been capitalised. The aggregate nominal value of the Maximum Number of Shares will be US\$7,194,353 (or approximately HK\$56,115,953). The issuance of the Convertible Notes has been arranged directly by and between the Company and the various Subscribers and, as such, no brokerage or commissions will be payable. However, the Company will pay certain other expenses associated with the offering which are estimated at US\$100,000 (or approximately HK\$780,000),

including the fees of the Independent Financial Adviser, legal counsel and other minor costs. The gross proceeds of the New Funds under the Subscription are US\$12 million (or approximately HK\$93.60 million). The net proceeds of the New Funds under the Subscription of approximately US\$11.90 million (or approximately HK\$92.82 million), together with existing resources available to the Company, will be applied to meeting its general corporate purposes and for working capital.

The Directors (including the Independent Directors) consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms and conditions of the Subscription Agreements are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned. The Directors (including the Independent Directors) also consider that the Subscription will strengthen the financial position of the Group.

CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as at the date of this announcement and upon the Maximum Number of Shares being issued on conversion (assuming no Shares issued or repurchased prior to the conversion of the Convertible Notes) are as follows:

| Shareholder | At the date of this announcement | | Immediately after the Maximum Number of Shares are issued | |
|---------------------------------|-------------------------------------|----------------|--|----------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % |
| James Mellon (Notes 1 & 2) | 387,816,211 | 21.11% | 578,980,447 | 22.65% |
| Jayne Sutcliffe (Note 2) | 1,716,046 | 0.09% | 1,716,046 | 0.07% |
| Anderson Whamond (Note 2) | 1,400,000 | 0.08% | 9,622,117 | 0.38% |
| Jamie Gibson | 69,208,513 | 3.77% | 145,263,101 | 5.68% |
| David Church (Note 3) | 5,530,000 | 0.30% | 13,752,117 | 0.54% |
| Other Directors | 4,170,292 | 0.23% | 4,170,292 | 0.16% |
| Abony Enterprises, LLC | 0 | 0.00% | 61,665,883 | 2.41% |
| Other Independent Third Parties | 0 | 0.00% | 374,106,353 | 14.63% |
| Public Shareholders | 1,367,410,120 | 74.42% | 1,367,410,120 | 53.48% |
| | 1,837,251,182 | 100.00% | 2,556,686,476 | 100.00% |

Notes:

1. At the date of this announcement, 25,791,905 Shares are held by a company indirectly wholly owned by James Mellon, and an aggregate of 430,000 Shares are held by the parents of James Mellon.

Immediately after the Maximum Number of Shares are issued: (i) 25,791,905 Shares are held by a company indirectly wholly owned by James Mellon, and an aggregate of 430,000 Shares are held by the parents of James Mellon; and (ii) 552,758,542 Shares are held by James Mellon and Galloway, which are the Conversion Shares to be issued upon conversion of the Convertible Notes pursuant to the Connected Subscription Agreement.

2. James Mellon and Jayne Sutcliffe (both Directors), together with Anderson Whamond, constitute the Declared Concert Party Group. MAC Financial Pension Trustees Ltd, the trustee of a pension, of which Anderson Whamond is the sole beneficiary, is also subscribing US\$200,000 (or approximately HK\$1,560,000) for Convertible Notes under the Third Party Subscription Agreement and his putative interests are also included here assuming the Maximum Number of Shares are issued.
3. David Church is a consultant to the Group and is a director of a number of “insignificant subsidiaries” of the Group and is consequently not a connected person for the purposes of Rules 14A.09(1) to (3) of the HK Listing Rules.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12-MONTH PERIOD

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

CONNECTED TRANSACTION

Given that: (i) James Mellon (Non-Executive Chairman of the Company holding, by himself and his associates, 21.11% of the total issued share capital of the Company)); (ii) Galloway (an associates of James Mellon); and (iii) Jamie Gibson (Executive Director and Chief Executive Officer of the Company currently holding, by himself, 3.77% of the total issued share capital of the Company) are all connected persons of the Group, the Connected Subscription Agreement and the issuance of Convertible Notes as it relates to them constitute connected transactions of the Company under Chapter 14A of the HK Listing Rules and are therefore subject to written agreement, announcement, shareholders’ circular and Independent Shareholders’ approval and annual reporting requirements under Chapter 14A of the HK Listing Rules. As noted, David Church is a consultant to the Group and is a director of a number of “insignificant subsidiaries” of the Group and is consequently not a connected person for the purposes of Rules 14A.09(1) to (3).

Abony Enterprises, LLC is a Delaware LLC, beneficially owned by a family trust of Lorne Abony structured as a partnership, of which Lorne Abony is the general partner. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, James

Mellon and Lorne Abony are directors of Fast Forward, whose shares are listed on AIM, a market operated by the London Stock Exchange plc. Mr Mellon is the non-executive chairman, while Mr Abony is the chief executive officer of Fast Forward, with each of them holding (directly or indirectly) approximately 10.08% and 9.80% of Fast Forward's issued and outstanding shares, respectively. Mr Mellon and Mr Abony have a shareholding interest in three other companies whose shares are not publicly listed on any exchange and in which they have no directorships or management roles.

Save as disclosed above, Lorne Abony is an Independent Third Party.

MAC Financial Pension Trustees Ltd is the trustee of a pension fund, of which Anderson Whamond (a member of the Declared Concert Party Group), who has subscribed for Convertible Notes pursuant to the Third Party Subscription Agreement. Anderson Whamond is not a connected person of the Group.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, all remaining Subscribers to the Subscription Agreements are Independent Third Parties of the Group.

Completion of the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder is conditional upon, *inter alia*, the approval by a simple majority of the Independent Shareholders present and voting (in person or by proxy) at the EGM.

In respect of the loan agreements entered into between Galloway, James Mellon and Jamie Gibson, as lenders, and the Company, as borrower, referred to in this announcement as being part of the Previously Advanced Funds, the Board, on each occasion, gave due and careful consideration to their respective terms and conditions, in light of the then prevailing market rates and other terms in Hong Kong for the same or similar unsecured debt instruments, and concluded that such loan agreements were entered into after arm's length negotiations between the connected persons and the Company and were conducted on normal commercial terms or better. In addition, it is relevant that the loans are not secured by any asset of the Group. As such, it was and remains the view of the Board, after due and careful consideration, that the entering into of the loan agreements was fully exempt from the reporting, annual review, announcement and Independent Shareholder approval requirements under Rule 14A.90 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An independent board committee has been established by the Company, comprising David Comba, Julie Oates and Mark Searle, all Independent Non-Executive Directors, who will, having taken account the recommendation of the Independent Financial Adviser, advise the Independent

Shareholders on the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder to Galloway, James Mellon and Jamie Gibson.

Altus Capital Limited has been appointed by the Company as its independent financial adviser to advise the Independent Board Committee on the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder to Galloway, James Mellon and Jamie Gibson. A letter from the Independent Financial Adviser setting out their advice and recommendations to the Independent Shareholders will be included in the circular.

INCREASE IN AUTHORISED SHARE CAPITAL

In order to provide for the issue and allotment of the Conversion Shares and to provide the Company with greater flexibility to raise future equity capital under a share issue general mandate to be sought from the Shareholders at general meeting, which will empower the Directors to issue, allot or otherwise deal with additional Shares up to a maximum of 20% of the issued Shares as at the date when the relevant resolution is passed, the Directors propose that the authorised share capital of the Company be increased.

The increase in the Company's authorised share capital is subject to the approval by the Shareholders by way of an ordinary resolution at the EGM, and its details will be included in a circular to be despatched to the Shareholders.

PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

The Company is a limited liability company incorporated under the laws of the Cayman Islands whose Shares are listed on the HK Stock Exchange and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange. The Company is a diversified investment group currently holding various corporate and strategic investments across the healthcare, wellness and life sciences sectors, which has become its core focus, as well as legacy investments in the natural resources sector. Earlier in 2016, the Company acquired Plethora Solutions Holdings plc, a UK-based speciality pharmaceutical company whose principal product is Fortacin™, a prescription treatment for male premature ejaculation.

GENERAL

The EGM will be held to consider and, if thought fit, pass the resolutions to approve the Subscription Agreements and the transactions contemplated thereunder (including, but not limited to, the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon conversion of the Convertible Notes) and the increase in the Company's authorised share capital.

Given their interests in the Subscription Agreements, James Mellon (and Galloway), Jamie Gibson, David Church, Anderson Whamond (and MAC Financial Pension Trustees Ltd) and Jayne Sutcliffe (being a member of the Declared Concert Party Group) (and their respective associates) will be required to abstain from voting in respect of the resolution(s) to be presented at the EGM approving the Subscription Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholder has a material interest in the Subscription Agreements and no other Shareholder will be required to abstain from voting on such resolution(s) at the EGM.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the EGM. Application will be made by the Company to the HK Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

A circular containing details of the issue of the Convertible Notes and the increase in the authorised share capital will be despatched to the Shareholders as soon as practicable. It is expected that the circular will be despatched on or before 21 June 2019.

Closing is subject to the fulfillment of the conditions precedent of the Subscription Agreements and the Subscription Agreements and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company are advised 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 require otherwise:

| | |
|---------------------------|---|
| “%” | per cent |
| “A\$” | Australian dollars, the lawful currency in Australia |
| “Articles of Association” | the articles of association of the Company |
| “associate(s)” | shall have the meaning defined in Chapter 14A of the HK Listing Rules |
| “Board” | the board of directors of the Company |

| | |
|---|---|
| “Business Day(s)” | a day (other than a Saturday or Sunday or public holiday in Hong Kong) on which commercial banks are generally open for business throughout their normal business hours in the Central district of Hong Kong |
| “Calculation Agent” | the Chief Financial Officer of the Company, acting in good faith and in a commercially reasonable manner |
| “Change of Control” | in relation to the Company, means that a person or persons, who previously did not have the capacity to Control the Company, obtains the capacity to Control the Company without the prior written consent of all the Noteholders. However, this definition does not relate to a person or persons obtaining Control of the Company where the person or persons who have obtained Control of the Company or who are deemed or presumed to have obtained Control of the Company are the Directors and employees of the Company, together with the Declared Concert Party Group |
| “Closing” | closing of the Subscription in accordance with the terms of the Subscription Agreements |
| “Closing Date” | a Business Day no later than five Business Days after the CP Satisfaction Date as determined by the Subscribers (acting together) |
| “Company” | Regent Pacific Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the HK Stock Exchange and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange |
| “connected person(s)” | shall have the meaning defined in Chapter 14A of the HK Listing Rules |
| “Connected Subscription Agreement” | the conditional agreement dated 29 May 2019 and entered into between the Company, as issuer, and Galloway, James Mellon, Jamie Gibson and David Church, as Subscribers, in respect of the Subscription |

“Control”

means, with respect to any person:

- (a) the power (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) to appoint and/or remove all or such of the members of the board of directors or other governing body of such Person as is able to cast a majority of the votes capable of being cast by the members of that board or body on all, or substantially all, matters, or otherwise to control or have the power to control the policies and affairs of such person; or
- (b) the holding and/or the possession of the beneficial interest in and/or the ability to exercise the voting rights applicable to shares or other securities of any person which confer in aggregate on the holders thereof more than 50% of the total voting rights exercisable at general meetings of such person on all, or substantially all, matters

“Conversion Date”

the conversion date in respect of a Convertible Note, on which a Noteholder submits an irrevocable notice of conversion to the Company as explained in paragraph (4) headed “Subscription Price of the Convertible Notes” under the “Subscription Agreements” in this announcement

“Conversion Notice”

a duly completed and signed notice of conversion

“Conversion Period”

the period from and including the issue date up to the close of business (at the place where the certificate(s) evidencing a Convertible Note is deposited for conversion) on the date falling one day prior to the Maturity Date (both days inclusive), or, if a Convertible Note has been called for redemption by the Company before the Maturity Date, then the period from and including the issue date up to and including the close of business (at the place aforesaid) on the date no later than

three Business Days (at the place aforesaid) prior to the date fixed for redemption of the Convertible Note

“Conversion Price”

HK\$0.2125 per Share, subject to adjustment as provided in the Subscription Agreements (as summarised in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this announcement)

“Conversion Share(s)”

the Shares to be allotted and issued upon conversion of the Convertible Notes

“Convertible Note(s)” or “Notes”

the 4% coupon unlisted Convertible Notes due 2022 in principal amount of US\$17.50 million (or approximately HK\$136.50 million) to be issued by the Company in accordance with the terms of the Subscription Agreements

“CP Satisfaction Date”

the date on which all the conditions precedent as set out under the Subscription Agreements are satisfied

“Declared Concert Party Group”

the group of shareholders of the Company, comprising: (i) James Mellon; and (ii) Jayne Sutcliffe, both being Directors as at the date of this announcement, and (iii) Anderson Whamond (a former Director but not being a Director as at the date of this announcement), who are regarded as acting in concert for the purpose of The Codes on Takeovers and Mergers and Share Repurchases of Hong Kong (as amended) and have registered their aggregate holding as at 19 October 2001 as a “concert party group” pursuant to the transitional provisions in Rule 26.6 of such codes

“Director(s)”

the directors of the Company

“EGM”

the extraordinary general meeting of the Company to be held and convened for the Shareholders to consider and, if thought fit, approve the Subscription Agreements, the issuance of the Convertible Notes and the transactions

| | |
|--------------------------------------|--|
| | contemplated thereunder and the increase in the Company's authorised share capital |
| "Event(s) of Default" | shall have the meaning given to it in paragraph (9) headed "Principal terms of the Convertible Notes" under the "Subscription Agreements" in this announcement |
| "Financial Indebtedness" | shall have the meaning given to it in paragraph (9) headed "Principal terms of the Convertible Notes" under the "Subscription Agreements" in this announcement |
| "Galloway" | Galloway Limited, which is a private limited liability company incorporated in the British Virgin Islands indirectly wholly owned by James Mellon |
| "Galloway Loan" | has the meaning set out in paragraph (4) headed "Subscription Price of the Convertible Notes" under the "Subscription Agreements" in this announcement |
| "Gibson Loans" | has the meaning set out in paragraph (4) headed "Subscription Price of the Convertible Notes" under the "Subscription Agreements" in this announcement |
| "Group" | the Company and its subsidiaries |
| "HK Listing Rules" | The Rules Governing the Listing of Securities on the HK Stock Exchange, as amended from time to time |
| "HK Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "HK Takeovers Code" | The Hong Kong Code on Takeovers and Mergers issued by the Hong Kong Securities and Futures Commission, as amended from time to time |
| "HK\$" | Hong Kong dollars, the lawful currency in Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | the board committee established by the Company, comprising only the independent non-executive Directors |

of the Company, namely David Comba, Julie Oates and Mark Searle, to, having taken account the recommendation of the Independent Financial Adviser, advise the Independent Shareholders on the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder

“Independent Directors”

David Comba, Julie Oates and Mark Searle

“Independent Financial Adviser”

Altus Capital Limited, a licence corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders on the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder

“Independent Shareholders”

Shareholders other than the Declared Concert Party Group, Jamie Gibson and David Church (and their respective associates)

“Independent Third Party(ies)”

third parties independent of and not connected with the Company and its connected persons

“Lock-up Period”

shall have the meaning given to it in paragraph (5) headed “Subscription of the Convertible Notes” under the “Subscription Agreements” in this announcement

“Maturity Date”

the date falling on the third anniversary of the Closing Date

“Maximum Number of Shares”

the maximum total number of Shares to be issued pursuant to the exercise of conversion rights attached to the Convertible Notes, which shall be 719,435,294 Shares, subject to adjustment, assuming the Notes are exercised at maturity and that all interest that has accrued thereon has been capitalised

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| “Mellon Loans” | has the meaning set out in paragraph (4) headed “Subscription Price of the Convertible Notes” under the “Subscription Agreements” in this announcement |
| “MGO” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this announcement |
| “Money Laundering Laws” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this announcement |
| “New Funds” | has the meaning set out in paragraph (4) headed “Subscription Price of the Convertible Notes” under the “Subscription Agreements” in this announcement |
| “Noteholder(s)” | any person who is the registered holder of any Convertible Notes then outstanding |
| “Person” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this announcement |
| “PRC” | The People’s Republic of China |
| “Previously Advanced Funds” | has the meaning set out in paragraph (4) headed “Subscription Price of the Convertible Notes” under the “Subscription Agreements” in this announcement |
| “Relevant Event(s)” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this announcement |
| “Sanctions” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this announcement |
| “SFC” | The Securities and Futures Commission of Hong Kong |

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|---|---|
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time |
| “Share(s)” | the ordinary shares, with voting rights, of US\$0.01 each in the capital of the Company, which are listed on the HK Stock Exchange and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Specific Mandate” | the specific mandate to be sought by the Company at the EGM for allotment and issue of the Conversion Shares |
| “Subscriber(s)” | all the subscribers of the Convertible Notes pursuant to the Subscription Agreements |
| “Subscription” | the subscription for the Convertible Notes by the Subscribers pursuant to the Subscription Agreements |
| “Subscription Agreements” | The Connected Subscription Agreement and the Third Party Subscription Agreement |
| “Third Party Subscription Agreement” | the conditional agreement dated 29 May 2019 and entered into between the Company, as issuer, and Independent Third Parties (and MAC Financial Pension Trustees Ltd), as Subscribers, in respect of the Subscription |
| “Trading Day(s)” | a day when the HK Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing |
| “Volume Weighted Average Price” | volume weighted average price calculated by reference to trading within the regular trading session of the HK Stock Exchange (including the closing auction session, if any), as published by Bloomberg at 5:00 pm (Hong Kong) |



time) on the relevant Trading Day on the Bloomberg page
“**VWAP**” (or any successor thereto)

“**US\$**”

United States dollars, the lawful currency in the United States

Note: Unless otherwise specified herein: (i) amounts dominated in A\$ have been translated, for the purpose of illustration only, into US\$ using the exchange rate of A\$1.00 = US\$0.7085; and (ii) amounts dominated in US\$ have been translated, for the purpose of illustration only, into HK\$ using the exchange rate of US\$1.00 = HK\$7.80.

Forward Looking Statements

This announcement, including any information included or incorporated by reference in this announcement, contains statements about the Company that are or may be forward looking statements. Such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward looking statement. Much of the risk and uncertainty relates to factors that are beyond the Company's abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Neither the Company nor any of its associates or directors, officers, employees, managers, agents, representatives, partners, members, consultants or advisers: (i) provide any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statement will actually occur; nor (ii) assume any obligation to, and do not intend to, revise or update these forward looking statements, except as required pursuant to applicable law, the HK Listing Rules or other applicable regulation. The Company disclaims any obligation to update any forward looking or other statements contained herein, except as required by applicable law, the HK Listing Rules or other applicable regulation.

No Profit Forecasts or Estimates

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for the Company. Regent Pacific does not undertake to update information contained in this announcement, except as required by applicable law, the HK Listing Rules or other applicable regulation.

On Behalf of the Board of
Regent Pacific Group Limited

Jamie Gibson
Director

Directors of the Company:

James Mellon (*Chairman*)*

Jamie Gibson (*Chief Executive Officer*)

David Comba[#]

Julie Oates[#]

Mark Searle[#]

Jayne Sutcliffe*

* *Non-Executive Directors*

Independent Non-Executive Directors

Hong Kong, 29 May 2019