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abcmultiactive

abc Multiactive Limited

辰罡科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8131)

**CONNECTED TRANSACTION
IN RELATION TO
ISSUE OF CONVERTIBLE PREFERENCE SHARES FOR
SETTLEMENT OF PROMISSORY NOTE**

THE SUBSCRIPTION AGREEMENT

On 28 August 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Preference Shares in the principal amount of HK\$50,699,874.20, to be settled by the Subscriber by way of set off against the outstanding Promissory Note and the accrued interest in the total amount of HK\$50,699,874.20 in full upon Completion.

Assuming all the Convertible Preference Shares are converted in full at the initial Conversion Price of HK\$0.17 per Convertible Preference Share, an aggregate of 298,234,554 Conversion Shares will be issued, which represent (i) approximately 99.05% of the total issued share capital of the Company as at the date of this announcement; and (ii) approximately 49.76% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Company will seek a specific mandate from the Independent Shareholders at the SGM for the allotment and issue of the Conversion Shares.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, the Subscriber owns 177,793,941 Shares, representing approximately 59.05% of the total issued share capital of the Company. The Subscriber is therefore a connected person of the Company. The Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in relation to Subscription Agreement and the transactions contemplated thereunder, including the grant of the specific mandate to allot and issue the Conversion Shares. Akron has been appointed by the Company with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the specific mandate to allot and issue the Conversion Shares.

GENERAL

A circular containing, among other things, (i) further details of the Subscription Agreement; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice to convene the SGM, is expected to be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

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

INTRODUCTION

The Promissory Note previously consisted of two parts, (i) the promissory notes in the principal amount together with the accrued interest of HK\$45,699,874.20, due on 1 March 2019; and (ii) the promissory note in the principal amount of HK\$5,000,000, due on 1 March 2019.

The Promissory Note was previously issued by the Company in favor of Active Investments Capital Limited, a company wholly owned by Mr. Samson Chi Yang HUI, the chief executive officer of the Company. The Promissory Note has been transferred to the Subscriber on 22 August 2018. The Subscriber is 100% owned by DGM Trust Corporation as trustee of The City Place Trust as at the date of this announcement. The City Place Trust is a discretionary trust and its beneficiaries include certain family members of Mr. Kau Mo HUI, who is the father of Mr. Samson Chi Yang HUI. For more information, please refer to the section headed “INFORMATION OF THE SUBSCRIBER” in this announcement.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are summarized below:

Date : 28 August 2018 (after trading hours)

Parties : (a) the Company (as issuer)
(b) Maximizer International Limited (as subscriber)

As at the date of this announcement, the Subscriber owns 177,793,941 Shares, representing approximately 59.05% of the total issued share capital of the Company, and therefore is a connected person of the Company.

Subject matter : Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Preference Shares in the principal amount of HK\$50,699,874.20.

Consideration : Pursuant to the Subscription Agreement, the subscription price of HK\$50,699,874.20 shall be paid by the Subscriber to the Company by way of set off against the outstanding Promissory Note and the accrued interest in the total amount of HK\$50,699,874.20 in full upon Completion.

- Conditions Precedent** : Completion shall be conditional upon satisfaction of each of the following conditions:–
- (i) the passing of the necessary resolutions by the shareholders of the Company approving the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Preference Shares and Conversion Shares;
 - (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares; and
 - (iii) the warranties contained in the Subscription Agreement remaining true and accurate in all respects.

If any of the above conditions are not fulfilled on or before the Long Stop Date, the Subscription Agreement shall lapse and become null and void and the parties shall be released from all obligations thereunder, save the liabilities for any antecedent breaches thereof.

Completion : Completion shall take place on the Completion Date.

The Convertible Preference Shares

The principal terms of the Convertible Preference Shares are summarized below:

- Issuer** : The Company
- Principal amount** : HK\$50,699,874.20
- Conversion price** : Initially, Convertible Preference Shares of an amount equivalent to HK\$0.17 shall be convertible into one Share.

The conversion price will be subject to adjustments in the events of subdivision or consolidation of Shares, capitalisation of profits or reserves, capital distributions, issue of Shares or convertible securities at less than 80% of market price.

- Conversion rights** : Convertible Preference Shares are convertible at the option of the holder at any time after the issue date.
- No conversion shall take place if:
- (i) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable conversion date;
 - (ii) to the extent that following such exercise, the relevant holder of Convertible Preference Share and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued share capital of the Company or otherwise trigger a mandatory offer obligation under Rule 26 of the Code on Takeovers and Mergers;
 - (iii) immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange;
 - (iv) the Directors are of the opinion that such conversion is or would result in the non-compliance of any of the terms of the Convertible Preference Shares; or
 - (v) the Company exercises its right to redeem the Convertible Preference Shares.
- Dividend** : Holder of the Convertible Preference Shares shall have no entitlement to dividend.
- Redemption** : The Company may at its option at any time during the conversion period redeem the Convertible Preference Shares in whole or in part at the notional value. The Convertible Preference Shares shall be non-redeemable at the option of the holders thereof.
- Ranking** : The Convertible Preference Shares rank in priority to the ordinary shares of the Company and any other shares in the capital of the Company as to return of capital upon liquidation of the Company

- Voting rights** : Holders of the Convertible Preference Shares (in their capacity as such) will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights attached to the Convertible Preference Shares or a resolution is proposed for the winding up of the Company
- Listing** : No application will be made for the listing of the Convertible Preference Shares on the Stock Exchange or any other stock exchange.
- Transferability** : The Convertible Preference Shares are freely transferable, provided that if the holder of the Convertible Preference Share(s) intend to transfer to a connected person of the Company, such transfer shall comply with the requirements under the GEM Listing Rules and/or requirements imposed by the Stock Exchange (if any).

The Conversion Price of HK\$0.17 per Convertible Preference Share represents:

- (i) a premium of approximately 16.44% over the closing price of HK\$0.146 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 14.56% over the average closing price of HK\$0.1484 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day.

The Conversion Price has been arrived at after arm's length negotiations between the Company and the Subscriber, with reference to, among other things, (i) the recent market price of the Shares; and (ii) financial performance and position of the Group.

Assuming all the Convertible Preference Shares are converted in full at the initial Conversion Price of HK\$0.17 per Convertible Preference Share, an aggregate of 298,234,554 Conversion Shares will be issued, which represent:

- (i) approximately 99.05% of the total issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 49.76% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares have an aggregate nominal value of HK\$29,823,455.4.

The Conversion Shares shall rank pari passu in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek a specific mandate from the Shareholders at the SGM for the allotment and issue of the Conversion Shares.

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

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change to the total issued share capital of the Company, set out below are the shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately after Completion and assuming full conversion of the Convertible Preference Shares at the initial Conversion Price:

	As at the date of this Announcement		Immediately after Completion and full conversion of the Convertible Preference Shares at the initial Conversion Price (Note 2)	
	Number of Shares	Approximate (%)	Number of shares	Approximate (%)
The Subscriber (Note 1) Pacific East Limited	177,793,941	59.05	476,028,495	79.43
(Note 1)	16,450,838	5.46	16,450,838	2.74
Public Shareholders	106,863,283	35.49	106,863,283	17.83
Total	<u>301,108,062</u>	<u>100.00</u>	<u>599,342,616</u>	<u>100.00</u>

Notes:

- 1 DGM Trust Corporation as trustee of The City Place Trust is the sole shareholder of the Subscriber and Pacific East Limited. For more information, please refer to the section headed “INFORMATION OF THE SUBSCRIBER” in this announcement.
- 2 This column is for illustration purpose only as the terms of the Convertible Preference Shares provide that no conversion shall take place if (i) to the extent that following such exercise, the relevant holder of Convertible Preference Share and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued share capital of the Company or otherwise trigger a mandatory offer obligation under Rule 26 of the Code on Takeovers and Mergers; or (ii) immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

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

INFORMATION OF THE SUBSCRIBER

As at the date of this announcement, the Subscriber is 100% owned by DGM Trust Corporation as trustee of The City Place Trust. The City Place Trust is a discretionary trust and its beneficiaries include certain family members of Mr. Kau Mo HUI, but does not include Mr. Joseph Chi Ho HUI or Ms. Clara Hiu Ling LAM or any of their respective spouses or minor child. Mr. Kau Mo HUI is the father of Mr. Joseph Chi Ho HUI, an executive Director and Mr. Samson Chi Yang HUI, the chief executive officer of the Company. Mr. Kau Mo HUI is also the father-in-law of Ms. Clara Hiu Ling LAM, an executive Director.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in (i) design and sales of computer software; (ii) provision of professional and maintenance services; (iii) sale of computer hardware; and (iv) provision of Fintech resources secondment and recruitment services.

Pursuant to Rule 17.26 of the GEM Listing Rules, an issuer shall carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Stock Exchange to warrant the continued listing of the issuer's securities. Further, according to a market consultation issued by the Stock Exchange in June 2018, it is proposed that an issuer is required to carry out a business with a sufficient level of operations and assets of sufficient value to warrant its continued listing (and not sufficient operations or assets set out in the current Rule). Given the financial performance and position of the Group (without limitation to net loss, negative operating cash flow and net liabilities in recent years), the Stock Exchange has issued letters to the Company concerning the Company's compliance with such Rule 17.26 to justify the continued listing of the Company's securities. As such, the Company proposes the Subscription with the intention to improve the Group's financial performance and position.

The Promissory Note will be matured on 1 March 2019. However, the Group has a limited cash balance of approximately HK\$5,000,000 as at the date of this announcement. The Subscription effectively capitalize the amount due under the Promissory Note without creating an immediate dilution effect on the Shares.

According to the Company's interim report for the six months ended 31 May 2018, the Company recorded a net current liabilities of HK\$50,320,000 and net liabilities of HK\$49,851,000 as at 31 May 2018. It is expected that completion of the Subscription will significantly improve the financial position of the Company by enlarging its capital base and reducing its liabilities, thereby reducing the Group's net current liabilities, net liabilities as well as the gearing ratio. Additionally, as part of the Promissory Note was initially interest-bearing, the Subscriber agreed to amend the terms of the Promissory Note to non interest-bearing to facilitate the Subscription, as such, the Subscription can effectively reduce the interest burden of the Group.

The Directors (excluding the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser) consider the terms of the Subscription Agreement (including the Conversion Price) are fair and reasonable and on normal commercial terms and the entering into the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, the Subscriber owns 177,793,941 Shares, representing approximately 59.05% of the total issued share capital of the Company. The Subscriber is therefore a connected person of the Company. The Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Subscriber is 100% owned by DGM Trust Corporation as trustee of The City Place Trust. The City Place Trust is a discretionary trust and its beneficiaries include certain family members of Mr. Kau Mo HUI. Mr. Kau Mo HUI is (i) the father of Mr. Joseph Chi Ho Hui, an executive Director; and (ii) the father-in-law of Ms. Clara Hiu Ling Lam, an executive Director. Mr. Joseph Chi Ho HUI and Ms. Clara Hiu Ling LAM are considered to have material interest in the Subscription and has abstained from voting on the board resolution(s) of the Company to approve the Subscription Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in relation to Subscription Agreement and the transactions contemplated thereunder, including the grant of the specific mandate to allot and issue the Conversion Shares. Akron has been appointed by the Company with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the specific mandate to allot and issue the Conversion Shares.

GENERAL

A circular containing, among other things, (i) further details of the Subscription Agreement; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice to convene the SGM, is expected to be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

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

DEFINITIONS

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

“Board”	the board of Directors
“Company”	abc Multiactive Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on the GEM (stock code: 8131)
“Completion”	Completion of the Subscription pursuant to the terms of the Subscription Agreement
“Completion Date”	within 5 business days after fulfillment of all the conditions precedent set out in the Subscription Agreement (or such other date as may be agreed between the Company and the Subscriber in writing)
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	the price at which each Share is to be issued upon exercise of the conversion rights attached to the Convertible Preference Shares, being HK\$0.17 (subject to adjustments)
“Conversion Share(s)”	new Share(s) to be issued upon the exercise of the conversion rights attached to the Convertible Preference Shares

“Convertible Preference Shares(s)”	convertible preference share(s) in the principal amount of HK\$50,699,874.20 to be issued by the Company
“Director(s)”	the director(s) of the Company
“GEM”	The GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established by the Company comprising all the three independent non-executive Directors to advise the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder, including the grant of the specific mandate to allot and issue Conversion Shares in accordance with the GEM Listing Rules
“Independent Financial Adviser” or “Akron”	Akron Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	the Shareholders other than those who are required to abstain from voting at the SGM pursuant to the GEM Listing Rules
“Last Trading Day”	28 August 2018, being the last trading day for the Shares immediately prior to publication of this announcement
“Long Stop Date”	30 November 2018 or (or such other date as may be agreed between the Company and the Subscriber in writing)
“Promissory Note”	the promissory note issued by the Company in favour of the Subscriber dated 24 August 2018 in the principal amount of HK\$50,669,874.20

“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the specific mandate to allot and issue Conversion Shares
“Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Subscriber”	Maximizer International Limited, a company incorporated in the British Virgin Islands with a limited liability
“Subscription”	the subscription of the Convertible Preference Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 28 August 2018 entered into between the Company and the Subscriber in respect of the Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board of
abc Multiactive Limited
Joseph Chi Ho HUI
Chairman

Hong Kong, 28 August 2018

As at the date of this announcement, the executive Directors are Mr. Joseph Chi Ho HUI and Ms. Clara Hiu Ling LAM; and the independent non-executive Directors are Mr. Kwong Sang LIU, Mr. Edwin Kim Ho WONG and Mr. William Keith JACOBSEN.

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

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

* For identification purposes only