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eBROKER GROUP LIMITED

電子交易集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8036)

CHANGE IN USE OF PROCEEDS

Reference is made to the announcements dated 22 January 2020 and 6 February 2020, annual report for the year ended 31 December 2020 (the “**2020 Annual Report**”), the interim report for the six months ended 30 June 2021 (the “**2021 Interim Report**”) and the prospectus issued by eBroker Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 30 January 2019 (the “**Prospectus**”) in relation to, among others, the utilization of the net proceeds (the “**Net Proceeds**”) from the initial public offering of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “**Share Offer**”).

CHANGE IN USE OF NET PROCEEDS

As disclosed in the 2021 Interim Report, the Net Proceeds of approximately HK\$13.96 million were utilised by the Company for the purposes in accordance with the plans as set out in the Prospectus (as changed on 22 January 2020). As at the date of this announcement, the unutilised amount of the Net Proceeds amounted to approximately HK\$9.34 million (the “**Unutilised Net Proceeds**”). The board of directors of the Company (the “**Board**”) has resolved to change the use of the Unutilised Net Proceeds as follows:

	Amount of Net Proceeds allocated at the Share Offer (as changed on 22 January 2020)	Actual amount utilised up to 30 June 2021	Unutilised Net Proceeds up to 30 June 2021	Proposed application of the Unutilised Net Proceeds after changing of the use of proceeds	Expected date of full utilization of the Unutilised Net Proceeds
		<i>HK\$ million</i>			
Expand our business in Wealth Management Solution	2.60	1.08	1.52	3.63	December 2022
(i) manpower investment by hiring one experienced business analyst	1.09	1.07	0.02	0.02	December 2022

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	<i>HK\$ million</i>				
(ii) manpower investment by hiring independent third-party research and development personnel (See paragraph A below)	1.45	–	1.45	–	N/A
(iii) establishing and developing own in-house research and development team (See paragraph A below)	–	–	–	3.46	December 2022
(iv) marketing communication expenses including fees for participating in industry exhibitions or seminars and running sales campaigns (See paragraph C below)	0.06	0.01	0.05	–	N/A
(v) marketing communication expenses including fees for digital marketing activities (See paragraph C below)	–	–	–	0.15	December 2022
Improve our user trading applications	6.80	1.60	5.20	4.49	December 2022
(i) manpower investment by hiring one experienced business analyst	1.16	1.08	0.08	0.09	December 2022
(ii) manpower investment by hiring independent third-party research and development personnel (See paragraph A below)	1.91	–	1.91	–	N/A
(iii) establishing and developing own in-house research and development team (See paragraph A below)	–	–	–	3.44	December 2022
(iv) application for market data licence from HKEX involving OMD securities premium feed redistribution fee, OMD derivatives premium feed redistribution fee, and connection fee (See paragraph B below)	1.88	0.50	1.38	0.80	December 2022

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	<i>HK\$ million</i>				
(v) data centre deployment involving fees for deployment of low latency infrastructure at HKEX co-location data centre, network equipment, and annual maintenance cost (See paragraph B below)	1.58	–	1.58	–	N/A
(vi) marketing communication expenses including fees for digital marketing activities (See paragraph C below)	0.27	0.02	0.25	0.16	December 2022
Expand our managed cloud services to local brokerage firm clients	2.60	1.23	1.37	1.12	December 2022
(i) manpower investment by hiring a network support engineering for running the cloud services	0.83	0.67	0.16	0.16	December 2022
(ii) data centre deployment (See paragraph B below)	1.28	0.56	0.72	0.58	December 2022
(iii) marketing communication expenses involving hosting industry seminar, participating in industry exhibitions and seminars, and putting advertisements (See paragraph C below)	0.49	–	0.49	–	N/A
(iv) marketing communication expenses including fees for digital marketing activities (See paragraph C below)	–	–	–	0.38	December 2022
Establish our research and development centre in the PRC (See paragraph D below)	10.70	9.45	1.25	–	N/A
(i) Acquisition of property in Luohu, Shenzhen, the PRC	9.50	9.43	0.07	–	N/A
(ii) Renovation of the acquired property and acquisition of furniture	0.37	–	0.37	–	N/A

	Amount of Net Proceeds allocated at the Share Offer (as changed on 22 January 2020)	Actual amount utilised up to 30 June 2021	Unutilised Net Proceeds up to 30 June 2021	Proposed application of the Unutilised Net Proceeds after changing of the use of proceeds	Expected date of full utilization of the Unutilised Net Proceeds
		<i>HK\$ million</i>			
(iii) Acquisition of computer hardware such as computers and network modules	0.55	0.02	0.53	–	N/A
(iv) Acquisition of computer software such as operating system and data processing software	0.28	–	0.28	–	N/A
General working capital (See paragraph E below)	<u>0.60</u>	<u>0.60</u>	<u>–</u>	<u>0.10</u>	December 2022
Total	<u><u>23.30</u></u>	<u><u>13.96</u></u>	<u><u>9.34</u></u>	<u><u>9.34</u></u>	

It is expected that the Unutilised Net Proceeds will be fully utilised by December 2022. Save for the aforesaid changes, there is no other change in the use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Since 2019, the Hong Kong economy has been facing intense challenges due to multiple factors, in particular, the social unrest arising from protests and the Sino-US trade tension which led the global business environment and global financial markets in turmoil. Furthermore, the global outbreak of novel coronavirus (“COVID-19”) since late 2019 further deteriorated the Hong Kong economy and the global financial markets which struck the Group’s business adversely. It is thus prudent and of paramount importance for the Board to pivot its business direction for a more effective approach, and to catch up with technological advancements which are important for the Group to maintain its competitiveness in such challenging business environment. After due consideration, the Board has decided to reallocate its resources and focus on its overall strategy to maintain its competitive edge of its technical competence.

A. Establishing and developing own in-house research and development teams

As disclosed in the Prospectus, the Board believed that as a financial technology solution provider focusing on the provision of financial software solution services to primarily financial institutions in Hong Kong, research and development capability is of utmost importance in achieving the Group’s business objectives. The Group initially intended to apply approximately HK\$1.45 million and HK\$1.91 million out of the Net Proceeds for man-power investment by hiring independent third-party research and development personnel for the purposes of expanding the Group’s business in Wealth Management Solution and improving the Group’s user trading applications respectively.

Given that business environment has become ever more challenging since 2019 due to the aforementioned events, the Board took into account its business needs and scale of operations when it applied the Net Proceeds to the allocated usages. After its assessment, the Board decided to adjust the pace of the recruitment of independent third-party research and development under the then market conditions resulting in the delay in the use of the Net Proceeds. After reassessment, the Board considered that it is important for the Group to maintain its competitive edge of its technical competence, and thus the Group needs additional funds to continue to develop its existing research and development capability in order to differentiate the Group's performance and market share from other market players. Furthermore, with the availability of the Group's PRC research and development centre, the Board considered that it would be a more effective way to achieve the long-term goal of expanding the Group's research and development capability by establishing its own in-house research and development team rather than leaning on third-party personnel. The highly skilled developers who are also employees will have a better understanding of the Group's established processes, and can therefore create the most appropriate tailor-made product for the Group. Also, by establishing its in-house research and development teams, the Group may retain better control of the process during product development. Lastly, in-house developers can routinely implement pilot project and launch new products and services for the Group which is advantageous for the Group to maintain its competitiveness. As the Board expects more staff costs, administrative costs and research and development costs will be incurred as a result of such change in use of the Unutilised Net Proceeds, the Board has resolved to allocate additional Unutilised Net Proceeds for man-power investment and to change the use of such portion of Unutilised Net Proceeds from hiring independent third-party research and development personnel to establishing and development its own in-house research and development team. After the reallocation, the respective revised allocation of the Unutilised Net Proceeds for man-power investment by establishing and developing its own in-house research and development team for the purposes of expanding the Group's business in Wealth Management Solution and improving the Group's user trading applications will be approximately HK\$3.46 million and HK\$3.44 million.

B. Reduction in allocation of resources for further deployment of data centres

The Company originally intended to use approximately HK\$6.8 million out of the Net Proceeds for the purposes of improving its users trading applications and approximately HK\$1.88 million and HK\$1.58 million of the Net Proceeds were originally intended to be applied to the application for market data license, and deployment of the low latency infrastructure at the Hong Kong Exchanges and Clearing Limited (“**HKEX**”) co-location data centre respectively. Originally, the Company also intended to use approximately HK\$1.28 million of the Net Proceeds for the deployment of data centre for expanding its managed cloud services. The further deployment of data centre was intended to allow the Group to provide extra services for the Group's clients and their end users. As disclosed in the 2020 Annual Report, the Company was already granted OMD-C securities data vendor license and certain data fee infrastructure was set up for data centre deployment. As at the date of this announcement, approximately HK\$1.06 million out of the Net Proceeds was utilised for all expenditure for further deployment of the data centre.

However, the impact of COVID-19 pandemic has caused significant financial distress to the clients' businesses and operations, especially in Hong Kong. Our clients have thus become less profitable due to the economic conditions and the demand for our software solution services has decreased and the financial performance of the Group was adversely affected. For example, as disclosed in the 2021 Interim Report, the Group's revenue from its managed cloud service decreased by approximately 8.9% from approximately HK\$1.8 million for the six months ended 30 June 2020 to approximately HK\$1.6 million for the six months ended 30 June 2021 due to adverse business and economic conditions. As such, the Board has weighted up the costs and the benefits and considered that based on (i) the current infrastructure and capacity of the data centre, (ii) the Group's current and its clients' business and operation need, and (iii) the Group's current direction of expansion, it is appropriate to make a downward adjustment to the allocation of Net Proceeds for further deploying the low latency infrastructure at the HKEX co-location data centre and for further deploying the data centre for managed cloud services, considering that the original deployment plan of the data centre may not be able to make a breakthrough in the Group's business and generate satisfactory financial results and return for the Group given the economic outlook. The reduction in allocation of resources for further deploying the data centre enables the Group to reallocate of Unutilised Net Proceeds to better allocate its resources to meet the Group's business strategies and the actual needs for the operational development of the Group.

C. Reduction in marketing communication expenses

The Group initially intended to apply approximately HK\$0.06 million, HK\$0.27 million and HK\$0.49 million for marketing communication expenses for the purposes of expanding the Group's business in Wealth Management Solution, improving the Group's user trading applications and expanding the Group's managed cloud services respectively. Such marketing communication activities include fees for participating in or hosting industry exhibitions and seminars, running sales campaigns, digital marketing activities, etc. However, due to the extended quarantine measures, travel restriction and social distancing measures to contain the COVID-19 pandemic, most of the Group's face-to-face marketing activities were suspended. As a result of the suspension of marketing activities, as at the date of this announcement, only approximately HK\$30,000 out of the Net Proceeds was utilised for all marketing communication expenses.

In view of the series of precautionary and quarantine control measures implemented in the People's Republic of China ("PRC") and Hong Kong, the Group considers it is uncertain as to when it can resume the marketing communication activities as planned. While the Group remains committed to undertake marketing efforts to expand the Group's business in Wealth Management Solution, improve the Group's user trading applications and expand the Group's managed cloud services, the Board considers it more appropriate and realistic to undertake alternative marketing activities instead of physical activities as planned in view of the current situation. As such, instead of participating external events and engaging vendors to host face-to-face marketing communication activities for the Group, the Group considered it is more appropriate to recruit two additional marketing staff in order to implement the Group's strategy to continue promoting its businesses through alternative marketing activities. The in-house marketing team will be responsible for devising digital marketing campaigns and maintaining the Group's social media accounts. As the Group's marketing resources will be mainly used on in-house digital marketing activities instead of physical marketing events

which are ordinarily organised by vendors, the marketing communication expenses are thus expected to reduce and the new allocated Unutilised Net Proceeds for all marketing expenses will be approximately HK\$0.69 million. The reduction in marketing communication expenses enables the Group to reallocate the Unutilised Net Proceeds to meet the Group's business strategies and the actual needs for the operational development of the Group.

D. No further capital expenditure required for research and development centre in the PRC

The Company originally intended to apply approximately HK\$10.7 million for the establishment of a research and development centre in the PRC. As disclosed in the 2021 Interim Report, as at 30 June 2020, the Company has utilised approximately HK\$9.45 million for such purpose, which mainly include the acquisition of a property in Luohu, Shenzhen, the PRC (the "Property") and acquisition of computer hardware. The unutilised proceeds for such purposes amounted to approximately HK\$1.25 million, which were earmarked for the renovation of acquired property, acquisition of furniture and computer software.

As disclosed in the Company's announcements dated 22 January 2020 and 29 April 2020, the Property was already occupied by an indirect wholly-owned subsidiary of the Company before it was acquired by the Group. Furthermore, due to the availability existing partners' licenses and open-source licenses and considering its actual business and operation needs, the Group considered that there is no need to purchase additional computer software for use in the research and development centre. Hence, the Board considers that the current set up of the research and development centre is sufficient for its current activities and no further capital expenditure would be required for the intended use for the establishment of the research and development centre as at the date of this announcement. The reduction in capital expenditure enables the Group to reallocate of Unutilised Net Proceeds to better allocate its resources to meet the Group's business strategies and the actual needs for the operational development of the Group.

E. Increase in general working capital

The Board has considered a number of factors including (i) the adverse impact of the poor market sentiment resulting from the outbreak of COVID-19 on the business and financial results of the Group; and (ii) the uncertainty as to the impact of the COVID-19 pandemic and the ongoing geopolitical tensions which would affect the recovery of the financial technology market in Hong Kong. In view of the aforesaid, the Board believes that it is financially prudent to maintain additional working capital and strengthen the liquidity management of the Group to meet its current operation needs. Hence, the Group will be re-allocating an amount of approximately HK\$100,000 from the Unutilised Net Proceeds to increase its general working capital in preparation of any market upheaval.

The Directors are of the view that the use of the Unutilised Net Proceeds shall be appropriately adjusted to better adapt and cope with the current market conditions and economic environment. The Board considers the reallocation and change in use of the Unutilised Net Proceeds would be more in line with the current business needs of the Group and would enable the Group to deploy its financial resources in a more efficient and effective manner. As at the date of this announcement, the Board confirms that there is no material change in the nature of business of the Group as set out in the Prospectus. The Board considers that the change is in the best interests of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operation of the Group.

The Board will continuously assess the plans for the use of the Unutilised Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for the Group.

By order of the Board
eBroker Group Limited
Chan Lap Tak, Douglas
Chairman

Hong Kong, 29 September 2021

As at the date of this announcement, the executive Directors are Mr. CHAN Lap Tak, Douglas and Mr. LO Chi Ho and the independent non-executive Directors are Mr. CHAN Chi Kwong Dickson, Mr. LIU Kin Sing and Mr. AU YEUNG Po Fung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 website of GEM at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.ebrokersystems.com.