

SWING MEDIA TECHNOLOGY GROUP LIMITED

(Company Registration No. 30254)

(Incorporated in Bermuda on 26 March 2001)

- (A) THE PROPOSED CONSOLIDATION OF EVERY TWENTY (20) ORDINARY SHARES OF PAR VALUE US\$0.01 EACH IN THE CAPITAL OF THE COMPANY INTO ONE (1) ORDINARY SHARE OF PAR VALUE US\$0.20, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED; AND
- (B) THE PROPOSED BONUS ISSUE OF NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY, FOLLOWING THE COMPLETION OF THE PROPOSED SHARE CONSOLIDATION, ON THE BASIS OF ONE (1) BONUS SHARE CREDITED AS FULLY PAID FOR EVERY TEN (10) CONSOLIDATED SHARES HELD BY SHAREHOLDERS, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED.
-

1 INTRODUCTION

The Board of Directors (the “**Board**”) of Swing Media Technology Group Limited (the “**Company**”) wishes to announce that the Company is proposing to undertake:

- (a) a share consolidation exercise to consolidate every twenty (20) issued and unissued ordinary shares of par value US\$0.01 each (“**Existing Shares**”) in the capital of the Company (“**Shares**”) as at the books closure date to be determined by the Directors in their absolute discretion as they deem fit (“**Share Consolidation Books Closure Date**”) into one (1) ordinary share of par value US\$0.20 (“**Consolidated Share**”), fractional entitlements to be disregarded (“**Proposed Share Consolidation**”); and
- (b) after the completion of the Proposed Share Consolidation, a proposed bonus issue of up to 3,391,078 bonus shares of par value US\$0.20 each (“**Bonus Share**”) in the capital of the Company, on the basis of one (1) bonus share credited as fully paid for every ten (10) Consolidated Shares held by the Shareholders of the Company as at the books closure date to be determined by the Directors in their absolute discretion as they deem fit (“**Bonus Issue Books Closure Date**”), fractional entitlements to be disregarded (“**Proposed Bonus Issue**”).

2 THE PROPOSED SHARE CONSOLIDATION

2.1 Details of the Proposed Share Consolidation

- 2.1.1 Under the Proposed Share Consolidation, every twenty (20) Existing Shares in the issued and unissued share capital of the Company as at the Share Consolidation Books Closure Date will be consolidated into one (1) Consolidated Share.
- 2.1.2 Each Shareholder will rank *pari passu* in all respects with each other. The Consolidated Shares will be traded in board lots of 100 Consolidated Shares.

- 2.1.3 Shareholders should note that the number of Consolidated Shares which they will be entitled to pursuant to the Proposed Share Consolidation, based on their holdings of the Existing Shares as at the Share Consolidation Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of a Consolidated Share arising from the Proposed Share Consolidation will be disregarded. All fractional entitlements arising from the implementation of the Proposed Share Consolidation will be dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, including (i) disregarding the fractional entitlements, or (ii) aggregating and selling the same and retaining the net proceeds for the benefit of the Company. **Shareholders who hold less than twenty (20) Existing Shares as at the Share Consolidation Books Closure Date will not be entitled to any Consolidated Shares and will no longer be Shareholders upon completion of the Proposed Share Consolidation. Such Shareholders who wish to remain as Shareholders upon completion of the Proposed Share Consolidation are advised to purchase additional Existing Shares so as to increase the number of Existing Shares held to a multiple of twenty (20) Existing Shares prior to the Share Consolidation Books Closure Date.**
- 2.1.4 As at the date of this announcement, the Company has an issued and paid-up share capital of HK\$52,186,000 comprising 669,603,749 Shares of par value US\$0.01 each. Following the completion of the Proposed Share Consolidation, the Company will have an issued and paid-up share capital of HK\$52,186,000 comprising 33,480,187 Consolidated Shares of par value US\$0.20 each.

2.2 Rationale for the Proposed Share Consolidation

- 2.2.1 With effect from 2 March 2015, the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) implemented a minimum trading price requirement of S\$0.20 per share for shares of issuers listed on the Mainboard of the SGX-ST as a continuing listing requirement.
- 2.2.2 A one-time transition period of 12 months from 2 March 2015 (i.e. 1 March 2016) will be given to affected issuers to undertake corporate actions to meet the new requirement, and such issuers will only be placed on the watch-list if they are unable to meet the minimum trading price requirement after this 12-month transition period. Issuers which are unable to take steps to raise its minimum trading price and exit the watch-list will be delisted after a 36-month cure period.
- 2.2.3 In addition, the Directors believe that the Proposed Share Consolidation will generally be beneficial to the Company and its Shareholders as the Proposed Share Consolidation would facilitate the Company’s ability to satisfy the continuing listing requirement imposed by the SGX-ST for issuers listed on the Mainboard of the SGX-ST to have a minimum trading price per share of S\$0.20.
- 2.2.4 **However, Shareholders should note that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.**

2.3 Adjustments to Share Options

2.3.1 As at the date of this Announcement, 8,612,000 share options (“**Options**”) vested by the Company pursuant to the Swing Employee Share Option Scheme (“**Swing ESOS**”) remain unexercised. Pursuant to the rules of the Swing ESOS, the Remuneration Committee of the Company has determined the following:-

- (a) the number of unexercised Options will be adjusted on the basis that twenty (20) Options will be consolidated into one (1) option (“**Adjusted Option**”); and
- (b) the exercise price of each Option will be adjusted (“**Adjusted Exercise Price**”) as follows:-

Date of Grant	Expiry Date	Exercise Price	Adjusted Exercise Price
25 May 2006	25 May 2016	S\$0.350	S\$7.00
26 May 2008	26 May 2018	S\$0.400	S\$8.00
26 May 2008	26 May 2018	S\$0.325	S\$6.50
26 May 2011	26 May 2021	S\$0.175	S\$3.50
26 May 2011	26 May 2021	S\$0.160	S\$3.20

2.3.2 The auditors of the Company have confirmed in writing that, in their opinion, the above adjustment is fair and reasonable.

2.4 Adjustments to Convertible Bonds

2.4.1 The Company had on 24 April 2015 entered into a conditional bond subscription agreement (the “**Bond Subscription Agreement**”) with several investors (“**Investors**”). Pursuant to the terms and conditions of the Bond Subscription Agreement, the Company has agreed to issue, and the Investors agreed severally to subscribe for their respective proportion of the unsecured 6.0% convertible bonds with an aggregate principal amount of S\$6,000,000 (“**Bonds**”).

2.4.2 As at the date of this Announcement, the Bonds issue totalling S\$6,000,000 in principal amount has not been completed.

2.4.3 Pursuant to Schedule 2 of the Bond Subscription Agreement (“**Bonds Conditions**”), the Board has subjected the Bonds to the adjustment mechanism as provided in Condition 6.3.1 of the Bonds Conditions, and determined that the conversion price of the Bonds will be adjusted from S\$0.066 to S\$1.32 upon completion of the Proposed Share Consolidation.

2.5 Conditions for the Proposed Share Consolidation

2.5.1 The Proposed Share Consolidation is subject to, inter alia, the following:-

- (a) the approval of Shareholders for the Proposed Share Consolidation at a Special General Meeting (“**SGM**”) to be convened; and
- (b) the in-principle approval of the SGX-ST for the dealing in, listing of and quotation for the Consolidated Shares on the Mainboard of the SGX-ST.

- 2.5.2 An application will be made to the SGX-ST for the dealing in, listing of and quotation for the Consolidated Shares pursuant to the Proposed Share Consolidation on the Mainboard of the SGX-ST. The Company will release an announcement on the outcome of the application in due course.

3 THE PROPOSED BONUS ISSUE

3.1 Details of the Proposed Bonus Issue

- 3.1.1 Based on the issued and paid up share capital of the Company comprising 33,480,187 Consolidated Shares after completion of the Proposed Share Consolidation, taking into account the Shares which may be issued pursuant to the exercise of the Adjusted Options and the conversion of the Bonds (based on the adjusted conversion price set out in Paragraph 2.4.3) in full and assuming that there is no change in the number of Consolidated Shares from the completion of the Proposed Share Consolidation to the Bonus Issue Books Closure Date, up to 3,391,078 Bonus Shares of par value US\$0.20 each will be issued pursuant to the Proposed Bonus Issue. The actual number of Bonus Shares to be issued by the Company will depend on the total issued share capital of the Company as at the Bonus Issue Books Closure Date, following completion of the Proposed Share Consolidation. Fractional entitlements will be disregarded and will not be allotted to Shareholders but will be aggregated and disposed of or dealt with in such manner as the Directors in their absolute discretion deem fit for the benefit of the Company.
- 3.1.2 The Proposed Bonus Issue will be effected by capitalising up to approximately HK\$20,250,000 from the retained earnings of the Company and applying the same towards payment in full at par value for the Bonus Shares. The auditors of the Company, Mazars LLP, have confirmed that as at 29 May 2015, the Company has sufficient reserves for the capitalisation of the Proposed Bonus Issue.
- 3.1.3 The Bonus Shares to be issued shall, on issue and allotment, rank *pari passu* in all respects with the then existing Shares, except that they shall not rank for any dividends, rights, allotments or other distributions, the record date for which falls before the date on which the Bonus Shares are issued.

3.2 Rationale for the Proposed Bonus Issue

The Directors have, in view of the favourable performance of the Group for the 12-month period ended 31 March 2015, recommended the issue of one (1) Bonus Share for every ten (10) Consolidated Shares held as an expression of appreciation to the Shareholders. As a result of the Proposed Bonus Issue, the number of Shares held in the hands of the public will be increased. In light of the foregoing and in the absence of Shareholders who may be inactive in the trading of the Shares, the Directors hope to improve the liquidity in the trading of the Shares through the Proposed Bonus Issue.

3.3 Adjustments to Share Options

- 3.3.1 The Proposed Bonus Issue will constitute an event giving rise to an adjustment to the number of Adjusted Options which a holder of Adjusted Options may be entitled to be issued with and/or the exercise price of the outstanding Options pursuant to the Swing ESOS.
- 3.3.2 Any adjustments which are required will be made in accordance with the provisions of the rules of the Swing ESOS to mitigate any potential equity dilution resulting from the Proposed Bonus Issue and to ensure that the status of the holders of the Adjusted Options is not prejudiced thereafter. The rights and obligations of the holders of the Adjusted Options will remain unchanged, save for the adjustment to the number of Adjusted Options granted under the Swing ESOS and/or the exercise price in respect of the Adjusted Options.

3.4 Adjustments to Bonds

- 3.4.1 The Proposed Bonus Issue may give rise to adjustments to the conversion price of the Bonds pursuant to the Bonds Conditions.
- 3.4.2 Any adjustments which are required will be made in accordance with the provisions of the Bonds Conditions to mitigate any potential equity dilution resulting from the Proposed Bonus Issue and to ensure that the status of the holders of the Bonds is not prejudiced thereafter. The rights and obligations of the holders of the Bonds will remain unchanged, save for the adjustment to the conversion price in respect of the Bonds.
- 3.4.3 As at the date of this Announcement, the Bonds issue totalling S\$6,000,000 in principal amount has not been completed.

3.5 Conditions for the Proposed Bonus Issue

- 3.5.1 The Proposed Bonus Issue is subject to, *inter alia*, the following:-
- (a) the approval of Shareholders for the Proposed Bonus Issue at the SGM to be convened; and
 - (b) the in-principle approval of the SGX-ST for the dealing in, listing of and quotation for the Bonus Shares on the Mainboard of the SGX-ST.
- 3.5.2 An application will be made to the SGX-ST for the dealing in, listing of and quotation for the Bonus Shares pursuant to the Proposed Bonus Issue on the Mainboard of the SGX-ST. The Company will release an announcement on the outcome of the application in due course.

4 DESPATCH OF CIRCULAR

- 4.1 A circular containing, *inter alia*, notice of the SGM and further information on the Proposed Share Consolidation and Proposed Bonus Issue will be despatched to Shareholders in due course.
- 4.2 **Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt,**

Shareholders and potential investors of the Company are advised to seek independent advice from their bankers, stockbrokers, solicitors or other professional advisers.

By Order of the Board

Johnny Chan Hon Chung
Director / Company Secretary
29 May 2015