
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Easy Repay Finance & Investment Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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EASY REPAY FINANCE & INVESTMENT LIMITED
易還財務投資有限公司

(Continued into Bermuda with limited liability)

(stock code: 8079)

**(1) CONNECTED TRANSACTION INVOLVING
ACQUISITION OF 90.1% EQUITY INTEREST IN UNION RAISE
LIMITED AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ENTERING INTO OF
MANAGEMENT AGREEMENT A;
(2) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE A;
(3) ACQUISITION OF 90.1% EQUITY INTEREST IN
PETS SUPERMARKET LIMITED AND THE PROPOSED ENTERING INTO OF
MANAGEMENT AGREEMENT B;
(4) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE B;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Unless the context otherwise requires, capitalised terms used on this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 8 to 39 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 40 to 41 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 72 of this circular.

A notice convening the SGM to be held on Tuesday, 9 May 2023 at 4:00 p.m. at Unit 02, 11/F, Eastmark, 21 Sheung Yuet Road, Kowloon Bay, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (i.e. no later than Sunday, 7 May 2023 at 4:00 p.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

This circular will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its publication and on the website of the Company at www.ecrepay.com.

19 April 2023

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Acquisition A”	the acquisition of the Sale Shares A by the Company from Mr. Cheng pursuant to the terms and conditions of the Sale and Purchase Agreement A
“Acquisition B”	the acquisition of the Sale Shares B by the Company from Ms. Li pursuant to the terms and conditions of the Sale and Purchase Agreement B
“Acquisitions”	collectively, Acquisition A and Acquisition B
“Actual Profit”	the actual audited net profits after tax of Union Raise or Pets Supermarket (as the case may be), excluding extraordinary or exceptional items such as subsidy, donation or other revenue derived outside the ordinary course of business of Union Raise or Pets Supermarket (as the case may be)
“Annual Caps”	has the meaning ascribed thereto under the paragraph headed “Letter from the Board – Acquisition A and Proposed Entering into of Management Agreement A – Management Agreement A – Annual Caps” in this circular
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Auditors”	auditors for the time being of the Company
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business throughout their normal business hours
“Business Plans”	has the meaning ascribed thereto under the paragraph headed “Letter from the Board – Acquisition A and Proposed Entering into of Management Agreement A – Management Agreement A – Scope of Services” in this circular
“Company”	Easy Repay Finance & Investment Limited, a company incorporated in the Cayman Islands and continued into Bermuda with limited liability, the issued Shares of which are listed on GEM (stock code: 8079)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company

DEFINITIONS

“GBA”	the Guangdong-Hong Kong-Macao Greater Bay Area of the PRC
“GEM”	GEM of the Stock Exchange
“GEM Listing Committee”	the GEM Listing Committee of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantee Certificate(s)”	has the meaning ascribed thereto under the paragraph headed “Letter from the Board – Acquisition A and Proposed Entering into of Management Agreement A – Management Agreement A – Profit guarantee” in this circular
“Guaranteed Period(s)”	has the meaning ascribed thereto under the paragraph headed “Letter from the Board – Acquisition A and Proposed Entering into of Management Agreement A – Management Agreement A – Profit guarantee” in this circular
“Guaranteed Profit”	the amount of Net Profit guaranteed by Mr. Cheng or Ms. Li (as the case may be) as referred to in the paragraphs headed “Letter from the Board – Acquisition A and Proposed Entering into of Management Agreement A – Management Agreement A – Profit guarantee” and “Letter from the Board – Acquisition B and Proposed Entering into of Management Agreement B – Management Agreement B – Profit guarantee” in this circular
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Increase in Issued Share Capital A”	As part of the capital reorganisation of Union Raise, Union Raise shall increase its issued share capital by way of allotment and issue of 999 new ordinary shares of Union Raise to Mr. Cheng, such that the issued share capital of Union Raise shall increase from one (1) share to 1,000 shares
“Increase in Issued Share Capital B”	As part of the capital reorganisation of Pets Supermarket, Pets Supermarket shall increase its issued share capital by way of allotment and issue of 999 new ordinary shares of Pets Supermarket to Ms. Li, such that the issued share capital of Pets Supermarket shall increase from one (1) share to 1,000 shares

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Lee King Fui, Mr. Joseph Rodrick Law, Mr. To Kwan and Ms. Ho Sau Ping Pia established under the GEM Listing Rules for the purpose of giving recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement A, Management Agreement A and Subscription Agreement A and the respective transactions contemplated thereunder, and as to the voting at the SGM
“Independent Financial Adviser”	Merdeka Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Sale and Purchase Agreement A, Management Agreement A and Subscription Agreement A and the respective transactions contemplated thereunder
“Independent Shareholders”	Shareholder(s) other than: (i) Mr. Cheng and his associates (if any); (ii) Mr. Chan Yan Tak; and (iii) those who have a material interest in the Subscriptions or any other person who is required by the GEM Listing Rules to abstain from voting on the resolutions approving Subscription A, the allotment and issue of the Subscription Shares A and other transactions contemplated under the Subscription Agreement A
“Independent Third Party(ies)”	any person or company and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected person(s) of the Company and is/are third party(ies) independent of the Company and its connected person(s) in accordance with the GEM Listing Rules
“Latest Practicable Date”	14 April 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Management Agreement A”	the management agreement proposed to be entered into among the Company, Union Raise and Mr. Cheng on the date of completion of Acquisition A in relation to the management of the businesses of Union Raise and the Profit Guarantee A to be provided by Mr. Cheng in favour of Union Raise

DEFINITIONS

“Management Agreement B”	the management agreement proposed to be entered into among the Company, Pets Supermarket and Ms. Li on the date of completion of Acquisition B in relation to the management of the businesses of Pets Supermarket and the Profit Guarantee B to be provided by Ms. Li in favour of Pets Supermarket
“Management Agreements”	collectively, the Management Agreement A and the Management Agreement B
“Mr. Cheng”	Mr. Cheng Sai Chit Luke, being the manager to the Management Agreement A, the subscriber to the Subscription Agreement A and the vendor to the Sale and Purchase Agreement A
“Ms. Li”	Ms. Li Yung, being the manager to the Management Agreement B, the subscriber to the Subscription Agreement B and the vendor to the Sale and Purchase Agreement B
“Net Profit”	the audited profits after tax of Union Raise or Pets Supermarket (as the case may be), excluding extraordinary or exceptional items such as subsidy, donation or other revenue derived outside the ordinary course of business of Union Raise or Pets Supermarket (as the case may be)
“Pets Supermarket”	Pets Supermarket Limited, being a company incorporated in Hong Kong with limited liability, which is wholly and beneficially owned by Ms. Li immediately before completion of Acquisition B
“PRC”	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Profit Guarantee A”	has the meaning ascribed thereto under the paragraph headed “Letter from the Board – Acquisition A and Proposed Entering into of Management Agreement A – Management Agreement A – Profit guarantee” in this circular
“Profit Guarantee B”	has the meaning ascribed thereto under the paragraph headed “Letter from the Board – Acquisition B and Proposed Entering into of Management Agreement B – Management Agreement B – Profit guarantee” in this circular
“Sale and Purchase Agreement A”	the conditional sale and purchase agreement dated 8 February 2023 and entered into between the Company and Mr. Cheng in respect of Acquisition A

DEFINITIONS

“Sale and Purchase Agreement B”	the conditional sale and purchase agreement dated 8 February 2023 and entered into between the Company and Ms. Li in respect of Acquisition B
“Sale and Purchase Agreements”	collectively, the Sale and Purchase Agreement A and the Sale and Purchase Agreement B
“Sale Shares A”	Being 901 shares of Union Raise, representing 90.1% of the issued share capital of Union Raise, which will be legally and beneficially owned by Mr. Cheng upon the Increase in Issued Share Capital A
“Sale Shares B”	Being 901 shares of Pets Supermarket, representing 90.1% of the issued share capital of Pets Supermarket, which will be legally and beneficially owned by Ms. Li upon the Increase in Issued Share Capital B
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at unit 02, 11/F, Eastmark, 21 Sheung Yuet Road, Kowloon Bay, Hong Kong on Tuesday, 9 May 2023 at 4:00 p.m. (or any adjournment thereof), for the purpose of considering and, if thought fit, approving, among other things, the Subscriptions and the Specific Mandates
“Share(s)”	share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shortfall A”	has the meaning ascribed thereto under the paragraph headed “Letter from the Board – Acquisition A and Proposed Entering into of Management Agreement A – Management Agreement A – Profit guarantee” in this circular
“Shortfall B”	has the meaning ascribed thereto under the paragraph headed “Letter from the Board – Acquisition B and Proposed Entering into of Management Agreement B – Management Agreement B – Profit guarantee” in this circular
“Specific Mandate A”	a specific mandate to be sought from the Independent Shareholders at the SGM to grant the authority to the Board for the allotment and issue of the Subscription Shares A upon completion of Subscription A

DEFINITIONS

“Specific Mandate B”	a specific mandate to be sought from the Shareholders at the SGM to grant the authority to the Board for the allotment and issue of the Subscription Shares B upon completion of Subscription B
“Specific Mandates”	collectively, the Specific Mandate A and the Specific Mandate B
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Mr. Cheng and Ms. Li
“Subscription A”	the subscription for 43,000,000 new Shares by Mr. Cheng at the Subscription Price pursuant to the terms and conditions of the Subscription Agreement A
“Subscription Agreement A”	the conditional subscription agreement dated 8 February 2023 and entered into between the Company and Mr. Cheng in respect of the Subscription A
“Subscription Agreement B”	the conditional subscription agreement dated 8 February 2023 and entered into between the Company and Ms. Li in respect of the Subscription B
“Subscription Agreements”	collectively, the Subscription Agreement A and the Subscription Agreement B
“Subscription B”	the subscription for 43,000,000 new Shares by Ms. Li at the Subscription Price pursuant to the terms and conditions of the Subscription Agreement B
“Subscription Price”	HK\$0.20 per Subscription Share A or Subscription Share B (as the case may be)
“Subscription Shares A”	43,000,000 new Shares to be allotted and issued by the Company to Mr. Cheng pursuant to the Subscription Agreement A
“Subscription Shares B”	43,000,000 new Shares to be allotted and issued by the Company to Ms. Li pursuant to the Subscription Agreement B
“Subscriptions”	collectively, Subscription A and Subscription B
“Target Companies”	collectively, Union Raise and Pets Supermarket
“Union Raise”	Union Raise Limited, being a company incorporated in Hong Kong with limited liability, which is wholly and beneficially owned by Mr. Cheng immediately before completion of Acquisition A

DEFINITIONS

“Vendors”	collectively, Mr. Cheng and Ms. Li
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD

EASY REPAY FINANCE & INVESTMENT LIMITED

易還財務投資有限公司

(Continued into Bermuda with limited liability)

(stock code: 8079)

Executive Directors:

Mr. Chan Yan Tak
Mr. Lim Ming Shing Tony
Ms. Siu Yeuk Hung, Clara
Mr. Law Ka Kei

Registered office:

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

Independent non-executive Directors:

Mr. Lee King Fui
Mr. Joseph Rodrick Law
Mr. To Kwan
Ms. Ho Sau Ping Pia

*Head Office and Principal Place of
Business in Hong Kong:*

Unit 02, 11/F, Eastmark
21 Sheung Yuet Road
Kowloon Bay, Kowloon
Hong Kong

19 April 2023

To the Shareholders

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION INVOLVING
ACQUISITION OF 90.1% EQUITY INTEREST IN UNION RAISE
LIMITED AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ENTERING INTO OF
MANAGEMENT AGREEMENT A;
(2) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE A;
(3) ACQUISITION OF 90.1% EQUITY INTEREST IN
PETS SUPERMARKET LIMITED AND PROPOSED ENTERING INTO OF
MANAGEMENT AGREEMENT B;
(4) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE B;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 8 February 2023 in relation to, among others, the Acquisitions, the proposed entering into of the Management Agreements and the Subscriptions.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Sale and Purchase Agreements, the Management Agreements and the Subscription Agreements; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement A, the Management Agreement A and the Subscription Agreement A and the respective transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement A, the Management Agreement A and the Subscription Agreement A and the respective transactions contemplated thereunder; and (iv) a notice of SGM.

ACQUISITION A AND PROPOSED ENTERING INTO OF MANAGEMENT AGREEMENT A

On 8 February 2023 (after trading hours of the Stock Exchange), the Company, as purchaser, and Mr. Cheng, as vendor, entered into the Sale and Purchase Agreement A, pursuant to which the Company has conditionally agreed to purchase, and Mr. Cheng has conditionally agreed to sell, subject to the completion of the Increase in Issued Share Capital A and the terms and conditions under the Sale and Purchase Agreement A, the Sale Shares A, representing 90.1% equity interest in Union Raise, at a consideration of HK\$1,000,000.

Pursuant to the Sale and Purchase Agreement A, upon the completion of Acquisition A, the Company, Union Raise and Mr. Cheng shall enter into the Management Agreement A, pursuant to which Mr. Cheng, as manager, shall provide such management services to Union Raise for a term commencing from the date of the Management Agreement A and ending on the date falling on the second anniversary of the date of the Management Agreement A, and provide the Profit Guarantee A in favour of Union Raise.

SALE AND PURCHASE AGREEMENT A

The principal terms of the Sale and Purchase Agreement A are summarised as follows:

Date

8 February 2023 (after trading hours of the Stock Exchange)

Parties

- (i) Mr. Cheng Sai Chit Luke (as vendor); and
- (ii) the Company (as purchaser)

Mr. Cheng is the brother-in-law of both Mr. Chan Yan Tak, being an executive Director and the chairman of the Board, and Mr. Lim Ming Shing Tony, being an executive Director, and a director of an indirect wholly-owned subsidiary of the Company, and thus Mr. Cheng is a connected person of the Company.

Assets to be acquired

Pursuant to the terms and conditions of the Sale and Purchase Agreement A, the Company conditionally agreed to purchase, and Mr. Cheng conditionally agreed to sell, the Sale Shares A, representing 90.1% equity interest in Union Raise.

LETTER FROM THE BOARD

Consideration

The consideration for Acquisition A is HK\$1,000,000, which shall be settled by way of cash by the Company upon completion of Acquisition A.

Basis of consideration

The consideration for Acquisition A was determined after arm's length negotiations between the Company and Mr. Cheng on normal commercial terms, after taking into account, among others, (i) the Profit Guarantee A to be provided by Mr. Cheng in favour of Union Raise under the Management Agreement A; (ii) the expertise, knowledge and experience provided by the management of Union Raise and other employees to be employed by Union Raise; and (iii) other factors as set out in the paragraph headed "Letter from the Board – Reasons for and benefits of the Acquisitions, the proposed entering into of the Management Agreements and the Subscriptions" in this circular.

The Company intends to finance the consideration payable under the Sale and Purchase Agreement A by utilising part of the net proceeds expected to be raised from Subscription A. For details, please refer to the paragraph headed "Letter from the Board – Reasons for and benefits of the Acquisitions, the proposed entering into of the Management Agreements and the Subscriptions" in this circular.

Conditions precedent

Completion of Acquisition A is conditional upon and subject to the following conditions having been fulfilled and/or waived (as the case may be):

- (i) the Company being reasonably satisfied with the results of the due diligence review to be conducted pursuant to the terms and conditions of the Sale and Purchase Agreement A;
- (ii) all necessary consents, licences and approvals required to be obtained on the part of Union Raise in respect of the Sale and Purchase Agreement A and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iii) all necessary consents, licences and/or approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement A and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iv) Union Raise having completed the Increase in Issued Share Capital A in such manner to the satisfaction of the Company and all necessary consent and approvals required to be obtained and all necessary filings required to be made to the relevant authorities in respect of the Increase in Issued Share Capital A and the transactions contemplated thereunder having been obtained/made;
- (v) the warranties given by Mr. Cheng remaining true and accurate and not misleading in all material respects; and
- (vi) the Subscription Agreement A having becoming unconditional (save for the conditions of the Sale and Purchase Agreement A becoming unconditional).

LETTER FROM THE BOARD

Mr. Cheng shall use his best endeavours to assist the Company in connection with the due diligence review to be conducted as set out in condition (i) above and procure the fulfillment of the conditions (ii), (iv), (v) and (vi) above. The Company shall use its best endeavours to procure the fulfillment of the conditions (iii) and (vi) above. Save that the Company may at any time waive in writing the conditions (i) and (v) above, all other conditions are incapable of being waived by either the Company or Mr. Cheng.

As at the Latest Practicable Date, none of the above conditions January have been fulfilled and the Company has no intention to waive the conditions (i) and (v) above.

If the above conditions have not been satisfied (or as the case may be, waived by the Company) on or before 26 April 2023, or such later date as the Company and Mr. Cheng may agree in writing, the Sale and Purchase Agreement A shall cease and determine, and thereafter none of the parties to the Sale and Purchase Agreement A shall have any obligations and liabilities towards each other thereunder save for any antecedent breach of the terms thereof.

Completion

Completion of Acquisition A shall take place on the date falling on the third Business Day after the fulfillment and/or waiver (as the case may be) of all the conditions precedent as set out in the Sale and Purchase Agreement A, or such later date as the Company and Mr. Cheng may agree in writing.

Upon completion of Acquisition A, Union Raise will become a direct non-wholly owned subsidiary of the Company and therefore the financial information of Union Raise will be consolidated into the financial statements of the Group.

Completion of Acquisition A is inter-conditional with the completion of Subscription A and is conditional upon, amongst others, the fulfilment and/or waiver (as the case may be) of the conditions precedent under the Sale and Purchase Agreement A and the Subscription Agreement A.

Completion of Acquisition A is not conditional on the entering into of the Management Agreement A. Pursuant to the terms and conditions of the Sale and Purchase Agreement A, completion of Acquisition A shall only take place against compliance and fulfillment of all acts and requirements by Mr. Cheng on the date of completion, including but not limited to the delivery of the Management Agreement A duly executed by Mr. Cheng, Union Raise and the Company.

MANAGEMENT AGREEMENT A

The proposed principal terms of Management Agreement A are summarised as follows:

Date

On the date of completion of Acquisition A

Parties

- (i) Union Raise;

LETTER FROM THE BOARD

(ii) the Company; and

(iii) Mr. Cheng Sai Chit Luke

Mr. Cheng is the brother-in-law of both Mr. Chan Yan Tak, being an executive Director and the chairman of the Board, and Mr. Lim Ming Shing Tony, being an executive Director, and a director of an indirect wholly-owned subsidiary of the Company, and thus Mr. Cheng is a connected person of the Company.

Term

The term of the Management Agreement A shall commence on the date of the Management Agreement A and end on the earlier of (i) the date falling on the second anniversary of the commencement date of such term; and (ii) the date on which the Management Agreement A is terminated in accordance with the terms and conditions therein.

Service fee

The service fee is HK\$30,000 per month in arrears to be paid by Union Raise to Mr. Cheng on the last day of every six calendar months.

Annual Caps

The Directors estimate that the maximum amount payable by Union Raise to Mr. Cheng under the Management Agreement A on an annual basis will not exceed HK\$500,000 and HK\$500,000 for the first and second anniversary of the date of the Management Agreement A, respectively (the “**Annual Caps**”).

The Annual Caps amount are calculated by reference to the total service fee payable under the Management Agreement A, which in turn is determined based on the experience of Mr. Cheng, the duties and level of responsibilities of Mr. Cheng and the prevailing market conditions.

Scope of services

Mr. Cheng shall have the exclusive rights and responsibilities to manage the business(es) of Union Raise, including, among others:

- (i) upon request by Union Raise and/or the Company, preparing the financial, operational and marketing plan(s) (the “**Business Plans**”) for the approval of Union Raise and the Company before implementation of them;
- (ii) implementing the Business Plans as approved by Union Raise and the Company;
- (iii) procuring Union Raise to apply for and maintain all necessary permits, licences and/or approvals which are required for the carrying out of the business(es) of Union Raise; and
- (iv) procuring Union Raise to comply in all material respects with all relevant applicable laws in conducting the business(es) of Union Raise.

LETTER FROM THE BOARD

Profit guarantee

Pursuant to the terms and conditions of the Management Agreement A, Mr. Cheng shall irrevocably and unconditionally warrant and guarantee to Union Raise that the Net Profit of Union Raise, calculated in accordance with the HKFRS as shown in its audited financial statements for the following twelve (12)-month periods (the “**Guaranteed Period(s)**”) issued by the Auditors shall not be less than the following Guaranteed Profit (the “**Profit Guarantee A**”):

- (i) for the first twelve (12)-month period commencing on the date of the Management Agreement A, the Guaranteed Profit shall not be less than HK\$1,000,000; and
- (ii) for the second twelve (12)-month period immediately following the expiry of the said first twelve (12)-month period, the Guaranteed Profit shall not be less than HK\$3,000,000.

In the event that the Actual Profit of Union Raise, calculated in accordance with the HKFRS for any of the Guaranteed Periods as shown in the Guarantee Certificate (as defined below) is less than the Guaranteed Profit for such Guaranteed Period, then Mr. Cheng undertakes to pay to Union Raise, an amount (A) (the “**Shortfall A**”) calculated as follows:

$$A = \text{Guaranteed Profit} - \text{Actual Profit}$$

In such event, Mr. Cheng shall be obliged to pay Union Raise, within twenty (20) Business Days upon the receipt of the Guarantee Certificate an amount equivalent to the Shortfall A in cash.

For the avoidance of doubt, should Union Raise record a loss in its audited financial statements for any of the Guaranteed Periods, the Actual Profit for such Guaranteed Period shall be deemed as zero (0).

Mr. Cheng and Union Raise shall procure that the audited financial statements of Union Raise for each of the Guaranteed Periods shall be prepared by the Auditors in accordance with the HKFRS and be issued and reported on by the Auditors before the date falling four (4) months after the expiry of such Guaranteed Period, and the Auditors shall issue a certificate (the “**Guarantee Certificate(s)**”) to certify the amount of the audited profits after tax of Union Raise as shown in such audited financial statements and deliver the same together with such audited financial statements to Mr. Cheng and Union Raise within three (3) Business Days (or such longer period as Mr. Cheng and Union Raise may agree) from the issue date of such audited financial statements.

The costs and expenses of the Auditors for preparing and issuing such audited financial statements of Union Raise for the Guaranteed Periods and the Guarantee Certificates under the Management Agreement A shall be borne and paid by Union Raise. In preparing the respective audited financial statements of Union Raise for the Guaranteed Periods and the Guarantee Certificates, the Auditors shall act as an expert and not as an arbitrator. Such audited financial statements of Union Raise for the Guaranteed Periods and the Guarantee Certificates prepared and issued by the Auditors in accordance with the Management Agreement A shall, in the absence of manifest error and/or dispute from Mr. Cheng, Union Raise and/or the Company, be final and conclusive of the matters stated therein and binding on parties to the Management Agreement A.

LETTER FROM THE BOARD

The terms of the Profit Guarantee A (including the amount of the Guaranteed Profits) were determined after arm's length negotiation between the Company and Mr. Cheng after taking into account, among others, (i) the proposed business plan provided by Mr. Cheng in relation to the expansion of Union Raise including the opening of retail stores and the launch of a maximum of twenty new products by the end of 2023; (ii) the sale and purchase agreement entered into between Union Raise and its customer; (iii) the positive outlook in the healthcare and pets related markets; and (iv) Mr. Cheng's experience and knowledge in the healthcare products and pet products and his established business network in the industries. As such, the Board believes that the Profit Guarantee A is achievable and the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Subject to completion of the Acquisition A and in the event that the Actual Profit of Union Raise for any of the Guaranteed Periods falls short of the Guaranteed Profit, the Company will comply with the disclosure requirements under Rule 20.61 of the GEM Listing Rules.

Termination

The Management Agreement A shall be terminated in any of the following circumstances:

- (i) by Union Raise or the Company to Mr. Cheng immediately on giving notice to Mr. Cheng if:
 - (a) Mr. Cheng commits a material breach of any of the terms of the Management Agreement A and (if such a breach is remediable) fails to remedy that breach within thirty (30) days of Union Raise or the Company giving notice to Mr. Cheng in respect of such breach; or
 - (b) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the bankruptcy of Mr. Cheng; or
 - (c) Mr. Cheng fails and/or refuses to perform the services set out in the Management Agreement A for a period of more than one (1) month due to ill-health; or
- (ii) by Union Raise or the Company on giving Mr. Cheng a three (3)-month prior written notice or payment in lieu of such notice.

Upon termination of the Management Agreement A, save for the Profit Guarantee A, which shall remain to have full force and effect, the Management Agreement A shall cease to have any effect and each party thereto shall be released from all liabilities and obligations under the Management Agreement A save for any antecedent breach.

LETTER FROM THE BOARD

INFORMATION ON UNION RAISE

Union Raise is a company incorporated in Hong Kong with limited liability and is principally engaged in the retail and trading of pets products and healthcare products.

Set out below is the financial information of Union Raise as extracted from its unaudited financial statements for the two years ended 31 December 2022:

	For the year ended 31 December	
	2021	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	– (Note)	– (Note)
Profit/(loss) before taxation	– (Note)	– (Note)
Profit/(loss) after taxation	– (Note)	– (Note)

Note: the amount is less than HK\$1,000.

The unaudited total assets, total liabilities and net liabilities of Union Raise, as at 31 December 2022 according to its unaudited financial statements were approximately Nil, HK\$2,150 and HK\$2,150, respectively.

SUBSCRIPTION A

On 8 February 2023 (after trading hours of the Stock Exchange), the Company and Mr. Cheng entered into the Subscription Agreement A, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Cheng has conditionally agreed to subscribe for, an aggregate of 43,000,000 new Shares at the Subscription Price of HK\$0.20 per Subscription Share A for a total consideration of HK\$8,600,000.

SUBSCRIPTION AGREEMENT A

The principal terms of Subscription Agreement A are summarised as follows:

Date

8 February 2023 (after trading hours of the Stock Exchange)

Parties

- (i) the Company (as issuer); and
- (ii) Mr. Cheng Sai Chit Luke (as subscriber)

LETTER FROM THE BOARD

Mr. Cheng is the brother-in-law of both Mr. Chan Yan Tak, being an executive Director and the chairman of the Board, and Mr. Lim Ming Shing Tony, being an executive Director, and a director of an indirect wholly-owned subsidiary of the Company, and thus Mr. Cheng is a connected person of the Company.

Subscription Shares A

Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the completion of Subscription A, the 43,000,000 Subscription Shares A represent approximately: (i) 9.9% of the existing issued share capital of the Company of 432,644,031 Shares as at the Latest Practicable Date; and (ii) 9.0% of the issued share capital of the Company as enlarged by the allotment and issue of the 43,000,000 Subscription Shares A.

Subscription Price

The Subscription Price of HK\$0.20 per Subscription Share A represents:

- (i) a premium of approximately 15.6% over the closing price of HK\$0.1730 per Share as quoted on the Stock Exchange on the date of Subscription Agreement A;
- (ii) a premium of approximately 15.5% over the average closing price of HK\$0.1732 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of Subscription Agreement A;
- (iii) a premium of approximately 21.2% over the closing price of HK\$0.1650 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of approximately 65.3% to the unaudited net asset value attributable to owners of the Company as at 30 September 2022 of approximately HK\$0.576 per Share.

The Subscription Price was arrived at after arm's length negotiation between the Company and Mr. Cheng after taking into account (i) the current market condition; (ii) the prevailing market price of the Shares; and (iii) financial position of the Group.

The Directors (excluding Mr. Chan Yan Tak and Mr. Lim Ming Shing Tony who had abstained from voting on the resolutions of the Board; and including the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee in this circular) are of the view that although the entering into of the Subscription Agreement A is not in the ordinary and usual course of business of the Group, the terms of Subscription Agreement A (including the Subscription Price) are fair and reasonable, and the entering into of the Subscription Agreement A is on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole.

Ranking of the Subscription Shares A

The Subscription Shares A, when issued and fully paid, shall rank *pari passu* in all respects among themselves and with the Shares in issue on the date of such allotment and issue.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Subscription Agreement A is conditional upon the following conditions having been fulfilled:

- (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Subscription Shares A;
- (ii) all necessary consents and approvals required to be obtained by the Company and Mr. Cheng in respect of the Subscription Agreement A and the transactions contemplated thereunder, including but not limited Subscription A, having been obtained;
- (iii) the passing of necessary resolution(s) at the SGM to be held and convened by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules and other applicable laws and regulations to approve Subscription Agreement A and the transactions contemplated thereunder, including the Specific Mandate A for the allotment and issue of the Subscription Shares A; and
- (iv) the Sale and Purchase Agreement A having becoming unconditional (save for the conditions of the Subscription Agreement A becoming unconditional).

All of the above conditions are incapable of being waived by either the Company or Mr. Cheng. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

If the above conditions have not been satisfied by 26 April 2023, or such other date as the Company and Mr. Cheng may agree in writing, the Subscription Agreement A shall cease and determine, and thereafter none of the parties to the Subscription Agreement A shall have any obligations and liabilities towards each other thereunder save for any antecedent breach of the terms thereof.

Completion

Completion of the Subscription Agreement A shall take place within five (5) Business Days (or such other date and time as may be agreed by the Company and Mr. Cheng) after the satisfaction of the conditions as set out above.

Completion of Subscription A is inter-conditional with the completion of the Acquisition A and is conditional upon, amongst others, the fulfilment or waiver (as the case may be) of the conditions precedent under the Sale and Purchase Agreement A and the Subscription Agreement A.

Subject to completion of Acquisition A and Subscription A, it is expected that the gross proceeds and the net proceeds, after deduction of relevant expenses (including but not limited to the professional fees and disbursements), from Subscription A will be HK\$8,600,000 and approximately HK\$7,600,000, respectively. On such basis, the net price raised per Subscription Share A upon completion of Subscription A will be approximately HK\$0.177. The net proceeds from Subscription A are intended to be used (i) as to HK\$1,000,000 for financing Acquisition A; and (ii) as to approximately HK\$6,600,000 for the operation and working capital of Union Raise.

LETTER FROM THE BOARD

SPECIFIC MANDATE A

The Subscription Shares A will be allotted and issued pursuant to the Specific Mandate A proposed to be obtained from the Independent Shareholders at the SGM.

APPLICATION FOR LISTING

An application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares A.

INFORMATION ON MR. CHENG

As at the Latest Practicable Date, the existing management of Union Raise is Mr. Cheng, who has over 6 years of experience in the trading and retail of healthcare products, including but not limited to Chinese herbal medicine and ginseng, being some of the major product categories expected to be sold by Union Raise after the completion of Acquisition A. Mr. Cheng has also established and acted as a director of various companies which engage in wholesale and retail of ginseng and pet supplies as well as the provision of pet services with annual revenues ranging from HK\$2 million to HK\$50 million. As a director of these companies, Mr. Cheng is principally responsible for the daily operations, the overall strategy and the management of the staff of the said companies.

Under Mr. Cheng's leadership, a number of retail and pop-up stores for healthcare products and pet products have been successfully launched by Mr. Cheng, and as the director of these companies, Mr. Cheng has the experience of managing a team of up to 60 staff. The existing team of staff led by Mr. Cheng would not take part in establishing the Group's healthcare and pets products business.

Mr. Cheng has a good network of industry players and Union Raise is in the course of identifying suitable candidates with the relevant knowledge and experience for the operation of Union Raise and/or the sales and marketing of its products, and upon the completion of Acquisition A, Union Raise will recruit and Mr. Cheng will assist in the process of recruiting appropriate candidates to assist the management and operation of Union Raise.

Through the acquisition of Union Raise, it is believed that the Company could leverage on Mr. Cheng's knowledge in the healthcare products and pet products, his rich experience and established business network in the industries to establish the retail business in healthcare products and pet products under his guidance. Upon the completion of Acquisition A, and in addition to the services to be provided by Mr. Cheng as a manager under the Management Agreement A, details of which are set out in the paragraph headed "Letter from the Board – Acquisition A and Proposed Entering into of Management Agreement A – Management Agreement A – Scope of services", Mr. Cheng will assist in the Company's business plan for Union Raise to procure healthcare products and/or pet products, recruit appropriate staff for the management and operation of Union Raise and launch two to three retail stores in Hong Kong. Please refer to the paragraph headed "Letter from the Board – Use of Proceeds" in this circular for the expected timeline for the operation of Union Raise.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Mr. Cheng is a director of Union Raise and he will remain as a director of Union Raise after the completion of Acquisition A. Under the Management Agreement A, Mr. Cheng shall also act as a manager of Union Raise and is entitled to a service fee of HK\$30,000 per month. Pursuant to the terms of the Management Agreement A, if required by Union Raise and/or the Company, Mr. Cheng shall act in other official position of Union Raise with no additional remuneration from Union Raise, and shall diligently carry out the duties and responsibilities ordinarily attached to such position.

GEM LISTING RULES IMPLICATIONS

Sale and Purchase Agreement A and Management Agreement A

As Mr. Cheng is the brother-in-law of both Mr. Chan Yan Tak, being an executive Director and the chairman of the Board, and Mr. Lim Ming Shing Tony, being an executive Director, and a director of an indirect wholly-owned subsidiary of the Company, and therefore, Mr. Cheng is a connected person of the Company and the transactions contemplated under the Sale and Purchase Agreement A constitute a connected transaction and the transactions contemplated under the Management Agreement A constitute a continuing connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Sale and Purchase Agreement A are less than 5%, and the total consideration is less than HK\$3,000,000, the Sale and Purchase Agreement A is fully exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As all of the applicable percentage ratios (other than the profits ratio) for the Management Agreement A is less than 5% on an annual basis and each of the Annual Caps during the term of Management Agreement A is less than HK\$3,000,000, the Management Agreement A is fully exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Subscription Agreement A

As disclosed above, Mr. Cheng is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, Subscription A constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Subscription Shares A will be allotted and issued under the Specific Mandate A to be granted by the Independent Shareholders to allot, issue and deal with the Shares by an ordinary resolution to be proposed for approval by the Independent Shareholders at the SGM.

Mr. Chan Yan Tak and Mr. Lim Ming Shing Tony had abstained from voting on the resolutions of the Board approving, among others, Acquisition A and Subscription A. To the best knowledge of the Directors after making all reasonable enquiries, Mr. Cheng and his associates did not have interests in the Shares as at the Latest Practicable Date. Mr. Chan Yan Tak, who is also a controlling shareholder of the Company, is considered to have material interest in the Sale and Purchase Agreement A and the Subscription Agreement A, and he shall abstain from voting on the resolutions approving the Subscription A and the transactions contemplated thereunder at the SGM.

LETTER FROM THE BOARD

ACQUISITION B AND PROPOSED ENTERING INTO OF MANAGEMENT AGREEMENT B

On 8 February 2023 (after trading hours of the Stock Exchange), the Company, as purchaser, and Ms. Li, as vendor, entered into the Sale and Purchase Agreement B, pursuant to which the Company has conditionally agreed to purchase, and Ms. Li has conditionally agreed to sell, subject to the completion of the Increase in Issued Share Capital B and the terms and conditions under the Sale and Purchase Agreement B, the Sale Shares B, representing 90.1% equity interest in Pets Supermarket, at a consideration of HK\$1,000,000.

Pursuant to the Sale and Purchase Agreement B, upon the completion of Acquisition B, the Company, Pets Supermarket and Ms. Li shall enter into the Management Agreement B, pursuant to which Ms. Li, as manager, shall provide such management services to Pets Supermarket for a term commencing from the date of the Management Agreement B and ending on the date falling on the second anniversary of the date of the Management Agreement B, and provide the Profit Guarantee B in favour of Pets Supermarket.

SALE AND PURCHASE AGREEMENT B

The principal terms of the Sale and Purchase Agreement B are summarised as follows:

Date

8 February 2023 (after trading hours of the Stock Exchange)

Parties

- (i) Ms. Li Yung (as vendor); and
- (ii) the Company (as purchaser)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Ms. Li is an Independent Third Party as at the Latest Practicable Date.

Assets to be acquired

Pursuant to the terms and conditions of the Sale and Purchase Agreement B, the Company conditionally agreed to purchase, and Ms. Li conditionally agreed to sell, the Sale Shares B, representing 90.1% equity interest in Pets Supermarket.

Consideration

The consideration for Acquisition B is HK\$1,000,000, which shall be settled by way of cash by the Company upon completion of Acquisition B.

LETTER FROM THE BOARD

Basis of consideration

The consideration for Acquisition B was determined after arm's length negotiations between the Company and Ms. Li on normal commercial terms, after taking into account, among others, (i) the Profit Guarantee B to be provided by Ms. Li in favour of Pets Supermarket under the Management Agreement B; (ii) the expertise, knowledge and experience provided by the management of Pets Supermarket and other employees to be employed by Pets Supermarket; and (iii) other factors as set out in the paragraph headed "Letter from the Board – Reasons for and benefits of the Acquisitions, the proposed entering into of the Management Agreements and the Subscriptions" in this circular.

The Company intends to finance the consideration payable under the Sale and Purchase Agreement B by utilising part of the net proceeds expected to be raised from Subscription B. For details, please refer to the paragraph headed "Letter from the Board – Reasons for and benefits of the Acquisitions, the proposed entering into of the Management Agreements and the Subscriptions" in this circular.

Conditions precedent

Completion of Acquisition B is conditional upon and subject to the following conditions having been fulfilled and/or waived (as the case may be):

- (i) the Company being reasonably satisfied with the results of the due diligence review to be conducted pursuant to the terms and conditions of the Sale and Purchase Agreement B;
- (ii) all necessary consents, licences and approvals required to be obtained on the part of Pets Supermarket in respect of the Sale and Purchase Agreement B and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iii) all necessary consents, licences and/or approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement B and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iv) Pets Supermarket having completed the Increase in Issued Share Capital B in such manner to the satisfaction of the Company and all necessary consent and approvals required to be obtained and all necessary filings required to be made to the relevant authorities in respect of the Increase in Issued Share Capital B and the transactions contemplated thereunder having been obtained/made;
- (v) the warranties given by Ms. Li remaining true and accurate and not misleading in all material respects; and
- (vi) the Subscription Agreement B having becoming unconditional (save for the conditions of the Sale and Purchase Agreement B becoming unconditional).

Ms. Li shall use her best endeavours to assist the Company in connection with the due diligence review to be conducted as set out in condition (i) above and procure the fulfillment of the conditions (ii), (iv), (v) and (vi) above. The Company shall use its best endeavours to procure the fulfillment of the conditions (iii) and (vi) above. Save that the Company may at any time waive in writing the conditions (i) and (v) above, all other conditions are incapable of being waived by either the Company or Ms. Li.

LETTER FROM THE BOARD

As at the Latest Practicable Date, none of the above conditions have been fulfilled and the Company has no intention to waive the conditions (i) and (v) above.

If the above conditions have not been satisfied (or as the case may be, waived by the Company) on or before 12:00 noon (Hong Kong time) on 26 April 2023, or such later date as the Company and Ms. Li may agree in writing, the Sale and Purchase Agreement B shall cease and determine, and thereafter none of the parties to the Sale and Purchase Agreement B shall have any obligations and liabilities towards each other thereunder save for any antecedent breach of the terms thereof.

Completion

Completion of Acquisition B shall take place on the date falling on the third Business Day after the fulfillment and/or waiver (as the case may be) of all the conditions precedent as set out in the Sale and Purchase Agreement B, or such later date as the Company and Ms. Li may agree in writing.

Upon completion of Acquisition B, Pets Supermarket will become a direct non-wholly owned subsidiary of the Company and therefore the financial information of Pets Supermarket will be consolidated into the financial statements of the Group.

Completion of Acquisition B is inter-conditional with the completion of Subscription B and is conditional upon, amongst others, the fulfilment and/or waiver (as the case may be) of the conditions precedent under the Sale and Purchase Agreement B and the Subscription Agreement B.

Completion of Acquisition B is not conditional on the entering into of the Management Agreement B. Pursuant to the terms and conditions of the Sale and Purchase Agreement B, completion of Acquisition B shall only take place against compliance and fulfillment of all acts and requirements by Ms. Li on the date of completion, including but not limited to the delivery of the Management Agreement B duly executed by Ms. Li, Pets Supermarket and the Company.

MANAGEMENT AGREEMENT B

The proposed principal terms of Management Agreement B are summarised as follows:

Date

On the date of completion of Acquisition B

Parties

- (i) Pets Supermarket;
- (ii) the Company; and
- (iii) Ms. Li Yung

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Ms. Li is an Independent Third Party as at the Latest Practicable Date.

LETTER FROM THE BOARD

Term

The term of the Management Agreement B shall commence on the date of the Management Agreement B and end on the earlier of (i) the date falling on the second anniversary of the commencement date of such term; and (ii) the date on which the Management Agreement B is terminated in accordance with the terms and conditions therein.

Service fee

The service fee is HK\$30,000 per month in arrears to be paid by Pets Supermarket to Ms. Li on the last day of every six calendar months.

Scope of services

Ms. Li shall have the exclusive rights and responsibilities to manage the business(es) of Pets Supermarket, including, among others:

- (i) upon request by Pets Supermarket and/or the Company, preparing the Business Plans for the approval of Pets Supermarket and the Company before implementation of them;
- (ii) implementing the Business Plans as approved by Pets Supermarket and the Company;
- (iii) procuring Pets Supermarket to apply for and maintain all necessary permits, licences and/or approvals which are required for the carrying out of the business(es) of Pets Supermarket; and
- (iv) procuring Pets Supermarket to comply in all material respects with all relevant applicable laws in conducting the business(es) of Pets Supermarket.

Profit guarantee

Pursuant to the terms and conditions of the Management Agreement B, Ms. Li shall irrevocably and unconditionally warrant and guarantee to Pets Supermarket that the Net Profit of Pets Supermarket, calculated in accordance with the HKFRS as shown in its audited financial statements for the following Guaranteed Periods issued by the Auditors shall not be less than the following Guaranteed Profit (the “**Profit Guarantee B**”):

- (i) for the first twelve (12)-month period commencing on the date of the Management Agreement B, the Guaranteed Profit shall not be less than HK\$1,000,000; and
- (ii) for the second twelve (12)-month period immediately following the expiry of the said first twelve (12)-month period, the Guaranteed Profit shall not be less than HK\$3,000,000.

LETTER FROM THE BOARD

In the event that the Actual Profit of Pets Supermarket, calculated in accordance with the HKFRS for any of the Guaranteed Periods as shown in the Guarantee Certificate is less than the Guaranteed Profit for such Guaranteed Period, then Ms. Li undertakes to pay to Pets Supermarket, an amount (A) (the “**Shortfall B**”) calculated as follows:

$$A = \text{Guaranteed Profit} - \text{Actual Profit}$$

In such event, Ms. Li shall be obliged to pay Pets Supermarket, within twenty (20) Business Days upon the receipt of the Guarantee Certificate an amount equivalent to the Shortfall B in cash.

For the avoidance of doubt, should Pets Supermarket record a loss in its audited financial statements for any of the Guaranteed Periods, the Actual Profit for such Guaranteed Period shall be deemed as zero (0).

Ms. Li and Pets Supermarket shall procure that the audited financial statements of Pets Supermarket for each of the Guaranteed Periods shall be prepared by the Auditors in accordance with the HKFRS and be issued and reported on by the Auditors before the date falling four (4) months after the expiry of such Guaranteed Period, and the Auditors shall issue the Guarantee Certificate(s) to certify the amount of the audited profits after tax of Pets Supermarket as shown in such audited financial statements and deliver the same together with such audited financial statements to Ms. Li and Pets Supermarket within three (3) Business Days (or such longer period as Ms. Li and Pets Supermarket may agree) from the issue date of such audited financial statements.

The costs and expenses of the Auditors for preparing and issuing such audited financial statements of Pets Supermarket for the Guaranteed Periods and the Guarantee Certificates under the Management Agreement B shall be borne and paid by Pets Supermarket. In preparing the respective audited financial statements of Pets Supermarket for the Guaranteed Periods and the Guarantee Certificates, the Auditors shall act as an expert and not as an arbitrator. Such audited financial statements of Pets Supermarket for the Guaranteed Periods and the Guarantee Certificates prepared and issued by the Auditors in accordance with the Management Agreement B shall, in the absence of manifest error and/or dispute from Ms. Li, Pets Supermarket and/or the Company, be final and conclusive of the matters stated therein and binding on parties to the Management Agreement B.

The terms of the Profit Guarantee B (including the amount of the Guaranteed Profits) were determined after arm's length negotiation between the Company and Ms. Li after taking into account, among others, (i) the proposed business plan provided by Ms. Li in relation to the expansion of Pets Supermarket including the opening of retail stores and the launch of a maximum of twenty new products by the end of 2023; (ii) the sale and purchase agreement entered into between Pets Supermarket and its supplier; (iii) the positive outlook in the healthcare and pets related markets; and (iv) Ms. Li's experience, expertise and established business network in the industries. As such, the Board believes that the Profit Guarantee B is achievable and the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Termination

The Management Agreement B shall be terminated in any of the following circumstances:

- (i) by Pets Supermarket or the Company to Ms. Li immediately on giving notice to Ms. Li if:
 - (a) Ms. Li commits a material breach of any of the terms of the Management Agreement B and (if such a breach is remediable) fails to remedy that breach within thirty (30) days of Pets Supermarket or the Company giving notice to Ms. Li in respect of such breach; or
 - (b) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the bankruptcy of Ms. Li; or
 - (c) Ms. Li fails and/or refuses to perform the services set out in the Management Agreement B for a period of more than one (1) month due to ill-health; or
- (ii) by Pets Supermarket or the Company on giving Ms. Li a three (3)-month prior written notice or payment in lieu of such notice.

Upon termination of the Management Agreement B, save for the Profit Guarantee B, which shall remain to have full force and effect, the Management Agreement B shall cease to have any effect and each party thereto shall be released from all liabilities and obligations under the Management Agreement B save for any antecedent breach.

INFORMATION ON PETS SUPERMARKET

Pets Supermarket is a company incorporated in Hong Kong with limited liability on 6 December 2022 and is principally engaged in the retail and trading of pets products and healthcare products.

As no business operation has been carried out since the date of incorporation of Pets Supermarket (i.e. 6 December 2022), no revenue or profit has been recorded from the date of its incorporation up to the Latest Practicable Date.

The unaudited total assets, total liabilities and net liabilities of Pets Supermarket, as at 31 December 2022 according to its unaudited financial statements were approximately Nil, HK\$1,700 and HK\$1,700, respectively.

SUBSCRIPTION B

On 8 February 2023 (after trading hours of the Stock Exchange), the Company and Ms. Li entered into the Subscription Agreement B, pursuant to which the Company has conditionally agreed to allot and issue, and Ms. Li has conditionally agreed to subscribe for, an aggregate of 43,000,000 new Shares at the Subscription Price of HK\$0.20 per Subscription Share B for a total consideration of HK\$8,600,000.

LETTER FROM THE BOARD

SUBSCRIPTION AGREEMENT B

The principal terms of Subscription Agreement B are summarised as follows:

Date

8 February 2023 (after trading hours of the Stock Exchange)

Parties

- (i) the Company (as issuer); and
- (ii) Ms. Li Yung (as subscriber)

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Ms. Li is an Independent Third Party.

Subscription Shares B

Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the completion of Subscription B, the 43,000,000 Subscription Shares B represent approximately: (i) 9.9% of the existing issued share capital of the Company of 432,644,031 Shares as at the Latest Practicable Date; and (ii) 9.0% of the issued share capital of the Company as enlarged by the allotment and issue of the 43,000,000 Subscription Shares B.

Subscription Price

The Subscription Price of HK\$0.20 per Subscription Share B represents:

- (i) a premium of approximately 15.6% over the closing price of HK\$0.1730 per Share as quoted on the Stock Exchange on the date of Subscription Agreement B;
- (ii) a premium of approximately 15.5% over the average closing price of HK\$0.1732 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of Subscription Agreement B;
- (iii) a premium of approximately 21.2% over the closing price of HK\$0.1650 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of approximately 65.3% to the unaudited net asset value attributable to owners of the Company as at 30 September 2022 of approximately HK\$0.576 per Share.

The Subscription Price was arrived at after arm's length negotiation between the Company and Ms. Li after taking into account (i) the current market condition; (ii) the prevailing market price of the Shares; and (iii) financial position of the Group.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that although the entering into of the Subscription Agreement B is not in the ordinary and usual course of business of the Group, the terms of Subscription Agreement B (including the Subscription Price) are fair and reasonable, and the entering into of the Subscription Agreement B is on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares B

The Subscription Shares B, when issued and fully paid, shall rank *pari passu* in all respects among themselves and with the Shares in issue on the date of such allotment and issue.

Conditions precedent

Completion of the Subscription Agreement B is conditional upon the following conditions having been fulfilled:

- (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Subscription Shares B;
- (ii) all necessary consents and approvals required to be obtained by the Company and Ms. Li in respect of the Subscription Agreement B and the transactions contemplated thereunder, including but not limited Subscription B, having been obtained;
- (iii) the passing of necessary resolution(s) at the SGM to be held and convened by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules and other applicable laws and regulations to approve Subscription Agreement B and the transactions contemplated thereunder, including the Specific Mandate B for the allotment and issue of the Subscription Shares B; and
- (iv) the Sale and Purchase Agreement B having becoming unconditional (save for the conditions of the Subscription Agreement B becoming unconditional).

All of the above conditions are incapable of being waived by either the Company or Ms. Li. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

If the above conditions have not been satisfied by 26 April 2023, or such other date as the Company and Ms. Li may agree in writing, the Subscription Agreement B shall cease and determine, and thereafter none of the parties to the Subscription Agreement B shall have any obligations and liabilities towards each other thereunder save for any antecedent breach of the terms thereof.

Completion

Completion of the Subscription Agreement B shall take place within five (5) Business Days (or such other date and time as may be agreed by the Company and Ms. Li) after the satisfaction of the conditions as set out above.

LETTER FROM THE BOARD

Completion of Subscription B is inter-conditional with the completion of the Acquisition B and is conditional upon, amongst others, the fulfilment or waiver (as the case may be) of the conditions precedent under the Sale and Purchase Agreement B and the Subscription Agreement B.

Subject to completion of Acquisition B and Subscription B, it is expected that the gross proceeds and the net proceeds, after deduction of relevant expenses (including but not limited to the professional fees and disbursements), from Subscription B will be HK\$8,600,000 and approximately HK\$7,600,000, respectively. On such basis, the net price raised per Subscription Share B upon completion of Subscription B will be approximately HK\$0.177. The net proceeds from Subscription B are intended to be used (i) as to HK\$1,000,000 for financing Acquisition B; and (ii) as to approximately HK\$6,600,000 for the operation and working capital of Pets Supermarket.

SPECIFIC MANDATE B

The Subscription Shares B will be allotted and issued pursuant to the Specific Mandate B proposed to be obtained from the Shareholders at the SGM.

APPLICATION FOR LISTING

An application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares B.

INFORMATION ON MS. LI

As at the Latest Practicable Date, the existing management of Pets Supermarket is Ms. Li Yung, who has over 10 years of experience in the trading and retail of healthcare products in retail chains and supermarkets. Ms. Li also possesses relevant experience in assisting Hong Kong companies with annual revenues ranging from HK\$8 million to HK\$30 million in the expansion of their trading and retail businesses to the PRC.

Over the years, Ms. Li has successfully established wholesale distribution channels for healthcare products. She has also set up and operated several retail stores for healthcare products in Hong Kong and Macau. Ms. Li was primarily responsible for brand designs and management when assisting Hong Kong companies in the expansion of their trading and retail businesses in the PRC, leading a team of up to 40 as the director of these companies. The existing team of staff led by Ms. Li would not take part in establishing the Group's healthcare and pets products business.

Ms. Li has a good network of people in the GBA and will leverage on her network in the GBA to identify, and Pets Supermarket is also in the course of identifying, suitable candidates with the relevant knowledge and experience for the operation of Pets Supermarket and/or the sales and marketing of its products, and upon the completion of Acquisition B, Pets Supermarket will recruit and Ms. Li will assist in the process of recruiting appropriate candidates to assist the management and operation of Pets Supermarket.

LETTER FROM THE BOARD

Through the acquisition of Pets Supermarket, it is believed that the Company would benefit from Ms. Li's experience, expertise and established business network in the industries to develop Pets Supermarket and tap into the healthcare and pet products market in the GBA. Upon the completion of Acquisition B, and in addition to the services to be provided by Ms. Li as a manager under the Management Agreement B, details of which are set out in the paragraph headed "Letter from the Board – Acquisition B and Proposed Entering into of Management Agreement B – Management Agreement B – Scope of services", Ms. Li will assist in the Company's business plan for Pets Supermarket to procure healthcare products and/or pet products, recruitment of appropriate staff for the management and operation of Pets Supermarket and launching four retail stores in Hong Kong and other cities of the GBA. Please refer to the paragraph headed "Letter from the Board – Use of Proceeds" in this circular for the expected timeline for the operation of Pets Supermarket.

As at the Latest Practicable Date, Ms. Li is a director of Pets Supermarket and will remain as a director of Pets Supermarket after the completion of Acquisition B. Under the Management Agreement B, Ms. Li shall also act as a manager of Pets Supermarket and is entitled to a service fee of HK\$30,000 per month. Pursuant to the terms of the Management Agreement B, if required by Pets Supermarket and/or the Company, Ms. Li shall act in other official position of Pets Supermarket with no additional remuneration from Pets Supermarket, and shall diligently carry out the duties and responsibilities ordinarily attached to such position.

GEM LISTING RULES IMPLICATIONS

Sale and Purchase Agreement B and Management Agreement B

As at the Latest Practicable Date, to the best of the Company's knowledge, information and belief after having made all reasonable enquiries, Ms. Li and her associates are third parties independent of the Company and its connected persons. As such, the transactions contemplated under each of the Sale and Purchase Agreement B and the Management Agreement B does not constitute a connected transaction nor a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As all applicable percentage ratios in respect of the Sale and Purchase Agreement B are less than 5%, the transactions contemplated under the Sale and Purchase Agreement B does not constitute a discloseable transaction of the Company and is not subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Subscription Agreement B

The Subscription Shares B will be allotted and issued under the Specific Mandate B to be granted by the Shareholders to allot, issue and deal with the Shares by an ordinary resolution to be proposed for approval by the Shareholders at the SGM.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITIONS, THE PROPOSED ENTERING INTO OF THE MANAGEMENT AGREEMENTS AND THE SUBSCRIPTIONS

The Group is principally engaged in money lending business, financial instruments and quoted share investment and retail and wholesale business.

As disclosed in the third quarterly report of the Company for the nine months ended 31 December 2022, the Group has been developing the retails and online sales business since 2015 and has sourced and launched new product line for pets products including pet supplement and pets food.

Given the Company's plan to expand into the retail and trading of pets products and healthcare products, it has entered into the Sale and Purchase Agreements. Upon completion of the Acquisitions, the Group will acquire 90.1% of equity interest in each of Union Raise and Pets Supermarket and the proposed entering into of the Management Agreements shall retain the existing management with expertise, knowledge and experience in the relevant sectors to continue to engage in the operation and management of the Target Companies.

Despite the fact that both Union Raise and Pets Supermarket do not have any track record, the Acquisitions would enable the Group to tap into the trading and retail of healthcare products and pet-related products market in a relatively short period of time by leveraging on the business network and experience of each of Mr. Cheng and Ms. Li, instead of internally-developing the business and/or employing management with relevant expertise, knowledge and experience. Through the business network and experience of Mr. Cheng, Union Raise is expected to source and procure healthcare products and pets products, such as vitamins, ginseng, products with cordyceps, products containing broken ganoderma spore and synbiotics, from local and overseas suppliers, and distribute the same through physical retail stores to be set up in Hong Kong and through the business network and experience of Ms. Li, Pets Supermarket is expected to source and procure pets products, such as chicken essence, products with cordyceps, products containing yunchi, synbiotics, cat litter, pet food as well as sanitizing products, from local and overseas suppliers, and launch its own pets supermarkets and/or pets boutiques in Hong Kong and the GBA. Based on the business development plan of Union Raise and Pets Supermarket, the managements of Union Raise and Pets Supermarket expect to launch each of their first retail store on or before 1 July 2023. The management of Union Raise targets to launch a total of two to three retail stores in Hong Kong on or before 31 December 2023, while the management of Pets Supermarket targets to launch up to four physical stores in Hong Kong and other cities within the GBA, on or before 31 December 2023.

The Board considers that the Subscriptions and Acquisitions represent a valuable business opportunity as the Subscriptions and Acquisitions would enable the Company to fulfill its need for expanding into the trading and retail of healthcare products and pet-related products market without creating immediate cashflow burden on the Group by utilising the net proceeds of approximately HK\$15.2 million expected to be raised from the Subscriptions for the operation and working capital of Union Raise and Pets Supermarket.

LETTER FROM THE BOARD

Moreover, upon completion of the Acquisitions, (i) Mr. Cheng will enter into the Management Agreement A with Union Raise, pursuant to which Mr. Cheng shall provide the Profit Guarantee A in favour of Union Raise; and (ii) Ms. Li will enter into the Management Agreement B with Pets Supermarket, pursuant to which Ms. Li shall provide the Profit Guarantee B in favour of Pets Supermarket. As compared to internally establishing new businesses, the Acquisitions and the proposed entering into of the Management Agreements could minimise the Company's risk in investing into the new retail markets with guaranteed profit to the Group.

In addition, upon completion of the Acquisitions, each of Mr. Cheng and Ms. Li will remain as a shareholder of, and will act as a manager to provide management services to Union Raise and Pets Supermarket, respectively. Further, upon completion of the Subscriptions, each of Mr. Cheng and Ms. Li will also become a shareholder of the Company. The Board considers that by remaining as a shareholder and being a manager of Union Raise and Pets Supermarket, respectively upon completion of the Acquisitions, as well as by becoming a shareholder of the Company upon completion of the Subscriptions, each of Mr. Cheng's and Ms. Li's interests will be aligned with that of the Group and will therefore have an incentive to make contribution towards the business development of the Group and act in the best interest of the Group. Having considered that (i) the nature of the businesses previously managed by Mr. Cheng and Ms. Li are similar to that of Union Raise and Pets Supermarket; (ii) each of Mr. Cheng and Ms. Li would no longer be involved in their previous businesses upon completion of the Acquisitions to devote all of their time and effort into Union Raise and Pets Supermarket; and (iii) Mr. Cheng and Ms. Li possess the requisite knowledge, experience and business network in the industries, the Board is of the view that it is in the interests of the Company and the Shareholders as a whole for Mr. Cheng and Ms. Li to manage the businesses of Union Raise and Pets Supermarket.

Despite the fact that the Subscription Price of HK\$0.20 per Subscription Share A and Subscription Share B represents a discount of approximately 65.3% to the unaudited net asset value per share attributable to the owners of the Company as at 30 September 2022, the Directors are of the view that the Subscription Prices are fair and reasonable after taking into consideration (i) the consecutive significant loss position of the Group for the last five financial years since 2018; (ii) the market sentiment of the Hong Kong stock market has been pessimistic since 2022; (iii) the Shares had been consistently traded at a substantial discount to the unaudited net asset value per Share attributable to owners of the Company over the past 12 months prior to the date of the Subscription Agreements, which demonstrates that the public investors were unwilling to acquire the Shares at a price as high as the net asset value per Share; and (iv) the Subscription Price represents (a) a premium of approximately 15.6% over the closing price of HK\$0.1730 per Share as quoted on the Stock Exchange on the date of Subscription Agreements; and (b) a premium of approximately 15.5% over the average closing price of HK\$0.1732 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of Subscription Agreements.

By reasons of the above, the Board is of the view that the prevailing market price of the Shares, instead of the net asset value per Share, would be a more appropriate reference and meaningful benchmark in determining the Subscription Prices. As such, the Board considered that the Subscription Prices are fair and reasonable.

LETTER FROM THE BOARD

Subject to completion of the Acquisitions and the Subscriptions, it is expected that the gross proceeds and the net proceeds, after deduction of relevant expenses (including but not limited to the professional fees and disbursements), from the Subscriptions will be HK\$17,200,000 and approximately HK\$15,200,000, respectively. On such basis, the net price raised per Subscription Share A and Subscription Share B upon completion of Subscription A and Subscription B will be approximately HK\$0.177, respectively. The net proceeds from the Subscriptions are intended to be used (i) as to HK\$1,000,000 and HK\$1,000,000 for financing the respective Acquisitions; and (ii) as to approximately HK\$6,600,000 and HK\$6,600,000 for the operation and working capital of Union Raise and Pets Supermarket respectively. Please refer to the paragraph headed “Letter from the Board – Use of Proceeds” in this circular for detailed breakdown of the use of proceeds from the Subscriptions.

In light of the above funding needs and that the proceeds from the recent equity fundraising activities has been utilised, the Board considers that the Subscriptions represent a good opportunity to implement the above business strategies and expand the existing businesses of the Target Companies.

The Board also considered a number of fundraising methods such as debt financing and other ways of equity fundraising (including open offer, rights issue and share placement to independent institutional and individual investors). Debt and bank financing usually involve lengthy due diligence and negotiations with banks which is time-consuming and will incur additional interest burden to the Group, rendering it not the optimal financing method under the prevailing market conditions. Open offer and rights issue may impose financial burden on the existing Shareholders and will incur high underwriting commission and may not be beneficial to the Company and the Shareholders as a whole. In respect of share placement, the placing of new Shares would only be available to certain independent institutional and individual investors, who would not be able to provide the level of support Mr. Cheng and Ms. Li would provide to establish the Group's healthcare and pets products business. In addition, placing of new Shares would also expose the Shareholders to the dilution of their shareholdings yet the Company would inevitably incur additional costs in placing commission payable to the placing agent. Despite the dilution effect of the Subscriptions, the Board considers that the Subscriptions are the most expedient and feasible ways to raise sufficient fund for the Group's expansion.

Based on the forgoing, the Board (including the independent non-executive Directors, whose views are set out in the Letter from the Independent Board Committee in this circular; and excluding, with regards to Acquisition A and Subscription A, Mr. Chan Yan Tak and Mr. Lim Ming Shing Tony, who have abstained from voting on Acquisition A and Subscription A) considers that although the entering into of each of the Subscription Agreements is not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreements and the Subscription Agreements are fair and reasonable and the entering into of the same is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

USE OF PROCEEDS

Set out below a breakdown of the intended use of proceeds from Subscription A and Subscription B and the expected timeline in utilising the estimated Net Proceeds.

Intended use of proceeds from Subscription A	Approximate amount of the estimated Net Proceeds	Expected timeline in utilising the estimated Net Proceeds
Financing Acquisition A	HK\$1,000,000	Upon completion of Acquisition A
Operation and working capital of Union Raise		
<ul style="list-style-type: none">procurement of healthcare products and/or pet related products	HK\$2,000,000	On or before 30 June 2023
<ul style="list-style-type: none">recruitment of staff responsible for the operation of Union Raise and/or the sales and marketing of its products	HK\$1,000,000	On or before 31 July 2023
<ul style="list-style-type: none">launch of retail stores in Hong Kong	HK\$3,000,000	Before 31 December 2023
<ul style="list-style-type: none">general working capital of Union Raise	HK\$600,000	On or before 31 December 2023

LETTER FROM THE BOARD

Intended use of proceeds from Subscription B	Approximate amount of the estimated Net Proceeds	Expected timeline in utilising the estimated Net Proceeds
Financing Acquisition B	HK\$1,000,000	Upon completion of Acquisition B
Operation and working capital of Pets Supermarket		
<ul style="list-style-type: none"> • procurement of healthcare products and/or pets related products 	HK\$1,200,000	On or before 30 June 2023
<ul style="list-style-type: none"> • recruitment of staff responsible for the operation of Pets Supermarket and/or the sales and marketing of its products 	HK\$1,500,000	On or before 31 July 2023
<ul style="list-style-type: none"> • launch of pets supermarket in Hong Kong and other cities within the GBA 	HK\$3,500,000	Before 31 December 2023
<ul style="list-style-type: none"> • general working capital of Pets Supermarket 	HK\$400,000	On or before 31 December 2023
Total	HK\$15,200,000	

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon completion of the Acquisitions and the Subscriptions (assuming there is no other change in the shareholding structure of the Company between the Latest Practicable Date and date of completion of the Acquisitions and the Subscriptions):

Shareholders	As at the Latest Practicable Date		Upon completion of the Acquisitions and the Subscriptions (assuming there is no other change in the shareholding structure of the Company between the Latest Practicable Date and date of completion of the Acquisitions and the Subscriptions)	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Best Richest Management Company Limited ^(Note 1)	181,196,866	41.88	181,196,866	34.94
Subscribers				
Mr. Cheng	–	–	43,000,000	8.29
Ms. Li	–	–	43,000,000	8.29
Other public Shareholders	251,447,165	58.12	251,447,165	48.48
	<u>432,644,031</u>	<u>100.00</u>	<u>518,644,031</u>	<u>100.00</u>

Notes:

- (1) Best Richest Management Company Limited is wholly and beneficially owned by Mr. Chan Yan Tak, being the chairman of the Board, an executive Director and a controlling Shareholder.
- (2) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM THE BOARD

EQUITY FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The following are details of the equity fundraising activities of the Company conducted in the past twelve months immediately preceding the Latest Practicable Date:

Date of announcement	Fundraising activity	Net proceeds raised (approximately)	Intended use of net proceeds	Actual use of net proceeds
10 August 2022 (completed on 21 September 2022)	Rights issue on the basis of one (1) rights share for every two (2) Shares held on the record date at the subscription price of HK\$0.12 per rights share	HK\$12.62 million	(i) as to HK\$6 million for the continual expansion of its money lending business; (ii) as to HK\$6 million for purchase of products to expand its retail operations offering; and (iii) the remaining amount for general working capital of the Group	(i) as to approximately HK\$6 million was used for the continual expansion of its money lending business; (ii) as to approximately HK\$6 million was used for purchase of products to expand its retail operations offering; and (iii) as to approximately HK\$0.62 million was used for general working capital of the Group.
1 November 2022 (completed on 21 November 2022)	Offer by way of private placing of 72,105,000 Shares to the placees	HK\$9.8 million	(i) as to approximately HK\$9 million for continual expansion of its money lending business; and (ii) as to approximately HK\$0.8 million for general working capital of the Group	(i) as to approximately HK\$9 million was used for continual expansion of its money lending business; and (ii) as to approximately HK\$0.8 million was used for general working capital of the Group.

Save as disclosed above, the Company has not conducted any other equity fundraising activities in the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

FURTHER FUNDRAISING ACTIVITIES IN THE NEXT TWELVE MONTHS

As at the Latest Practicable Date, the Company has no plan to conduct any further fundraising activity in the next twelve months. However, the Board cannot rule out the possibility that the Company may conduct debt and/or equity fundraising exercise(s) if and when suitable business development opportunities arise in order to enhance the financial performance of the Group and return to the Shareholders. The Company will make further announcement(s) in this regard in accordance with the GEM Listing Rules as and when appropriate.

FORMATION OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement A, Management Agreement A and Subscription Agreement A.

Merdeka Corporate Finance Limited, has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

A notice convening the SGM to be held on Tuesday, 9 May 2023 at 4:00 p.m. at Unit 02, 11/F, Eastmark, 21 Sheung Yuet Road, Kowloon Bay, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. The SGM will be convened and held for the purposes of considering of, and if thought fit, approving, among other things, the Subscription Agreement A and the transactions contemplated thereunder (including the Specific Mandate A to issue the Subscription Shares A), and Subscription Agreement B and the transactions contemplated thereunder (including the Specific Mandate B to issue the Subscription Shares B).

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (i.e. no later than Sunday, 7 May 2023 at 4:00 p.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

Mr. Chan Yan Tak, who is also a controlling shareholder of the Company, is considered to have material interest in the Sale and Purchase Agreement A and the Subscription Agreement A, and is required to abstain from voting on the resolutions approving the Subscription A and the transactions contemplated thereunder at the SGM. Save as disclosed and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders have a material interest in the Subscription Agreements and is required to abstain from voting at the SGM.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 4 May 2023 to Tuesday, 9 May 2023, both dates inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the SGM. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 3 May 2023.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 40 to 41 of this circular, which contains its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement A, the Management Agreement A and the Subscription Agreement A and the respective transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 42 to 72 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement A, the Management Agreement A and the Subscription Agreement A and the respective transactions contemplated thereunder, and the principal factors and reasons considered by it in arriving at its opinions.

In view of the reasons as set out in the paragraph headed "Letter from the Board – Reasons for and benefits of the Acquisitions, the proposed entering into of the Management Agreements, the Subscriptions and Use of Proceeds" above, the Directors (including the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee in this circular) are of the view that although the entering into of each of the Subscription Agreements is not in the ordinary and usual course of business of the Group, the Sale and Purchase Agreements, the Subscription Agreements and the Management Agreements are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular.

LETTER FROM THE BOARD

Since completion of Acquisition A and Subscription A are subject to the fulfillment and/or waiver (as the case may be) of the conditions as set out in the Sale and Purchase Agreement A and Subscription Agreement A, and completion of Acquisition B and Subscription B are subject to the fulfillment and/or waiver (as the case may be) of the conditions as set out in the Sale and Purchase Agreement B and the Subscription Agreement B, the Acquisition(s) and the Subscription(s) may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of the Board
EASY REPAY FINANCE & INVESTMENT LIMITED
Mr. Chan Yan Tak
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

EASY REPAY FINANCE & INVESTMENT LIMITED

易還財務投資有限公司

(Continued into Bermuda with limited liability)

(Stock code: 8079)

19 April 2023

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION INVOLVING
ACQUISITION OF 90.1% EQUITY INTEREST IN UNION RAISE
LIMITED AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ENTERING INTO OF
MANAGEMENT AGREEMENT A;
(2) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE;
(3) ACQUISITION OF 90.1% EQUITY INTEREST IN
PETS SUPERMARKET LIMITED AND PROPOSED ENTERING INTO OF
MANAGEMENT AGREEMENT B;
(4) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular of the Company dated 19 April 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders as to whether, in our opinion, the terms the Sale and Purchase Agreement A, the Management Agreement A and the Subscription Agreement A (including the grant of the Specific Mandate A) and the respective transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote in relation to the ordinary resolution to approve the Subscription Agreement A and the transactions contemplated thereunder to be proposed at the SGM. Details of the Sale and Purchase Agreement A, the Management Agreement A and the Subscription Agreement A and the respective transactions contemplated thereunder (including the grant of the Specific Mandate A for the allotment and issue of Subscription Shares A) are set out in the “Letter from the Board” contained in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 42 to 72 of the Circular. Your attention is also drawn to the Letter from the Board set out on pages 8 to 39 of the Circular and the additional information set out in the appendix to this Circular.

RECOMMENDATION

Having considered the terms of the Sale and Purchase Agreement A, the Management Agreement A and the Subscription Agreement A and the advice from the Independent Financial Adviser, we consider that although the entering into of the Subscription Agreement A is not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement A, the Management Agreement A and the Subscription Agreement A (including the grant of the Specific Mandate A) and the respective transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription Agreement A and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
EASY REPAY FINANCE & INVESTMENT LIMITED

Mr. Lee King Fui
Independent non-executive Director

Mr. To Kwan
Independent non-executive Director

Mr. Joseph Rodrick Law
Independent non-executive Director

Ms. Ho Sau Ping Pia
Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Merdeka Corporate Finance Limited to the Independent Board Committee and Independent Shareholders in respect of the terms of the Subscription Agreement A, the Sale and Purchase Agreement A and the Management Agreement A prepared for the purpose of inclusion in this circular.



Room 1108-1110, 11/F
Wing On Centre
111 Connaught Road Central
Hong Kong

19 April 2023

*To: The Independent Board Committee and the Independent Shareholders of
Easy Repay Finance & Investment Limited*

Dear Sirs/Madams,

**(1) CONNECTED TRANSACTION INVOLVING ACQUISITION OF 90.1%
EQUITY INTEREST IN UNION RAISE LIMITED AND CONTINUING
CONNECTED TRANSACTION IN RELATION TO THE PROPOSED
ENTERING INTO OF MANAGEMENT AGREEMENT A; AND
(2) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW
SHARES UNDER THE SPECIFIC MANDATE A**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement A, the Sale and Purchase Agreement A, the Management Agreement A and the respective transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular to the Shareholders dated 19 April 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Board Letter, on 8 February 2023 (after trading hours of the Stock Exchange), the Company, as purchaser, and Mr. Cheng, as vendor, entered into the Sale and Purchase Agreement A, pursuant to which Company has conditionally agreed to purchase, and Mr. Cheng has conditionally agreed to sell, subject to the completion of the Increase in Issued Share Capital A and the terms and conditions under the Sale and Purchase Agreement A, the Sale Shares A, representing 90.1% equity interest in Union Raise, at a consideration of HK\$1,000,000 (the “**Consideration A**”). The Consideration A shall be settled by way of cash by the Company upon completion of Acquisition A. Pursuant to the Sale and Purchase Agreement A, upon completion of the Acquisition A, the Company, Union Raise and Mr. Cheng shall enter into the Management Agreement A, pursuant to which Mr. Cheng, as manager, shall provide management services to Union Raise for a term commencing from the date of the Management Agreement A and ending on the date falling on the second anniversary of the date of the Management Agreement A, and provide the Profit Guarantee A in favour of Union Raise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 8 February 2023, the Company, as purchaser, and Ms. Li, as vendor, entered into the Sale and Purchase Agreement B, pursuant to which the Company has conditionally agreed to purchase, and Ms. Li has conditionally agreed to sell, subject to completion of the Increase in Issued Share Capital B and the terms and conditions under the Sale and Purchase Agreement B, the Sale Shares B, representing 90.1% equity interest in Pets Supermarket, at a consideration of HK\$1,000,000 (the “**Consideration B**”). Pursuant to the Sale and Purchase Agreement B, upon completion of the Acquisition B, the Company, Pets Supermarket and Ms. Li shall enter into the Management Agreement B, pursuant to which Ms. Li, as manager, shall provide such management services to Pets Supermarket for a term commencing from the date of the Management Agreement B and ending on the date falling on the second anniversary of the date of the Management Agreement B, and provide the Profit Guarantee B in favour of Pets Supermarket.

On 8 February 2023 (after trading hours of the Stock Exchange), the Company (as the issuer) and Mr. Cheng (as subscriber) also entered into the Subscription Agreement A, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Cheng has conditionally agreed to subscribe for, an aggregate of 43,000,000 new Shares at the subscription price of HK\$0.20 per Subscription Share A (the “**Subscription Price A**”) for a total consideration of HK\$8,600,000. The Subscription Shares A will be allotted and issued under the Specific Mandate A to be granted by the Independent Shareholders at the SGM.

As further set out in the Board Letter, on 8 February 2023 (after trading hours of the Stock Exchange), the Company (as the issuer) and Ms. Li (as subscriber) also entered into the Subscription Agreement B, pursuant to which the Company has conditionally agreed to allot and issue, and Ms. Li has conditionally agreed to subscribe for, an aggregate of 43,000,000 new Shares at the Subscription Price of HK\$0.20 per Subscription Share B for a total consideration of HK\$8,600,000. The Subscription Shares B will be allotted and issued under the Specific Mandate B to be granted by the Shareholders at the SGM.

Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and completion of the Subscription A, the 43,000,000 Subscription Shares A represent approximately: (i) 9.9% of the existing issued share capital of the Company of 432,644,031 Shares as at the Latest Practicable Date; (ii) 9.0% of the issued share capital of the Company as enlarged by the allotment and issue of the 43,000,000 Subscription Shares A; and (iii) 8.29% of the issued share capital of the Company as enlarged by the allotment and issue of 43,000,000 Subscription Shares A and 43,000,000 Subscription Shares B.

GEM LISTING RULES IMPLICATIONS

Sale and Purchase Agreement A and Management Agreement A

As Mr. Cheng is the brother-in-law of both Mr. Chan Yan Tak, being an executive Director and the chairman of the Board, and Mr. Lim Ming Shing Tony, being an executive Director, and a director of an indirect wholly-owned subsidiary of the Company, and therefore Mr. Cheng is a connected person of the Company and the transactions contemplated under the Sale and Purchase Agreement A constitute a connected transaction and the transactions contemplated under the Management Agreement A constitute a continuing connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As all of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Sale and Purchase Agreement A are less than 5%, and the total consideration is less than HK\$3,000,000, the Sale and Purchase Agreement A is fully exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As all of the applicable percentage ratios (other than the profits ratio) for the Management Agreement A is less than 5% on an annual basis and each of the Annual Caps during the term of Management Agreement A is less than HK\$3,000,000, the Management Agreement A is fully exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Subscription Agreement A

As disclosed above, Mr. Cheng is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription A constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Subscription Shares A will be allotted and issued under the Specific Mandate A to be granted by the Independent Shareholders to allot, issue and deal with the Shares by an ordinary resolution to be proposed for approval by the Independent Shareholders at the SGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee King Fui, Mr. Joseph Rodrick Law, Mr. To Kwan and Ms. Ho Sau Ping Pia, has been established to advise and provide the recommendation to the Independent Shareholders on the Subscription Agreement A, the Sale and Purchase Agreement A, the Management Agreement A and the respective transactions contemplated thereunder and to advise the Independent Shareholders on how to vote on the Subscription Agreement A (including the Specific Mandate A). We, Merdeka Corporate Finance Limited, has been appointed by the Company with approval from the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription Agreement A, the Sale and Purchase Agreement A, the Management Agreement A and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not been appointed as an independent financial adviser for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 17.96 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Sale and Purchase Agreement A, the Subscription Agreement A and the Management Agreement A; (ii) the financial information of the Group for the years ended 31 March 2021 and 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 (the “**Annual Report 2021/22**”); (iii) the financial information of the Group for the six months ended 30 September 2021 and 2022 as extracted from the interim report of the Company for the six months ended 30 September 2022 (the “**Interim Report 2022/23**”); (iv) the financial information of the Group for the nine months ended 31 December 2021 and 2022 as extracted from the third quarterly report of the Company for the nine months ended 31 December 2022 (the “**Third Quarterly Report 2022/23**”); (v) other information as set out in the Circular; and (vi) other relevant public information. We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the management of the Company (the “**Management**”) and the representatives of the Company (the “**Representatives**”). We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all material respects as at the Latest Practicable Date and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Management and the Representatives, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors, the Management and the Representatives, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries.

This letter is issued to the Independent Shareholders solely in connection for their consideration of the Subscription Agreement A, the Sale and Purchase Agreement A, the Management Agreement A and the respective transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Subscription Agreement A, the Sale and Purchase Agreement A and the Management Agreement A are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons as set out below:

1. Background information to the Subscription A, the Acquisition A and the Management Agreement A

1.1. Information of the Group

As disclosed in the Board Letter, the Company together with its subsidiaries are principally engaged in money lending business, financial instruments and quoted shares investment, and retail and wholesale business.

Set out below is a summary of the financial information of the Group (i) for the year ended 31 March 2021 (“FY2021”) and 2022 (“FY2022”) as extracted from the Annual Report 2021/22; (ii) for the nine months ended 31 December 2021 (“9M2021”) and 2022 (“9M2022”) as extracted from the Third Quarterly Report 2022/23; and (iii) for the six months ended 30 September 2022 (“HY2022”) and 2021 (“HY2021”) as extracted from the Interim Report 2022/23, respectively:

Summary of statements of profit or loss and other comprehensive income

	For the year		For the nine months	
	ended 31 March	ended 31 March	ended 31 December	ended 31 December
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Total revenue	98,271	115,368	56,030	79,256
– Revenue from money lending	27,544	31,189	19,650	25,828
– Revenue from groceries retail and wholesale	70,727	84,179	36,380	53,428
Cost of goods sold	(60,514)	(62,253)	(26,440)	(38,552)
Gross profit from sales of goods	10,213	21,926	9,940	14,876
(Loss) before tax	(64,789)	(94,741)	(34,439)	(29,748)
(Loss) for the year/period and total comprehensive loss for the year/period	(64,324)	(94,698)	(34,439)	(29,748)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of statements of financial position

	As at 30	As at 31 March	
	September	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
Non-current assets	76,931	87,827	84,329
– <i>Property, plant, and equipment</i>	12,788	12,248	13,781
– <i>Right-of-use assets</i>	8,816	11,712	4,079
– <i>Loans and advances to customers</i>	44,356	55,947	59,921
Current assets	145,801	137,306	194,366
– <i>Trade receivables</i>	13,442	13,234	13,664
– <i>Loans and advances to customers</i>	58,735	65,265	100,565
– <i>Financial assets at fair value through profit or loss</i>	28,853	30,467	23,631
– <i>Cash and cash equivalents</i>	17,156	21,684	44,523
Total assets	222,732	225,133	278,695
Current liabilities	11,450	15,609	9,349
– <i>Trade and other payables</i>	4,115	4,987	5,143
– <i>Lease liabilities</i>	5,623	6,051	2,768
– <i>Borrowings</i>	–	3,000	–
Non-current liabilities	3,659	6,154	1,652
Total liabilities	15,109	21,763	11,001
Net Assets	207,623	203,370	267,694

For FY2021 and FY2022

As set out in the Annual Report 2021/22, the total revenue of the Group for FY2022 was approximately HK\$98.3 million, representing a decrease of approximately 14.8% as compared to approximately HK\$115.4 million for FY2021.

Based on the historical financial information of the Group, the revenue generated from the money lending business has been declining for more than three years. The revenue was approximately HK\$27.5 million for FY2022, representing a decrease of approximately 11.9% or approximately HK\$3.6 million as compared to approximately HK\$31.2 million for FY2021. As advised by the Management, the Group has become more cautious in its lending given the weakening economy in Hong Kong which may give rise to more bad debts in the industry, resulting in decrease in revenue generated from the money lending business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With regards to the Group's retail and wholesale business, the revenue for this segment fluctuated in the past three years. The Group recorded the revenue of approximately HK\$70.7 million for FY2022, representing a decrease of approximately 16.0% or approximately HK\$13.5 million compared to approximately HK\$84.2 million for FY2021. As advised by the Management, such decrease was mainly due to the outbreak of the novel coronavirus ("COVID-19") pandemic which seriously undermined the economies of Hong Kong and further weakened the catering industry since 2020.

The gross profit from sales of goods of the Group amounted to approximately HK\$10.2 million for FY2022, declined by approximately 53.4% or HK\$11.7 million from approximately HK\$21.9 million for FY2021, while net loss of the Group for FY2022 was narrowed down to approximately HK\$64.3 million as compared to approximately HK\$94.7 million for FY2021. Such decrease in net loss was mainly due to the decrease of the allowance for expected credit losses on loans and advances to customers.

For 9M2021 and 9M2022

As set out in the Third Quarterly Report 2022/23, the total revenue of the Group for 9M2022 was approximately HK\$56.0 million, representing a decrease of approximately 29.4% as compared to approximately HK\$79.3 million for 9M2021.

As illustrated above, the revenue generated from the Group's money lending business for 9M2022 was approximately HK\$19.7 million, representing a decrease of approximately 23.6% or approximately HK\$6.1 million as compared to approximately HK\$25.8 million for 9M2021. As advised by the Management, such a decrease was mainly due to the more cautious attitude of the Group towards its lending given there may be more bad debts under the worsened economic environment raised by the COVID-19.

The revenue generated from the Group's retail and wholesale business for 9M2022 amounted to approximately HK\$36.4 million, representing a decrease of approximately 31.8% or approximately HK\$17.0 million as compared to approximately HK\$53.4 million for 9M2021. As advised by the Management, after the announcement of the Hong Kong government in relation to the relaxation of certain social distancing measures, more people have gradually resumed to their normal social life and have been more inclined to dine out, resulting in a reduction in consumption of grocery products, which has directly affected the revenue of the retail and wholesale business of the Group. Furthermore, there are many new competitors with similar business model in the market, resulting in severe competitions and decrease in turnover.

The gross profit from sales of goods of the Group declined by approximately 33.6% to approximately HK\$9.9 million for 9M2022 from approximately HK\$14.9 million for 9M2021, and the net loss of the Group increased from approximately HK\$29.7 million for 9M2021 to approximately HK\$34.4 million for 9M2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 September 2022 and 31 March 2022

As illustrated above, the Group's total assets and total liabilities as at 30 September 2022 amounted to approximately HK\$222.7 million and approximately HK\$15.1 million, representing a decrease of approximately 1.1% and approximately 30.7% as compared to the total assets and total liabilities of approximately HK\$225.1 million and approximately HK\$21.8 million as at 31 March 2022, respectively.

As at 30 September 2022, the net assets of the Group slightly increased by approximately 2.1% or approximately HK\$4.2 million to approximately HK\$207.6 million as compared to that of approximately HK\$203.4 million as at 31 March 2022.

1.2. Information of Mr. Cheng and Union Raise

Mr. Cheng

As at the Latest Practicable Date, Mr. Cheng, who is the existing management of Union Raise has over 6 years of experience in the trading and retail of healthcare products, including but not limited to Chinese herbal medicine and ginseng, being some of the major product categories expected to be sold by Union Raise after completion of the Acquisition A. Mr. Cheng has also established and acted as a director of various companies which engage in wholesale and retail of ginseng and pet supplies as well as the provision of pet services with annual revenues ranging from HK\$2 million to HK\$50 million. As a director of these companies, Mr. Cheng is principally responsible for the daily operations, the overall strategy and the management of the staff of the said companies.

Under Mr. Cheng's leadership, a number of retail and pop-up stores for healthcare products and pet products have been successfully launched by Mr. Cheng, and as the director of these companies, Mr. Cheng has the experience of managing a team up to 60 staff. The existing team of staff led by Mr. Cheng would not take part in establishing the Group's healthcare and pet products business.

Mr. Cheng has a good network of industry players and Union Raise is in the course of identifying suitable candidates with the relevant knowledge and experience for the operation of Union Raise and/or the sales and marketing of its products, and upon completion of Acquisition A, Union Raise will recruit and Mr. Cheng will assist in the process of recruiting appropriate candidates to assist the management and operation of Union Raise.

Upon completion of the Acquisition A, and in addition to the services to be provided by Mr. Cheng as a manager under the Management Agreement A, Mr. Cheng will also assist in the Company's business plan for Union Raise to procure healthcare products and/or pet products, recruit appropriate staff for the management and operation of Union Raise and to launch two to three retail stores in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. Cheng is a director of Union Raise and he will remain as a director of Union Raise after completion of the Acquisition A. Under the Management Agreement A, Mr. Cheng shall also act as a manager of Union Raise and is entitled to a service fee of HK\$30,000 per month. Pursuant to the terms of the Management Agreement A, if required by Union Raise and/or the Company, Mr. Cheng shall act in other official position of Union Raise with no additional remuneration, and shall diligently carry out the duties and responsibilities ordinarily attached to such position.

Union Raise

As disclosed in the Board Letter, Union Raise is a company incorporated in Hong Kong with limited liability and is principally engaged in the retail and trading of pet products and healthcare products.

According to the Board Letter, set out below is the financial information of Union Raise as extracted from its unaudited financial statements for the two years ended 31 December 2022:

	For the year ended 31 December	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	– (Note)	– (Note)
Profit/(loss) before taxation	– (Note)	– (Note)
Profit/(loss) after taxation	– (Note)	– (Note)

Note: the amount is less than HK\$1,000.

The unaudited total assets, total liabilities and net liabilities of Union Raise, as at 31 December 2022 according to its unaudited financial statements were approximately Nil, HK\$2,150 and HK\$2,150, respectively.

2. Reasons and benefits for the Acquisition A, the Subscription A and the Management Agreement A

The Group is principally engaged in money lending business, financial instruments and quoted share investment and retail and wholesale business. According to the annual reports of the Company, the Group has actively participated in the money lending business for more than ten years but the revenue from this segment has been decreasing since 2017 from approximately HK\$75.6 million to approximately HK\$27.5 million for FY2022 while reportable segment loss has been recorded since 2019. Meanwhile, as disclosed in the Third Quarterly Report 2022/23, the Group has been developing the retails and online sales business since 2015 and has sourced and launched new product line for pet products including pet supplement and pets food. Given the Company's plan to expand into the retail and trading of pet products and healthcare products, the Company has entered into the Sale and Purchase Agreements with the Vendors, and will enter into the Management Agreements with the existing managements of each of Union Raise and Pets Supermarket to leverage on their knowledge, expertise and business networks in the healthcare products and pet products to manage and operate the Target Companies upon completion of the Acquisitions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Management, upon completion of the Acquisitions, the Group would like to develop Union Raise and Pets Supermarket by procurement of healthcare products and/or pets related products, recruitment of staff for daily operation and launch of retail stores in Hong Kong and other cities within the GBA. Regarding the Acquisition A, despite the fact that Union Raise does not have any track record, the Company believes that the Acquisition A would enable the Group to tap into the trading and retail of healthcare products and pet-related products market in a relatively short period of time by leveraging on the business network and experience of Mr. Cheng instead of internally-developing the business and/or employing management with relevant expertise, knowledge and experience. The Company also believes that, through the business network and experience of Mr. Cheng, Union Raise is expected to source and procure healthcare products and pet products, such as vitamins, ginseng, products with cordyceps, products containing broken ganoderma spore and synbiotics, from local and overseas suppliers, and distribute the same through physical retail stores to be set up in Hong Kong. Based on the business development plan of Union Raise, the management of Union Raise expects to launch its first retail store on or before 1 July 2023 and targets to launch a total of two to three retail stores in Hong Kong on or before 31 December 2023.

Moreover, upon completion of the Acquisition A, Mr. Cheng will enter into the Management Agreement A with Union Raise, and will remain as a shareholder of and act as a manager to provide management services to Union Raise. Further, through the Subscription A, Mr. Cheng will also become a Shareholder. The Board believes the aforesaid arrangements allow the Group to minimise its risk in investing into the new retail markets with guaranteed profit to the Group as compared to internally establishing new businesses, and will also provide incentive to Mr. Cheng to make contribution towards the business development of the Group and act in its best interest. Furthermore, considering the similarity in nature of the business that Mr. Cheng previously engaged with that of Union Raise and that Mr. Cheng confirmed that he would no longer be involved in his previous businesses upon completion of the Acquisition A to devote all of his time and effort into Union Raise, we concur with the Directors' view that it is in the interests of the Company and the Shareholders as a whole for Mr. Cheng to manage the businesses of Union Raise.

Subject to completion of the Acquisition A and the Subscription A, it is expected that the gross proceeds and the net proceeds, after deduction of relevant expenses (including but not limited to the professional fees and disbursements), from the Subscription A will be HK\$8,600,000 and approximately HK\$7,600,000, respectively. The net proceeds from the Subscription A are intended to be used (i) as to approximately HK\$1,000,000 for financing the Acquisition A; and (ii) as to approximately HK\$6,600,000 for the operation and working capital of Union Raise. For the details of the Acquisition B, the Management Agreement B and intended use of proceeds from the Subscription B, please refer to the Board Letter for more information.

Given the aforesaid, the Board considers that the Subscriptions and the Acquisitions represent a valuable business opportunity as the Subscriptions and the Acquisitions would enable the Company to fulfill its need for expanding into targeted businesses without creating immediate cashflow burden on the Group by utilising funds from the Vendors through the Subscriptions; and the Acquisitions could broaden the revenue source and customer base of the existing retails and online sales business of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon enquiry with the Management, we understood that the Board also considered a number of fundraising methods such as debt financing and other ways of equity fundraising (including open offer, rights issue and share placement to independent institutional and individual investors) before conducting the Subscriptions. As advised by the Management, debt and bank financing usually involve lengthy due diligence and negotiations with banks which is time-consuming and will incur additional interest burden and/or handling fees associated with the significant loan size to the Group and may require the Group to provide security charged in favour of banks. In addition, as the Group recorded continuous loss for FY2021, FY2022 and 9M2022, it is also unlikely to obtain debt financing with favourable terms. Therefore, we concur with the Company's view that debt and bank financing are not the optimal financing methods under the prevailing market conditions. In respect of open offer and rights issue, the Management further advised that open offer and rights issue would require a relatively lengthy process to prepare and issue a prospectus and may impose financial burden on the existing Shareholders and will incur high underwriting commission, therefore, the Company considers open offer and rights issue may not be beneficial to the Company and the Shareholders as a whole. In respect of share placement, given that the placing of new Shares would only be available to certain independent institutional and individual investors, who would not be able to provide a similar level of support as Mr. Cheng and Ms. Li would do to facilitate the Group's expansion plan, and would inevitably incur additional costs in placing commission, we agree with the Company's view that share placement is not a preferable financing option. While in contrast, the Subscriptions would allow the Group to raise the necessary funds with certainty without incurring additional expenses and will enable Mr. Cheng and Ms. Lee to become a Shareholder, providing them an incentive to contribute to the future growth of the Group and act in the best interest of the Company. Based on the above factors, we concur with the Directors' view that, despite the dilution effect of the Subscriptions, the Subscriptions are the most expedient and feasible ways to raise sufficient funds for the Group's expansion.

Having considered that (i) the intended use of proceeds under the Subscription A is in line with the Group's expansion plan; (ii) the positive outlook in both healthcare products and pet care market as set out in the section headed "3. Industry Overview" below; (iii) the Subscriptions are most expedient and feasible ways to raise sufficient fund for the Group's expansion; (iv) the expertise, knowledge, experience, and business network of Mr. Cheng in the trading and retail of pets related and healthcare products; (v) our analysis regarding the Acquisition A as set out in the section headed "5. Sale and Purchase Agreement A" below; and (vi) the achievability of the Profit Guarantee A, we concur with the Directors that the Subscription A, the Acquisition A and the Management Agreement A are in the interest of the Company and the Shareholders as a whole.

3. Industry Overview

3.1. Pet care industry

The pet products industry in the PRC and Hong Kong has been growing rapidly in recent years, driven by an increase in pet ownership and spending on pets.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to an article, namely “Why Pets Could Be a Long-Tail Investment Trend”, published by Morgan Stanley on 7 April 2021, Morgan Stanley forecasts that the global pet care market which was valued at approximately US\$100 billion is poised to nearly triple to approximately US\$275 billion by 2030 thanks to a surge in new owners, favorable demographics and increased per-pet spending. Morgan Stanley also mentioned in its article that, after food and treats, animal health is the biggest subsegment, and vet care could be the fastest growing subsegment in the industry over the next decade. According to another research report regarding pet care market analysis and segment forecast to 2023 published by Grand View Research in September 2022 (the “**Pet Industry Research Report**”), the global pet care market size was valued at US\$150.67 billion in 2021 and is expected to reach US\$159.10 billion in 2022. The global pet care market is expected to grow at a compound annual growth rate (the “**CAGR**”) of approximately 5.1% from 2022 to 2030 and will reach US\$236.16 billion by 2030. The rising trend of pet humanisation and increased consumer spending in the household and pet care categories are the major growth drivers.

Regarding the geographic breakdown, the Pet Industry Research Report mentioned that Asia Pacific region is expected to expand at the fastest CAGR of approximately 5.6% during 2022 to 2030. The pet care industry in Asia Pacific region is likely to witness rapid growth, owing to rapid economic expansion and rising disposable income, which are expected to boost consumer spending on pet care products. Furthermore, rising pet ownerships and rising spending on pet care products are aspects that contribute to the regional market growth. According to the official website of Grand View Research (<https://www.grandviewresearch.com/>), Grand View Research provides syndicated research reports, customised research reports, and consulting services, and its database, which features thousands of statistics and in-depth analysis on 46 industries in 25 major countries worldwide, is used by the world's renowned academic institutions and Fortune 500 companies to understand the global and regional business environment.

As resident disposal income is correlated to pet ownership and pet care market as mentioned above, we also made reference to the official statistics. According to the statistics published in the official website of National Bureau of Statistics of China (<http://www.stats.gov.cn/>), resident per capita disposable income has been continuously increasing in the past two decades from RMB5,007 in 2003 to RMB35,128 in 2021, representing a CAGR of approximately 10.8%. Meanwhile, based on the statistics published by Census and Statistics Department of Hong Kong (<https://www.censtatd.gov.hk/en/>), the overall median monthly household income increased to approximately HK\$34,700 in 2021 from approximately HK\$20,000 in 2001, with a CAGR of approximately 2.7%. As such, it is anticipated that the spending amount on pets is likely to increase in the PRC and Hong Kong along with the expected increase in monthly household income in future.

Furthermore, we also look into pet care market in Hong Kong through other relevant indicator(s), for instance, the number of registered veterinary surgeons in Hong Kong, which has been increasing for past decades. Based on press releases published by Agriculture, Fisheries and Conservation Department of Hong Kong Special Administrative Region on 2 May 2017, the number of registered veterinary surgeons in Hong Kong has increased from about 400 in 2005 to over 800 in 2016. Based on the latest list of registered veterinary surgeons published in the official website of Veterinary Surgeons Board of Hong Kong (<https://www.vsbhk.org.hk/index.html>), we noted the number of registered veterinary surgeons in Hong Kong further increases to approximately 860 as at the end of February 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the aforesaid, it is anticipated that the number of pets ownership in Hong Kong and the PRC will continue to grow in the coming years and the pet care market would benefit from this potential increasing trending.

3.2. Healthcare products industry

According to an article, namely “Biotechnology, Medical & Healthcare Industry in Hong Kong”, which was published by the Research Team of Hong Kong Trade Development Council (“**HKTDC Research Team**”) on 29 September 2022 (“**HKTDC Research Healthcare Article**”), the HKTDC Research Team believed that an ageing population and increased health consciousness among consumers are boosting the demand for healthcare services and products. HKTDC Research Team expects the number of elderly people aged 65 or above is projected to increase from 20% of the total population in 2021 to 33.3% in 2039. On the other hand, based on the demographic data from the Census and Statistics Department of Hong Kong, the birth rate of Hong Kong has been decreasing for three decades. Hong Kong’s fertility showed a declining trend over the past 30 years. The total fertility rate decreased from 1281 live births per 1000 women in 1991 to 901 in 2003. It then rebounded to 1285 in 2012, before declining gradually to 1064 in 2019, and further decreased to 772 in 2021. Given the aforesaid, this demographic shift is expected to lead to a number of challenges for Hong Kong, including increased demand for healthcare services, social services, and pensions, as well as a shrinking workforce to support the elderly population.

In addition, the health expenditure undergoes a continuous upward trend for years. According to the data published by the Health Bureau of Hong Kong, the estimated per capita total health expenditure amounted to approximately HK\$3,522 in 1989/90 and reached to approximately HK\$25,258 in 2019/20, with a CAGR of approximately 6.56%. In addition, the health expenditure as a percentage of gross domestic product has been increasing steadily, with the percentage going up from 5.1% in 2010/11 to 6.8% in 2019/20.

Given the expected increasing demand for local healthcare services resulting in demographic shift and the increasing healthcare expenditure in Hong Kong, it is expected that the Hong Kong society would become more health-conscious and increase its awareness on the importance to preventing illness. Therefore, more people will seek for preventive measures as a way to reduce their overall healthcare costs. As such, it is anticipated that healthcare products industry in Hong Kong will continue to grow in the future.

3.3 Our view

Considering the potential growth trend in pet ownership and consumer spending on pet care products in Hong Kong and the PRC, as well as the growing healthcare products industry in Hong Kong due to increasing health consciousness, demographic shift, and rising healthcare expenditure, we believe the Acquisition A is a favorable opportunity for the Group to expand its business and capture future opportunities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The Subscription Agreement A

4.1. Principal terms

The principal terms of Subscription Agreement A as extracted from the Board Letter are summarised as follows:

Date	:	8 February 2023 (after trading hours of the Stock Exchange)
Parties	:	(i) the Company (as issuer); and (ii) Mr. Cheng Sai Chit Luke (as subscriber)
Subscription Shares A	:	43,000,000 new Shares
Subscription Price	:	HK\$0.20 per Subscription Share A

Ranking of the Subscription Shares A

The Subscription Shares A, when issued and fully paid, shall rank *pari passu* in all respects among themselves and with the Shares in issue on the date of such allotment and issue.

Conditions precedent

Completion of the Subscription Agreement A is conditional upon the following conditions having been fulfilled:

- (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Subscription Shares A;
- (ii) all necessary consents and approvals required to be obtained by the Company and Mr. Cheng in respect of the Subscription Agreement A and the transactions contemplated thereunder, including but not limited to Subscription A, having been obtained;
- (iii) the passing of necessary resolution(s) at the SGM to be held and convened by the Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules and other applicable laws and regulations to approve Subscription Agreement A and the transactions contemplated thereunder, including the Specific Mandate A for the allotment and issue of the Subscription Shares A; and
- (iv) the Sale and Purchase Agreement A having becoming unconditional (save for the conditions of the Subscription Agreement A becoming unconditional).

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All of the above conditions are incapable of being waived by either the Company or Mr. Cheng. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

If the above conditions have not been satisfied by 26 April 2023, or such other date as the Company and Mr. Cheng may agree in writing, the Subscription Agreement A shall cease and determine, and thereafter none of the parties to the Subscription Agreement A shall have any obligations and liabilities towards each other thereunder save for any antecedent breach of the terms thereof.

Completion

Completion of the Subscription Agreement A shall take place within five (5) Business Days (or such other date and time as may be agreed by the Company and Mr. Cheng) after the satisfaction of the conditions as set out above.

Completion of Subscription A is inter-conditional with completion of the Acquisition A and is conditional upon, amongst others, the fulfilment or waiver (as the case may be) of the conditions precedent under the Sale and Purchase Agreement A and the Subscription Agreement A.

Specific Mandate A

The Subscription Shares A will be allotted and issued pursuant to the Specific Mandate A proposed to be obtained from the Independent Shareholders at the SGM.

Application for listing

An application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares A.

4.2. The Subscription Price A

The Subscription Price A of HK\$0.20 per Subscription Share A represents:

- (i) a premium of approximately 15.6% over the closing price of HK\$0.1730 per Share as quoted on the Stock Exchange on the date of Subscription Agreement A;
- (ii) a premium of approximately 15.5% over the average closing price of HK\$0.1732 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to the date of Subscription Agreement A;
- (iii) a premium of approximately 21.2% over the closing price of HK\$0.1650 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a discount of approximately 65.3% to the unaudited net asset value attributable to owners of the Company as at 30 September 2022 of approximately HK\$0.576 per Share.

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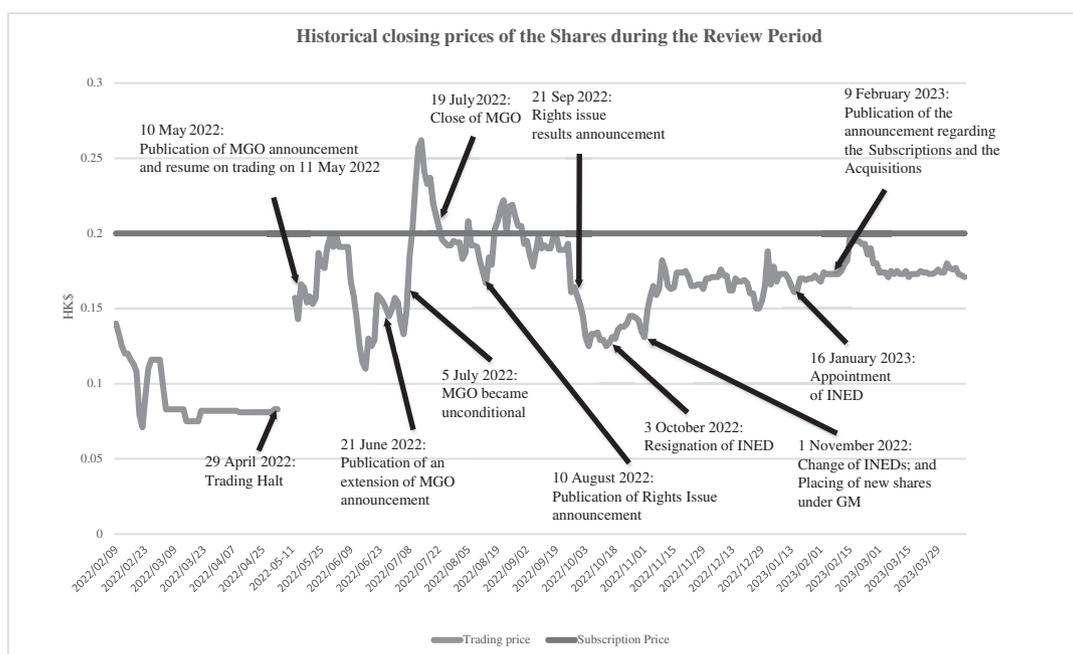
The Subscription Price A was arrived at after arm's length negotiation between the Company and Mr. Cheng after taking into account (i) the current market condition; (ii) the prevailing market price of the Shares; and (iii) financial position of the Group.

4.3. Our assessment on the Subscription Price A

(a) Historical price analysis

To assess the fairness and reasonableness of the Subscription Price A, we set out the following analysis which include reviews on the historical price of the Shares.

Set out below is a chart reflecting movements in the closing price of the Shares as quoted on the Stock Exchange from 8 February 2022 (the “**Last Trading Day**”), being approximately one year prior to the date of the Subscription Agreement (i.e. 8 February 2023), up to and including the Latest Practicable Date (the “**Review Period**”).



Source: the website of the Stock Exchange (www.hkex.com.hk)

As illustrated above, during the Review Period, the Shares were traded within the range of HK\$0.071 and HK\$0.262 per Share with an average of approximately HK\$0.157 per Share. The Subscription Price A of HK\$0.20 per Subscription Share A is therefore within the range of the closing price of the Shares during the Review Period.

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We noted that the lowest point of the closing price of the Shares was recorded on 21 February 2022. On 29 April 2022, the Company announced that there was a temporary halt in the trading of the Shares, pending a publication of the joint announcement in respect of the Offer (defined below). Following the publication of a joint announcement on 10 May 2022 by the Company and Best Richest Management Company Limited (the “Offeror”) in relation to a mandatory conditional cash offer (the “Offer”) by China Securities Limited for and on behalf the Offeror to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror), the closing price of the Shares jumped to HK\$0.157 on 11 May 2022 from HK\$0.083 on 28 April 2022. After the Offer became unconditional in all respects on 5 July 2022, the closing price of the Shares even reached its highest point during the Review Period at HK\$0.262 on 13 July 2022. Following the close of the Offer on 19 July 2022, the closing price of the Shares was on a general downward trend. On 10 August 2022, the Company published a rights issue announcement and the closing price of the Shares then decreased to HK\$0.167 on 12 August 2022. During the rights issue period, we also noted that the closing price of the Shares firstly increased to HK\$0.222 on 22 August 2022 then decreased to HK\$0.189 on 21 September 2022 (being the date of rights issue result announcement). The closing price of the Shares further dropped to HK\$0.125 after the publication of the resignation of an independent non-executive director on 3 October 2022. Afterwards, the closing price of the Shares was on an upward trend from 3 October 2022 and recorded HK\$0.158 on 2 November 2022 after publication of an announcement relating to placing of new shares under general mandate. After the publication of the announcement regarding the Acquisitions and the Subscriptions on 9 February 2023 and up to the Latest Practicable Date, the closing price of the Shares ranged from HK\$0.165 on 14 April 2023 (i.e. the Latest Practicable Date) to a high of HK\$0.197 on 14 February 2023. As confirmed by the Company, except for the fluctuation of the closing price of the Shares due to the reasons mentioned above, the Company was not aware of any specific reason which caused the aforesaid movements of the closing price of the Shares during the Review Period.

Further, the Subscription Price A of HK\$0.20 per Share (i) is within the range of the closing price between HK\$0.262 per Share and HK\$0.071 per Share and higher than the average closing price of the Shares of approximately HK\$0.157 per Share during the Review Period; and (ii) represents a premium of approximately 181.7% over the lowest closing price of HK\$0.071 per Share, a premium of approximately 27.4% over the average closing price of approximately HK\$0.157 and a discount of approximately 23.7% to the highest closing price of HK\$0.262 per Share.

(b) Comparable subscription analysis

To further assess the fairness and reasonableness of the Subscription Price A, we have conducted a search on the website of the Stock Exchange for transactions which (i) involved the subscription of new shares of listed companies by either their connected person(s) or independent third party(ies); and (ii) announced during the period from 8 February 2022 up to and including 8 February 2023 (being approximately 12 months up to and including date of the Subscription Agreements) (“**Subscription Comparables Review Period**”).

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The selection of the comparable transactions (the “**Subscription Comparable Transactions**”) is based on the following criteria: (i) subscription of new shares under specific mandate carried out by the companies listed on the Stock Exchange; (ii) excluding issues under share award plan or for emolument or restructuring scheme or acquisition purposes; (iii) excluding issue of A shares or domestic shares; and (iv) the trading of the shares of such listed companies were not suspended as at the Last Trading Day.

We considered our selection criteria for the Subscription Comparable Transactions and the length of the Subscription Comparables Review Period as fair and reasonable given that (i) the selection of subscription exercises with subscribers therein being connected persons and/or independent third parties of the relevant issuers would provide a more comprehensive view of the prevailing market conditions; and (ii) there is a sufficient number of the Subscription Comparable Transactions conducted during the Subscription Comparables Review Period for our analysis.

In selecting the Subscription Comparable Transactions, we have also included companies with different market capitalisation and from different industries listed on the Stock Exchange, given that we consider (i) such inclusion would provide a more comprehensive reference point compared to a limited number of comparable transactions which are announced by those with a market capitalisation that is close to that of the Company; (ii) the market sentiment toward a company’s shares, which are often affected by, among others, the company’s financial performance, industry or market capitalisation, are already reflected in their recent share prices and hence the premium/discount represented by the Subscription Comparable Transactions’ subscription prices over/to the then share prices already provides a relevant and direct reference with regards to the market practice in determining the subscription price; and (iii) whether a company is listed on the Main Board or GEM of the Stock Exchange, or has a small or larger market capitalisation, would unlikely have a material impact on the premium/discount represented by its subscription price over/to its recent share prices, and such view is supported by the figures presented by the Subscription Comparable Transactions as shown in table below. Taking into account these factors, we consider that our selection criteria for the Subscription Comparable Transactions are fair and reasonable and provide a meaningful reference for our assessment of the Subscription Price A.

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Based on our selection criteria, we have identified 9 Subscription Comparable Transactions which we consider to be exhaustive and sufficient for our assessment of the fairness and reasonableness of the Subscription Price A. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as those companies involved in the Subscription Comparable Transactions. However, we consider that the subscription prices in the Subscription Comparable Transactions were determined under similar market conditions and sentiment and hence reflect relevant general market trends in an open market. Accordingly, we are of the view that the Subscription Comparable Transactions provide a meaningful reference to our assessment of the fairness and reasonableness of the Subscription Price A.

Date of announcement	Company Name (Stock Code)	Market Cap <i>(Note 1)</i> <i>(HK\$ million)</i>	Connected transaction (Y/N)	to the date of the respective agreement <i>(Note 2)</i> <i>(%)</i>	Premium/ (discount) of the subscription price over/to the average closing price for the last five (5) trading days prior to/up to and including the date of the respective agreement <i>(Note 2)</i> <i>(%)</i>	Premium/ (discount) of the subscription price over/to the latest consolidated net asset value per share <i>(Note 2)</i> <i>(%)</i>
1/18/2023	Honghua Group Limited (Stock Code: 196)	1,124.8	Y	(1.71)	(3.51)	(90.16)
1/11/2023	COFCO Joycome Foods Limited (Stock Code: 1610)	8,116.2	Y	(1.71)	(2.13)	2.68
18/10/2022	China Titans Energy Technology Group Co., Limited (Stock Code: 2188)	300.6	N	3.03	5.92	(42.81)
9/26/2022	Beijing Gas Blue Sky Holdings Limited (Stock Code: 6828)	2,341.8	Y	12.38	5.92	187.80
8/23/2022	Standard Development Group Limited (Stock Code: 1867)	283.9	Y	(14.80)	(16.10)	113.00

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Date of announcement	Company Name (Stock Code)	Market Cap (Note 1) (HK\$ million)	Connected transaction (Y/N)	Premium/ (discount)	Premium/ (discount)	Premium/ (discount)
				of the subscription price over/to the average closing price for the last five (5) trading days prior to/up to and including the date of the respective agreement (Note 2) (%)	of the subscription price over/to the average closing price for the last five (5) trading days prior to/up to and including the date of the respective agreement (Note 2) (%)	Premium/ (discount) of the subscription price over/to the latest consolidated net asset value per share (Note 2) (%)
5/31/2022	TOT BIOPHARM International Company Limited (Stock Code: 1875)	1,615.1	Y	Equivalent	4.79	133.34
4/13/2022	Jinxin Fertility Group Limited (Stock Code: 1951)	15,291.5	Y	11.30	7.62	86.22
3/25/2022	JD Logistics, Inc. (Stock Code: 2618)	87,822.3	Y	(9.96)	(13.74)	171.05
3/14/2022	Beijing Enterprises Clean Energy Group Limited (Stock Code: 1250)	7,638.4	N	(7.69)	(8.57)	(55.35)
			Maximum	12.38	7.62	187.80
			Minimum	(14.80)	(16.10)	(90.16)
			Average	(1.15)	(2.20)	50.62
			Median	(1.71)	(2.13)	86.22
	The Company	71.4		15.60	15.50	(65.30)

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Market capitalisation as at the Latest Practicable Date.
2. The net assets value per share for each Subscription Comparable Transactions was extracted from the respective latest financial reports (interim/annual results) of the Subscription Comparable Transactions. Net assets value per share was calculated based on the reported net assets value of the Subscription Comparable Transactions divided by the number of their respective issued shares as at the date of the relevant announcement of the Subscription Comparable Transactions.

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3. Exchange rate of RMB1 = HK\$1.1376.
4. The following transactions were identified during the Subscription Comparables Review Period with extraordinarily high premium/(discount) of the subscription price over/to closing price per share on the last trading date or latest consolidated net asset value per share (as applicable). As such, we consider these transactions as outliers and not included in the above analysis. These transactions include the subscription exercises of:
 - a. China Ecotourism Group Limited (Stock Code: 1371) as the subscription price disclosed in the announcement dated 8 December 2022 represents an extraordinarily high premium of approximately 1,131.0% over the latest consolidated net asset value per share, compared to other Subscription Comparable Transactions;
 - b. Cornerstone Technologies Holdings Limited (Stock Code: 8391) as (i) the subscription price disclosed in the announcement dated 7 December 2022 represents an extraordinarily high premium of approximately 499.96% over the then latest consolidated net asset value per share; and (ii) the subscription price disclosed in the announcement dated 2 September 2022 represents an extraordinarily high premium of approximately 1,007.00% over the latest consolidated net asset value per share, compared to other Subscription Comparable Transactions;
 - c. Link-Asia International MedTech Group Limited (Stock Code: 1143) as the subscription price disclosed in the announcement dated 13 September 2022 represents an extraordinarily high premium of approximately 78.40% over the closing price per share on the last trading day, compared to other Subscription Comparable Transactions;
 - d. BOE Varitronix Limited (Stock Code: 710) as the subscription price disclosed in the announcement dated 1 September 2022 represents an extraordinarily high premium of approximately 265.40% over the latest consolidated net asset value per share, compared to other Subscription Comparable Transactions;
 - e. Morris Home Holdings Limited (Stock Code: 1575) as the subscription price disclosed in the announcement dated 5 August 2022 represents an extraordinarily high discount of approximately 59.40% to the closing price per share on the last trading day, compared to other Subscription Comparable Transactions; and
 - f. Hypebeast Limited (Stock Code: 150) as the subscription price disclosed in the announcement dated 28 July 2022 represents an extraordinarily high premium of approximately 33,425.20% over the latest consolidated net asset value per share, compared to other Subscription Comparable Transactions.

As illustrated in the table above, the subscription prices in the Subscription Comparable Transactions:

- (i) ranged from a discount of approximately 14.80% to a premium of approximately 12.38%, with an average discount of approximately 1.15% and a median discount of approximately 1.71% to their respective closing share prices on/prior to the date of the agreement;
- (ii) ranged from a discount of approximately 16.10% to a premium of approximately 7.62%, with an average discount of approximately 2.20% and a median discount of approximately 2.13% to their respective average closing prices for the last five (5) consecutive trading days prior to/up to and including the date of the agreement; and

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(iii) ranged from a discount of approximately 90.16% to a premium of approximately 187.80%, with an average premium of approximately 56.20% and median premium of approximately 86.22% over their respective latest consolidated net assets value per share.

As such, (i) the premium of the Subscription Price of approximately 15.60% over the closing price of the Last Trading Day (the “**LTD Premium**”) is higher than the relevant range of the Subscription Comparable Transactions; (ii) the premium of the Subscription Price of approximately 15.50% over the closing price for the last five consecutive trading days prior to the Last Trading Day (the “**Five Days Premium**”) is higher than the relevant range of the Subscription Comparable Transactions; and (iii) the discount of the Subscription Price of approximately 65.30% to the unaudited consolidated net asset value as at 30 September 2022 (the “**NAV per Share Discount**”) falls within the relevant range of the Subscription Comparable Transactions.

We also noted the NAV per Share Discount is lower than the median and the average of the relevant range of the Subscription Comparable Transactions. Nevertheless, having considered that (i) the Shares had been traded below the net asset value per Share continuously during the Review Period; (ii) the current market price of the Shares in fact reflects the value of the Shares that is generally perceived by the market has taken into account all business segments of the Group as well as the prevailing market conditions; and (iii) the market sentiment of the Hong Kong stock market has been pessimistic since 2022, we concur with the Board’s view that the net asset value per Shares is not a meaningful benchmark to assess the Subscription Price A, instead, the prevailing market price comparison of the Shares would be a more appropriate reference in determining the Subscription Price A in this regard.

Having considered that (i) the LTD Premium and Five Days Premium are higher than relevant range of the Subscription Comparable Transactions; (ii) the NAV per Share Discount is within the relevant range of the Subscription Comparable Transactions; (iii) the Share had been in general traded at a discount to the consolidated net assets attributable to owners of the Company during the Review Period; (iv) the reasons for and benefits of the Subscription A, the Acquisition A and the Management Agreement A; (v) the Subscription A represents a chance for the Group to enter the expanding markets for pet care and healthcare products; and (vi) our further analysis regarding the Acquisition A as mentioned below, we are of the view that the Subscription Price A is fair and reasonable so far as the Independent Shareholders are concerned.

4.4. Use of Proceeds

As referred to the Board Letter, subject to completion of Acquisition A and Subscription A, it is expected that the gross proceeds and the net proceeds, after deduction of relevant expenses (including but not limited to the professional fees and disbursements), from Subscription A will be HK\$8,600,000 and approximately HK\$7,600,000, respectively. On such basis, the net price raised per Subscription Share A upon completion of Subscription A will be approximately HK\$0.177.

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Set out below a breakdown of the intended use of proceeds from Subscription A and the expected timeline in utilising the estimated net proceeds from the Subscription A as extracted from the Board Letter:

Intended use of proceeds from Subscription A	Approximate amount of the estimated net proceeds	Expected timeline in utilising the estimated net proceeds
Financing Acquisition A	HK\$1,000,000	Upon completion of Acquisition A
Operation and working capital of Union Raise		
<ul style="list-style-type: none">procurement of healthcare products and/or pet related products	HK\$2,000,000	On or before 30 June 2023
<ul style="list-style-type: none">recruitment of staff responsible for the operation of Union Raise and/or the sales and marketing of its products	HK\$1,000,000	On or before 31 July 2023
<ul style="list-style-type: none">launch of retail stores in Hong Kong	HK\$3,000,000	Before 31 December 2023
<ul style="list-style-type: none">general working capital of Union Raise	HK\$ 600,000	On or before 31 December 2023

Taking into account that the proposed use of proceeds from the Subscription A includes (i) financing the Acquisition A; and (ii) for the operation and working capital of Union Raise, we further assess (a) the principal terms of the Sale and Purchase Agreement A; and (b) the industry prospects of Union Raise to justify the fairness and reasonableness of the use of proceeds from the Subscription A, details of which have been set out in the section headed “5. The Sale and Purchase Agreement A” below and “3. Industry Overview” above in this letter, respectively.

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5. The Sale and Purchase Agreement A

5.1. Principal terms of the Sale and Purchase Agreement A

The principal terms of the Sale and Purchase Agreement A as extracted from the Board Letter are summarised as follows:

Date	:	8 February 2023 (after trading hours of the Stock Exchange)
Parties	:	(i) Mr. Cheng Sai Chit Luke (as vendor); and (ii) the Company (as purchaser)
Assets to be acquired	:	Pursuant to the terms and conditions of the Sale and Purchase Agreement A, the Company conditionally agreed to purchase, and Mr. Cheng conditionally agreed to sell, the Sale Shares A, representing approximately 90.1% equity interest in Union Raise.
Consideration A	:	The consideration for Acquisition A is HK\$1,000,000, which shall be settled by way of cash by the Company on completion of Acquisition A.
Basis of consideration	:	The Consideration A was determined after arm's length negotiations between the Company and Mr. Cheng on normal commercial terms, after taking into account, among others, (i) the Profit Guarantee A to be provided by Mr. Cheng in favour of Union Raise under the Management Agreement A; (ii) the expertise, knowledge and experience provided by the management of Union Raise and other employees to be employed by Union Raise; and (iii) other factors as set out in the section headed "Reasons for and benefits of the Acquisitions and the Subscriptions and Use of Proceeds" in the Board Letter.

The Company intends to finance the consideration payable under the Sale and Purchase Agreement A by utilising part of the net proceeds expected to be raised from Subscription A.

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Completion : Completion of Acquisition A shall take place on the date falling on the third Business Day after the fulfillment and/or waiver (as the case may be) of all the conditions precedent as set out in the Sale and Purchase Agreement A, or such later date as the Company and Mr. Cheng may agree in writing.

Upon completion of Acquisition A, Union Raise will become a direct non-wholly owned subsidiary of the Company and therefore the financial information of Union Raise will be consolidated into the financial statements of the Group.

Completion of Acquisition A is inter-conditional with the completion of the Subscription A and is conditional upon, amongst others, the fulfilment and/or waiver (as the case may be) of the conditions precedent under the Sale and Purchase Agreement A and the Subscription Agreement A.

For details of the Sale and Purchase Agreement A, please refer to the section headed “SALE AND PURCHASE AGREEMENT A” in the Board Letter.

5.2. Our assessment on the Consideration A

As disclosed in the Board Letter, the Consideration A of HK\$1,000,000 was determined after arm’s length negotiations between the Company and Mr. Cheng on normal commercial terms, after taking into account, among others, (i) the Profit Guarantee A to be provided by Mr. Cheng in favour of Union Raise under the Management Agreement A; (ii) the expertise, knowledge and experience provided by the management of Union Raise and other employees to be employed by Union Raise; and (iii) other factors as set out in the section headed “Reasons for and benefits of the Acquisitions, the proposed entering into of the Management Agreements and the Subscriptions” in the Board Letter.

We noted that Mr. Cheng shall irrevocably and unconditionally provide Union Raise the net profit guarantee of not less than HK\$1 million for the first twelve (12)-month period commencing on the date of the Management Agreement A; and not less than HK\$3 million for the second twelve (12)-month period immediately following the expiry of the said first twelve (12)-month period. Please refer to our analysis regarding fairness and reasonableness of the Profit Guarantee A as set out in the section headed “6.3. Our assessment on the terms of the Management Agreement A” in this letter.

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As confirmed by the Management, other than the Profit Guarantee A, the Consideration A was also mainly derived at based on the expertise, knowledge, and experience of Mr. Cheng. We accordingly obtained and reviewed a summary list of Mr. Cheng's employment history and understood that Mr. Cheng has established and acted as a director of these companies which principally engaged in wholesale and retail of ginseng and pet supplies as well as the provision of pet services. Given the aforesaid, we consider Mr. Cheng's substantial experience in pet products and healthcare products would assist the Group in tapping into the trading and retail of healthcare and pet-related products markets in a relatively short period.

Based on our discussion with the Management, we also noted completion of Acquisition A shall only take place against compliance and fulfillment of all acts and requirements by Mr. Cheng on the date of completion, including but not limited to the delivery of the Management Agreement A duly executed by Mr. Cheng, Union Raise and the Company.

Having considered that (i) the achievability of the Profit Guarantee A as mentioned in the sub-section headed "6.3 Our Assessment on the terms of the Management Agreement A"; (ii) the expertise, knowledge and experience of Mr. Cheng; (iii) the positive prospects in both pet care and healthcare markets as mentioned in the section headed "3. Industry Overview" above; and (iv) the intended use of proceeds under the Subscription A which is in line with the Group's expansion plan, we consider that the Consideration A is fair and reasonable and is on normal commercial terms.

6. The Management Agreement A

6.1. Principal terms of the Management Agreement A

The proposed principal terms of the Management Agreement A as extracted from the Board Letter are summarised as follows:

Date	:	On the date of completion of Acquisition A
Parties	:	Union Raise; the Company; and Mr. Cheng
Term	:	The term of the Management Agreement A shall commence on the date of the Management Agreement A and end on the earlier of (i) the date falling on the second anniversary of the commencement date of such term; and (ii) the date on which the Management Agreement A is terminated in accordance with the terms and conditions therein.
Service fee	:	The service fee is HK\$30,000 per month in arrears to be paid by Union Raise to Mr. Cheng on the last day of every six calendar months.

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Annual Caps : The Directors estimate that the maximum amount payable by Union Raise to Mr. Cheng under the Management Agreement A on an annual basis will not exceed HK\$500,000 and HK\$500,000 for the first and second anniversary of the date of the Management Agreement A, respectively.

The Annual Caps amount are calculated by reference to the total service fee payable under the Management Agreement A, which in turn is determined based on the experience of Mr. Cheng, the duties and level of responsibilities of Mr. Cheng and the prevailing market conditions.

Scope of services : Mr. Cheng shall have the exclusive rights and responsibilities to manage the business(es) of Union Raise, including, among others:

- (i) upon request by Union Raise and/or the Company, preparing the Business Plans for the approval of Union Raise and the Company before implementation of them;
- (ii) implementing the Business Plans as approved by Union Raise and the Company;
- (iii) procuring Union Raise to apply for and maintain all necessary permits, licences and/or approvals which are required for the carrying out of the business(es) of Union Raise; and
- (iv) procuring Union Raise to comply in all material respects with all relevant applicable laws in conducting the business(es) of Union Raise

6.2. Profit Guarantee A

Pursuant to the terms and conditions to the Management Agreement A, Mr. Cheng shall irrevocably and unconditionally warrant and guarantee to Union Raise that the Net Profit of Union Raise, calculated in accordance with the HKFRS as shown in its audited financial statements for the following Guaranteed Periods issued by the Auditors shall not be less than the following Guaranteed Profit:

- i. for the first twelve (12)-month period commencing on the date of the Management Agreement A, the Guaranteed Profit shall not be less than HK\$1,000,000; and

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- ii. for the second twelve (12)-month period immediately following the expiry of the said first twelve (12)-month period, the Guaranteed Profit shall not be less than HK\$3,000,000.

In the event that the Actual Profit of Union Raise, calculated in accordance with the HKFRS for any of the Guaranteed Periods as shown in the Guarantee Certificate (as defined below) is less than the Guaranteed Profit for such Guaranteed Period, then Mr. Cheng undertakes to pay to Union Raise, an amount (A), being the Shortfall A, calculated as follows:

$$A = \text{Guaranteed Profit} - \text{Actual Profit}$$

In such event, Mr. Cheng shall be obliged to pay Union Raise, within twenty (20) Business Days upon the receipt of the Guarantee Certificate an amount equivalent to the Shortfall A in cash.

For the avoidance of doubt, should Union Raise record a loss in its audited financial statements for any of the Guaranteed Periods, the Actual Profit for such Guaranteed Period shall be deemed as zero (0).

Please refer to the section headed “MANAGEMENT AGREEMENT A” in the Board Letter for more details.

6.3. *Our analysis of the terms of the Management Agreement A*

6.3.1 The Profit Guarantee A

As noted from the Board Letter, the Consideration A is based on, among others, the Profit Guarantee A to be given by Mr. Cheng, which in turn was primarily determined after arm’s length negotiations between the Company and Mr. Cheng after considering (i) the proposed business plan provided by Mr. Cheng in relation to the expansion of Union Raise; (ii) the sale and purchase agreement entered into between Union Raise and its customer; and (iii) Mr. Cheng’s experience and knowledge in the healthcare products and pet products and his established business network in the industries.

Upon our enquiry, we understood one agreement was entered into between Union Raise and its customer as at the Latest Practicable Date in respect of the proposed purchase of new products by the customer from Union Raise for a term of three years ending on 31 March 2026. As further advised by the Management, Union Raise is currently securing purchase orders with other independent customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our discussion with the Management, we understood that a total of twenty new products will be launched by Union Raise by the end of 2023. As at the Latest Practicable Date, Union Raise is working with its suppliers to finalise the formulas for the five “trophy” products, while also formulating the remaining fifteen new products to be launched in 2023. The five trophy products with exclusive formulas include Yunzhi & Agaricus Blazei Murill Capsules for Pets* (寵物專用雲芝姬松茸膠囊); Pure Chinese CS-4 Formula* (培植蟲草菌絲體CS-4配方); Frozen Age Respected Pet Series Broken Ganoderma Spore Meal Booster* (凍齡尊寵系列破壁靈芝孢子拌食粉); Daily Health Care Chicken Essence with Original Flavor* (原味滴雞精日常保健); and Trametes Versicolor Chicken Essence* (雲芝滴雞精抗病補身).

The Management has also revealed that Union Raise plans to open its first retail store on or before 1 July 2023 and aims to open a total of two retail stores in Hong Kong by March 2024.

Having considered that (i) apart from the one secured agreement as at the Latest Practicable Date, Union Raise strives for securing other purchase orders with its customers; (ii) Union Raise is planning to launch a maximum of twenty new products in 2023, five of which are considered “trophy” products with exclusive formulas that are currently in the final stages of development; (iii) Union Raise plans to open its first retail store by 1 July 2023 and aims to have a total of two additional stores in Hong Kong by March 2024; and (iv) the positive outlook in healthcare and pets related markets as mentioned in the “3. Industry Overview” above, we concur with the Board’s view that the Profit Guarantee A to be achievable.

As further advised by the Management, the Board also believes that the provision of the Profit Guarantee A by Mr. Cheng for the Guarantee Periods has demonstrated Mr. Cheng’s confidence in Union Raise’s performance in the near future, and the Company would be able to secure a cash compensation from Mr. Cheng in the event that the Profit Guarantee A cannot be achieved. Therefore, the Directors believe that the Profit Guarantee A to be fair and reasonable.

Having considered (i) the achievability of the Profit Guarantee A; (ii) Mr. Cheng’s confidence in Union Raise’s performance in near future; and (iii) the cash compensation from Mr. Cheng for the Shortall A if the Profit Guarantee A cannot be achieved, we consider the Profit Guarantee A to be fair and reasonable.

6.3.2 *Service fee*

We enquired with the Management regarding the basis of the monthly service fee of HK\$30,000 to which Mr. Cheng is entitled under the Management Agreement A, and were informed that the fee was determined primarily based on several factors, including but not limited to, Mr. Cheng’s background, qualifications, experience, level of responsibilities to be undertaken with the Company, and the prevailing market conditions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We reviewed the list of Mr. Cheng's employment history provided by the Management and noted that, since 2015, Mr. Cheng has been working as a director for various companies that were engaged in wholesale and retail of ginseng and pet supplies, as well as the provision of pet services. We made an enquiry with the Management regarding Mr. Cheng's remuneration for similar positions and responsibilities held in other companies and were confirmed that the monthly service fee of HK\$30,000 under Management Agreement A is comparable to Mr. Cheng's previous employment contracts.

Having considered the aforesaid, we consider the monthly service fee of HK\$30,000 to be fair and reasonable.

6.4. Our view

In conclusion, we consider the terms of the Management Agreement A to be fair and reasonable so far as the Independent Shareholders are concerned.

7. Potential dilution effect

As disclosed in the Board Letter, to the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon completion of the Acquisitions and the Subscriptions (assuming there is no other change in the shareholding structure of the Company between the Latest Practicable Date and date of completion of the Acquisitions and the Subscriptions):

Shareholders	As at the Latest Practicable Date		Upon completion of the Acquisitions and the Subscriptions (assuming there is no other change in the shareholding structure of the Company between the Latest Practicable Date and date of completion of the Acquisitions and the Subscriptions)	
	<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Best Richest Management Company Limited ^(Note 1)	181,196,866	41.88	181,196,866	34.94
Subscribers				
Mr. Cheng	–	–	43,000,000	8.29
Ms. Li	–	–	43,000,000	8.29
Other public Shareholders	251,447,165	58.12	251,447,165	48.48
	<u>432,644,031</u>	<u>100.00</u>	<u>518,644,031</u>	<u>100.00</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

- (1) Best Richest Management Company Limited is wholly and beneficially owned by Mr. Chan Yan Tak, being the chairman of the Board, an executive Director and a controlling Shareholder.
- (2) Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that:

1. notwithstanding the entering into the Sale and Purchase Agreement A and the proposed entering into the Management Agreement A are not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement A, the Management Agreement A and the respective transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole; and
2. notwithstanding the entering into the Subscription Agreement A (including the Specific Mandate A) is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement A (including the Specific Mandate A) and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription Agreement A (including the Specific Mandate A) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Merdeka Corporate Finance Limited
Wallace So
Director

Mr. Wallace So is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 10 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Subscription Shares A and the Subscription Shares B, are as follows:

(i) As at the Latest Practicable Date

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>30,000,000,000</u>	Shares of HK\$0.01 each	<u>300,000,000</u>
<i>Issued and fully paid share capital:</i>		
<u>432,644,031</u>	Shares of HK\$0.01 each	<u>4,326,440</u>

(ii) Immediately after the allotment and issue of the Subscription Shares A and the Subscription Shares B

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>30,000,000,000</u>	Shares of HK\$0.01 each	<u>300,000,000</u>
<i>Issued and fully paid share capital:</i>		
432,644,031	Shares of HK\$0.01 each	4,326,440
43,000,000	Subscription Shares A to be allotted and issued under Subscription A	430,000
<u>43,000,000</u>	Subscription Shares B to be allotted and issued under Subscription B	<u>430,000</u>
<u>518,644,031</u>	Shares of HK\$0.01 each	<u>5,186,440</u>

All the Shares in issue and the Subscription Shares A and the Subscription Shares B (when allotted and fully-paid) rank *pari passu* with each other in all respects including as regards to dividends and voting rights.

The Subscription Shares A and Subscription Shares B to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Subscription Shares A or the Subscription Shares B or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there is no arrangement under which future dividends are/will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors and chief executives of the Company had or were deemed to have interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

Long position in the Shares and underlying shares of the Company

Name of Directors/ chief executive	Nature of interest	Position	No. of Shares interested	Approximate
				percentage of issued Shares (Note 1)
Mr. Chan Yan Tak	Interest in a controlled corporation	Long	181,196,866 (Note 2)	41.88%

Notes:

- The percentages had been calculated on the basis of 432,644,031 issued Shares as at the Latest Practicable Date.
- The 181,196,866 Shares are beneficially owned by Best Richest Management Company Limited which is in turn wholly and beneficially owned by Mr. Chan Yan Tak, being the chairman of the Board, an executive Director and a controlling Shareholder. As such, Mr. Chan Yan Tak is deemed, or taken to be, interested in all the Shares held by Best Richest Management Company Limited by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and other persons' interests or short position in the securities of the Company and its associated corporations

As at the Latest Practicable Date, so far as known to the Directors, the following parties (not being the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the issued voting shares of any other member of the Group; or (ii) which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Long position in the Shares and underlying shares of the Company

Name of Shareholder	Nature of interest	Position	No. of Shares interested	Approximate
				percentage of issued Shares (Note 1)
Best Richest Management Company Limited (Note 2)	Beneficial owner	Long	181,196,866	41.88%

Notes:

1. The percentages had been calculated on the basis of 432,644,031 issued Shares as at the Latest Practicable Date.
2. Best Richest Management Company Limited is wholly and beneficially owned by Mr. Chan Yan Tak, being the chairman of the Board, an executive Director and a controlling Shareholder.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware that there is any other party (other than the Directors or chief executives of the Company) who had, or was deemed to have, an interest or short position in the Shares, underlying shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the issued voting shares of any other member of the Group; or (ii) which were required, pursuant to section 336 of the SFO, to be entered in the register refer to therein.

4. DIRECTORS' INTERESTS IN CONTRACTS, ARRANGEMENTS OR ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group, since 31 March 2022, being the date to which the latest published audited consolidated accounts of the Group were made up.

Save for the Sale and Purchase Agreement A, Management Agreement A and Subscription Agreement A, particulars of which are disclosed in the Letter from the Board contained in this circular, in which Mr. Chan Yan Tak and Mr. Lim Ming Shing Tony are considered to be interested, as at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

As disclosed in the profit warning announcement of the Company dated 8 August 2022 and the first quarterly report of the Company published on 12 August 2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$4.0 million for the three months ended 30 June 2022 as compared to approximately HK\$1.3 million for the three months ended 30 June 2021. Such increase was mainly due to the decrease in revenue from sale of goods of approximately HK\$4.8 million and the increase in legal and professional fee incurred from the mandatory conditional cash offer by China Securities Limited for and on behalf of Best Richest Management Company Limited to acquire all the issued Shares (other than those already owned or agreed to be acquired by Best Richest Management Company Limited and parties acting in concert with it).

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 March 2022, being the date to which the latest published audited consolidated accounts of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the subscription agreement dated 17 January 2022, and entered into by Yvonne Credit Service Company Limited (“**Yvonne Credit**”), being a subsidiary of the Company, as subscriber, pursuant to which Yvonne Credit agreed to subscribe for the class A shares in Albany Creek Bond Series Segregated Portfolio, a segregated portfolio of Albany Creek Fund SPC, up to approximately HK\$10,000,000;
- (b) the conditional placing agreement dated 10 August 2022 and entered into between the Company (as issuer) and RaffAello Securities (HK) Limited (“**RSL**”) (as placing agent) in relation to the offer by way of private placing of (i) the unsubscribed rights shares under the rights issue (the “**Rights Issue**”) on the basis on one (1) rights share for every two (2) Shares at the subscription price of HK\$0.12 per rights share; and (ii) the rights shares which would otherwise have been provisionally allotted to the non-qualifying Shareholders under the Rights Issue;
- (c) the conditional placing agreement dated 1 November 2022 and entered into between the Company (as issuer) and RSL (as placing agent) in relation to the offer by way of private placing of up to 72,105,000 new Shares to the placee(s) under the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 27 September 2022;
- (d) the Sale and Purchase Agreement A;
- (e) the Subscription Agreement A;
- (f) the Sale and Purchase Agreement B; and
- (g) the Subscription Agreement B.

9. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Merdeka Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its opinion or report, and references to its name in the forms and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited financial statements of the Group were made up.

10. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders of the Company and their respective close associates had any interest in a business which competes or may compete either directly or indirectly with the business of the Group.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. To Chi, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is situated at Unit 02, 11/F, Eastmark, 21 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The English texts of this circular shall prevail over the Chinese texts in case of any inconsistency.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.ecrepay.com) from the date of this circular up to and including the date of the SGM:

- (i) the Sale and Purchase Agreement A;
- (ii) the Subscription Agreement A;
- (iii) the Sale and Purchase Agreement B;
- (iv) the Subscription Agreement B;
- (v) the letter from the Board, the text of which is set out on pages 8 to 39 of this circular;
- (vi) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 40 to 41 of this circular;
- (vii) the letter from the Independent Financial Adviser, the text of which is set out on pages 42 to 72 of this circular;
- (viii) the material contracts referred to in the section headed “8. Material Contracts” in this Appendix;
- (ix) the letter of consent referred to in the section headed “9. Expert’s Consent and Qualification” in this Appendix; and
- (x) this circular.

NOTICE OF SGM

EASY REPAY FINANCE & INVESTMENT LIMITED 易還財務投資有限公司

(Continued into Bermuda with limited liability)

(Stock code: 8079)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Easy Repay Finance & Investment Limited (the “**Company**”) will be held at 4:00 p.m. on Tuesday, 9 May 2023 at Unit 02, 11/F, Eastmark, 21 Sheung Yuet Road, Kowloon Bay, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the conditional subscription agreement (the “**Subscription Agreement A**”) entered into between the Company as issuer and Mr. Cheng Sai Chit Luke as subscriber dated 8 February 2023 in relation to the subscription of 43,000,000 shares (the “**Subscription Shares A**”) of the Company at a price of HK\$0.20 each (a copy of which is produced to the Meeting marked “**A**” and signed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares A pursuant thereto) be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate A**”) to exercise the powers of the Company to allot and issue the Subscription Shares A pursuant to the terms and conditions of the Subscription Agreement A (subject to the fulfilment of the conditions precedent set out in the Subscription Agreement A); and THAT the Subscription Shares A, when issued and fully paid, shall rank *pari passu* among themselves in all respects and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue; and THAT the Specific Mandate A is in addition to, and shall not prejudice nor revoke any general or other special mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and
- (c) any one Director be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary, desirable or expedient to give effect to or in connection with the Subscription Agreement A or any transactions contemplated thereunder.”

NOTICE OF SGM

2. “**THAT**

- (a) the conditional subscription agreement (the “**Subscription Agreement B**”) entered into between the Company as issuer and Ms. Li Yung as subscriber dated 8 February 2023 in relation to the subscription of 43,000,000 shares (the “**Subscription Shares B**”) of the Company at a price of HK\$0.20 each (a copy of which is produced to the Meeting marked “**B**” and signed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares B pursuant thereto) be and are hereby approved, confirmed and ratified;
- (b) the Directors be and are hereby granted a specific mandate (the “**Specific Mandate B**”) to exercise the powers of the Company to allot and issue the Subscription Shares B pursuant to the terms and conditions of the Subscription Agreement B (subject to the fulfilment of the conditions precedent set out in the Subscription Agreement B); and THAT the Subscription Shares B, when issued and fully paid, shall rank *pari passu* among themselves in all respects and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue; and THAT the Specific Mandate B is in addition to, and shall not prejudice nor revoke any general or other special mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and
- (c) any one Director be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary, desirable or expedient to give effect to or in connection with the Subscription Agreement B or any transactions contemplated thereunder.”

By order of the Board
EASY REPAY FINANCE & INVESTMENT LIMITED
Chan Yan Tak
Chairman and Executive Director

Hong Kong, 19 April 2023

Registered office:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

*Head office and principal place of
business in Hong Kong:*
Unit 02, 11/F, Eastmark
21 Sheung Yuet Road
Kowloon Bay, Kowloon
Hong Kong

NOTICE OF SGM

Notes:

1. Any shareholder (the “**Shareholder(s)**”) of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed. A proxy need not be a Shareholder of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than Sunday, 7 May 2023 at 4:00 p.m. (Hong Kong time).
4. The register of members of the Company will be closed from Thursday, 4 May 2023 to Tuesday, 9 May 2023, both dates inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders’ entitlement to attend and vote at the SGM. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 3 May 2023.
5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, priority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the Meeting if the Shareholder so wish and in such event, the form of proxy shall be deemed to be revoked.
8. The Directors as at the date of this notice are Mr. Chan Yan Tak, Mr. Lim Ming Shing Tony, Ms. Siu Yeuk Hung, Clara and Mr. Law Ka Kei as the executive Directors, Mr. Lee King Fui, Mr. Joseph Rodrick Law, Mr. To Kwan and Ms. Ho Sau Ping Pia as the independent non-executive Directors.