



易還財務投資有限公司
EASY REPAY FINANCE & INVESTMENT LIMITED
Continued in Bermuda with limited liability
Stock Code : 8079

2022/23

FIRST QUARTERLY REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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This report, for which the directors (the “Directors”) of Easy Repay Finance & Investment Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (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 report 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 report misleading.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the three months ended 30 June 2022 amounted to approximately HK\$22.0 million, representing a decrease of approximately 17.0% as compared with the corresponding period in 2021 (three months ended 30 June 2021: HK\$26.5 million).
- Loss attributable to owners of the Company for the three months ended 30 June 2022 amounted to approximately HK\$4.0 million (three months ended 30 June 2021: loss of HK\$1.3 million).
- The Board of Directors (the “Board”) does not recommend the payment of a dividend for the three months ended 30 June 2022 (three months ended 30 June 2021: Nil).

FIRST QUARTERLY RESULTS

The Board of the Company present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2022

		Three months ended 30 June	
	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	21,988	26,509
Cost of sales		<u>(8,796)</u>	<u>(12,550)</u>
Gross profit		13,192	13,959
Other gains, net	4	342	86
Servicing, selling and distribution costs		(1,873)	(1,922)
Administrative expenses		<u>(15,427)</u>	<u>(13,437)</u>
Operating loss		(3,766)	(1,314)
Finance costs		(202)	(76)
Share of results of associates		<u>(8)</u>	<u>124</u>
Loss before income tax		(3,976)	(1,266)
Income tax	5	<u>–</u>	<u>–</u>
Loss for the period and total comprehensive loss for the period		<u><u>(3,976)</u></u>	<u><u>(1,266)</u></u>
Loss for the period and total comprehensive loss for the period attributable to:			
Owners of the Company		(3,976)	(1,266)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u><u>(3,976)</u></u>	<u><u>(1,266)</u></u>
Loss per share	7		
Basic and diluted (<i>HK cents</i>)		<u><u>(1.65)</u></u>	<u><u>(0.53)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2022

	Attributable to owners of the Company					Total equity <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	
Balance at 1 April 2021	2,404	360,009	(269,965)	29,320	145,926	267,694
Comprehensive loss						
Loss for the period	—	—	(1,266)	—	—	(1,266)
Total comprehensive loss	—	—	(1,266)	—	—	(1,266)
Balance at 30 June 2021	<u>2,404</u>	<u>360,009</u>	<u>(271,231)</u>	<u>29,320</u>	<u>145,926</u>	<u>266,428</u>
Balance at 1 April 2022	2,404	360,009	(334,289)	29,320	145,926	203,370
Comprehensive loss						
Loss for the period	—	—	(3,976)	—	—	(3,976)
Total comprehensive loss	—	—	(3,976)	—	—	(3,976)
Balance at 30 June 2022	<u>2,404</u>	<u>360,009</u>	<u>(338,265)</u>	<u>29,320</u>	<u>145,926</u>	<u>199,394</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1. General information

The Company was an exempted company continued into Bermuda with limited liability with effect from 30 April 2008. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The principal places of business of the Company and its subsidiaries (collectively referred to as the “Group”) are in Hong Kong. The Company’s principal place of business in Hong Kong is Unit 1102, 11/F, Eastmark, 21 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. The Company’s shares are listed on the GEM (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

2. Basis of preparation

The unaudited quarterly financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and the applicable disclosure requirements of the GEM Listing Rules. The accounting policies used in the preparation of the unaudited condensed consolidated results are consistent with those used in the audited financial statements and notes thereto for the year ended 31 March 2022.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 April 2022, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

The first quarterly results are unaudited but have been reviewed by the Company’s audit committee.

3. Revenue

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period. There is no seasonality and cyclicity of the operations of the Group. The performance obligation is part of a contract that has an original expected duration of one year or less. Disaggregation revenue from contracts with the customers are as follow:

	(Unaudited)	
	Three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers not within the scope of HKFRS 15		
Revenue from money lending	9,620	9,307
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of grocery products, coupons and frozen food – retail and wholesale	<u>12,368</u>	<u>17,202</u>
	<u>21,988</u>	<u>26,509</u>

(a) *Turnover by business segment*

	(Unaudited)	
	Three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Money lending	9,620	9,307
Sales of grocery products, coupons and frozen food – retail and wholesale	<u>12,368</u>	<u>17,202</u>
	<u>21,988</u>	<u>26,509</u>

3. Revenue (Continued)

(b) Turnover by geographical market

	(Unaudited)	
	Three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	<u>21,988</u>	<u>26,509</u>

4. Other gains, net

	(Unaudited)	
	Three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Net exchange gains	1	-
Fair value losses on financial assets at fair value through profit or loss	(1,098)	(230)
Net (losses)/gains on disposal of financial assets at fair value through profit or loss	(27)	40
Government grants	808	-
Others	<u>658</u>	<u>276</u>
	<u>342</u>	<u>86</u>

5. Income tax

	(Unaudited)	
	Three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax: Hong Kong - Charge for the period	<u>-</u>	<u>-</u>

No provision for Hong Kong Profits Tax has been made for the three months ended 30 June 2022 as the Group have no assessable profits for Hong Kong Profits Tax purpose (three months ended 30 June 2021: Nil).

6. Dividend

The Board does not recommend payment of a dividend for the three months ended 30 June 2022 (three months ended 30 June 2021: Nil).

7. Loss per share

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	(Unaudited)	
	Three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	3,976	1,266
<i>Number of ordinary shares</i>	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	240,359	240,359

The computation of diluted loss per share for the three months ended 30 June 2022 and 2021 does not assume the conversion of the Company's outstanding the exercise of share options since their assumed exercise would result in a decrease in loss per share.

8. Share Option Schemes

The Company adopted a share option scheme on 4 January 2011, the purpose of which is to incentivise or reward eligible participants for the contribution of the Group. The share option scheme lapsed in January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The money lending business is the core business of the Group and generate stable income to the Group.

The Company reviewed that the E-commerce is a part of the modern urban lifestyle in Hong Kong. The Group has been developing the retails and online sales business since year 2015. The Group will continue to develop self-own brand products, namely Master Chef Series and FRESHNESSMART, Dawooyeon Hanwoo, Buon Cibo, Ganges Curry, 李朝, 月姐滋養湯, 貞下起元 and 老蕭燉湯 and source different types of products from local or overseas suppliers to satisfy the ever-changing conditions of our customers.

Operation Review

Turnover for the three months ended 30 June 2022 was approximately HK\$22.0 million, representing a decrease of approximately 17.0% when compared with the same period last year. Loss attributable to owners of the Company for the three months ended 30 June 2022 was approximately HK\$4.0 million and the corresponding period in 2021 was a loss of HK\$1.3 million. Such result is mainly due to revenue from sale of goods decrease of approximately HK\$4.8 million and increase in legal and professional fee in relation to Mandatory Conditional Cash Offer of approximately HK\$1.2 million.

Money Lending Business

The Group has been engaging actively in money lending business for more than ten years and a solid client base was built. For the three months ended 30 June 2022, turnover for this segment under review was approximately HK\$9.6 million. It is expected to generate sustainable income in the coming future.

The economic activities and business sentiment have been affected by the novel coronavirus infection. Many enterprises suffer from a plunge in business turnover, resulting in a liquidity problem, in particular those small and medium enterprises which have difficulty in obtaining commercial bank loans due to their scale of operation. This may provide potential opportunities for licensed money lenders, particularly when banks' attitudes have become more conservative under the worsened economic environment, notwithstanding that 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. The Company is going to expand its money lending business and set up more branches in Hong Kong.

Retail and Wholesale Business

The Group is operating 4 retail shops which located in Wanchai, Lai Chi Kok, Kowloon Bay and Tai Po and online business for the sales of grocery products. Beyond the general products like frozen food, the Group will focus more the in-house ready-to-eat products for the public.

Due to the outbreak of COVID-19, the Government's efforts to control the virus had a particularly notable impact on the catering industry. At different times in the period, restaurants were subject to mandatory social distancing and seating restrictions, reduced dining hours and other constraints.

During the severe epidemic period, peoples reduced their social life and went out to eat, and tried to stay at home to cook. Therefore, peoples began to suffer from anti-epidemic fatigue for a long time. After the fifth wave of the covid-19 epidemic has subsided, the Government has begun to relax social distancing, and peoples have begun to resume social life and dining out more. However, the reduction of cooking at home has directly affected the revenue of the retail and wholesale business of the Group. The revenue from sale of goods decrease of approximately 28% as compared to the corresponding period in 2021. Furthermore, there are many competitors with similar business forms in the market, entering the stage of oversupply.

Turnover for this segment for the three months ended 30 June 2022 under review was approximately HK\$12.4 million when compared with the corresponding period in 2021 was of HK\$17.2 million.

Outlook

The Group will proceed to seek investment opportunities for further improving the business and explore new investments to boarder the business scope of the Group with the ultimate goal to maximise the return to shareholders.

Dividend

The Board does not recommend the payment of a dividend for the three months ended 30 June 2022 (three months ended 30 June 2021: Nil).

EVENT AFTER REPORTING PERIOD

Mandatory Conditional Cash Offer

On 29 April 2022, Best Richest Management Company Limited (the "Offeror"), Able Rich Consultants Limited ("Able Rich"), Mr. Chan Yan Tak ("Mr. Chan") and Mr. Shiu Yeuk Yuen ("Mr. Shiu") entered into the Sales and Purchase Agreement ("SPA"), pursuant to which the Offeror has conditionally agreed to acquire and Able Rich has conditionally agreed to sell an aggregate of 82,288,613 Shares ("Sale Share(s)"), representing approximately 34.24% of the total issued share capital of the Company. The consideration for Sale Shares is HK\$6,583,089.04, representing HK\$0.08 per Sale Share. Completion of the SPA took place on 4 May 2022.

Pursuant to Rule 26.1 of the Takeovers Code, upon completion of the SPA, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

The offer price of HK\$0.08 per offer share under the offer is equal to the price per Sale Share paid by the Offeror under the SPA (“Offer”).

In addition, Mr. Shiu has irrevocably undertaken to the Offeror that, amongst others, he (a) will accept the Offer in respect of the 1,620,000 Shares beneficially owned by himself and, (b) will not withdraw any such acceptance.

The Offer was closed on 19 July 2022 and has not been revised or extended. Immediately after the close of the Offer, the Offeror and parties acting in concert with it are interested in an aggregate of 120,797,911 Shares, representing approximately 50.26% of all the issued Shares of the Company.

Details of the Offer was disclosed on 10 May 2022, 31 May 2022, 21 June 2022, 5 July 2022 and 19 July 2022 respectively.

Proposed Rights Issue

The Board proposes to implement the 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 to raise up to approximately HK\$14.42 million before expenses by issuing up to 120,179,677 Rights Shares to the Qualifying Shareholders. The Rights Issue is not underwritten.

The gross proceeds from the Rights Issue, if fully subscribed, will be approximately HK\$14.42 million (assuming no Shares have been issued or repurchased by the Company before the Record Date). The Net Proceeds are estimated to be approximately HK\$12.62 million, representing a net subscription price of approximately HK\$0.11 per Rights Share.

Details of the Proposed Rights Issue was disclosed on 10 August 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (“SFO”), 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

Name	Personal Interests	Approximate percentage to the issued share capital of the Company as at 30 June 2022
Mr. Law Ka Kei (<i>Note 1</i>)	2,185,000	0.91%

Note:

1. Mr. Law Ka Kei is the Executive Director of the Company. Mr. Law Ka Kei has accepted the Offer and disposed its shares to the Offeror in July 2022.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as known to the Directors, as at 30 June 2022, the Directors were not aware of any other person (other than the Directors and chief executive of the Company as disclosed above) who had an interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

Name	Capacity	No. of Shares	Approximate percentage to the issued share capital of the Company as at 30 June 2022
Ms. Bai Yu (<i>Note 1</i>)		26,093,500	10.86%
Best Richest Management Company Limited (<i>Note 2</i>)	Beneficiary Owner	83,908,613	34.91%
Mr. Chan Yan Tak	Interest of a controlled corporation	83,908,613	34.91%

Notes:

- As disclosed in the notice filed by Ms. Bai Yu on 19 July 2022, Ms. Bai Yu disposed its shares on 19 July 2022.
- On 29 April 2022, Best Richest Management Company Limited (the “Offeror”), Able Rich Consultants Limited (“Able Rich”), Mr. Chan Yan Tak (“Mr. Chan”) and Mr. Shiu Yeuk Yuen (“Mr. Shiu”) entered into the Sales and Purchase Agreement (“SPA”), pursuant to which the Offeror has conditionally agreed to acquire and Able Rich has conditionally agreed to sell 82,288,613 Shares of the Company. Mr. Shiu also disposed its beneficially owned 1,620,000 Shares to the Offeror. Completion of the SPA took place on 4 May 2022.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the members of the Group purchased, sold or redeemed any of the Group's listed securities during the period from 1 April 2022 to 30 June 2022.

COMPETING INTEREST

None of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company has an interest in a business, which competes or may compete with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the three months ended 30 June 2022.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to protect the interests of the shareholders of the Company. The Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the three months ended 30 June 2022, except for the following deviations of Code A.2.1.

Code A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The positions of Chairman of the Board and Chief Executive Officer ("CEO") of the Company are both currently carried on by the same person. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

REVIEW OF QUARTERLY RESULTS

The unaudited consolidated results of the Group for the three months ended 30 June 2022 have not been audited nor reviewed by the Company's auditor, Moore Stephens CPA Limited, but have been reviewed by the Audit Committee of the Company, who is of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made. As at the date hereof, the Audit Committee of the Company has four Independent Non-executive Directors, namely Mr. Lee King Fui, chairman of the Audit Committee, Mr. Ho Tak Yin, Mr. Lee Wing Lun and Mr. Joseph Rodrick Law.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual report and financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The Audit Committee has four independent Non-executive Directors, Mr. Lee King Fui, the Chairman of the Audit Committee, Mr. Ho Tak Yin, Mr. Lee Wing Lun and Mr. Joseph Rodrick Law. The Group's unaudited results for the three months ended 30 June 2022 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results had complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

REMUNERATION COMMITTEE

A remuneration committee (the "Remuneration Committee"), was set up by the Company in accordance with the Code. The Remuneration Committee is responsible for reviewing and developing the remuneration policies of the Directors and senior management, having regard to the Group's operating results, individual performance and comparable market practices.

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was set up by the Company in accordance with the Code. The Nomination Committee is responsible for reviewing and making recommendations to the Board regarding any proposed changes, selection of directorships.

Model Code for Securities Transactions

The Company has established written guidelines on no less exacting terms than the required standard of dealings for securities transactions by employees who are likely to be in possession of any unpublished inside information of the Company.

LIST OF DIRECTORS

Mr. Chan Yan Tak	–	Executive Director
Mr. Lim Ming Shing, Tony	–	Executive Director
Ms. Siu Yeuk Hung, Clara	–	Executive Director
Mr. Law Ka Kei	–	Executive Director
Mr. Lee King Fui	–	Independent Non-executive Director
Mr. Ho Tak Yin	–	Independent Non-executive Director
Mr. Lee Wing Lun	–	Independent Non-executive Director
Mr. Joseph Rodrick Law	–	Independent Non-executive Director

By order of the Board
Easy Repay Finance & Investment Limited
Chan Yan Tak
Chairman

Hong Kong, 12 August 2022