
THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer(s), this Offer Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Easy Repay Finance & Investment Limited, you should at once hand this Offer Document and the accompanying Form(s) of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Offer Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offer(s) contained in this Offer Document.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Offer Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offer Document and the accompanying Form(s) of Acceptance.

BETA DYNAMIC LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**VOLUNTARY CONDITIONAL CASH OFFERS BY
KINGSWAY FINANCIAL SERVICES GROUP LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY THE OFFEROR)
AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
EASY REPAY FINANCE & INVESTMENT LIMITED
(stock code: 8079)**

Financial Adviser to the Offeror

SUNWAH KINGSWAY

新華滙富

Kingsway Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in “Definitions” in this Offer Document. A letter from Kingsway Capital containing, among other things, details of the terms and conditions of the Offers are set out on pages 10 to 32 of this Offer Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Offer Document and in the accompanying Form(s) of Acceptance. Acceptances of the Offers should be received by the Receiving Agent by no later than 4:00 p.m. on 18 May 2020 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

3 April 2020

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EXPECTED TIMETABLE

The timetable set out below is indicative and may be subject to change. Any changes to the timetable will be announced by the Offeror. All the time and date references contained in this Offer Document refer to Hong Kong time and dates.

Event	Time and date
Despatch date of the Offer Document and the accompanying Form(s) of Acceptance (<i>Note 1</i>)	3 April 2020
Commencement date of the Offers (<i>Note 1</i>)	3 April 2020
Latest date for the posting of the Response Document (<i>Note 2</i>)	17 April 2020
Latest time and date for acceptance of the Offers on the First Closing Date (<i>Note 3, 4 and 5</i>)	by 4:00 p.m. on 18 May 2020
Announcement of the results of the Offers (or its extension or revision, if any) to be posted on the websites of the Stock Exchange and the Company (<i>Note 3</i>)	by 7:00 p.m. on 18 May 2020
Latest date for posting of remittances in respect of valid acceptances received under the Offers assuming the Offers become or are declared unconditional in all respects on the First Closing Date (<i>Note 6</i>)	27 May 2020
Latest time and date for acceptance of the Offers assuming that the Offers become or are declared unconditional in all respects on the First Closing Date (<i>Note 7</i>)	by 4:00 p.m. on 1 June 2020
Latest time and date by which the Offers can become or be declared unconditional as to acceptance (<i>Note 8</i>)	by 7:00 p.m. on 2 June 2020

Notes:

1. The Offers are made on the date of posting this Offer Document, and is open for acceptance on and from 3 April 2020 until 4:00 p.m. on 18 May 2020, unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. Where the period set out in the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day.
2. In accordance with the Takeovers Code, the Company is required to post to the Shareholders the Response Document within 14 days from the posting of this Offer Document, i.e., on or before 17 April 2020, unless the Executive consents to a later date. Should the despatch of the Response Document be extended with the consent of the Executive, the Offeror reserves the right to extend the closing date by the number of days in respect of which the posting of the Response Document is delayed.

EXPECTED TIMETABLE

3. The latest time and date for acceptance of the Offers will be at 4:00 p.m. on 18 May 2020 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror will issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on 18 May 2020 stating whether the Offers have been extended, revised or has closed for acceptance. In the event that the Offeror decides to extend or revise the Offers, at least 14 days' notice by way of an announcement will be given before the Offers are closed to those Shareholders who have not accepted the Offers.
4. Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Offer Document) for placing instructions with CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptance of the Offers shall be irrevocable and is not capable of being withdrawn, except in the circumstances as set out under "4. RIGHT OF WITHDRAWAL" in Appendix I to this Offer Document.
5. If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a "black" rainstorm warning signal: (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the First Closing Date, the latest time and date for acceptance of the Offers will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the First Closing Date, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.
6. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Share Offer) payable in respect of acceptances of the Offers will be posted to the accepting Shareholders and/or Optionholder by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the later of (i) the date on which the Offers become or are declared unconditional in all respects and (ii) the date on which duly completed Form(s) of Acceptance and the relevant documents of title of Shares or the Share Options (as the case may be) are received by the Receiving Agent to render each such acceptance complete and valid.
7. In accordance with the Takeovers Code, if the Offers become or are declared unconditional (whether as to acceptances or in all respects), the Offers should remain open for acceptance for not less than 14 days thereafter. When the Offers become or are declared unconditional in all respects, at least 14 days' notice in writing must be given before the Offers are closed to those Shareholders and the Optionholders who have not accepted the Offers. The Offeror has the right, subject to the Takeovers Code, to extend the Offers until such date as it may determine or as permitted by the Executive.
8. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the date of despatch of the Offer Document (or such later day as permitted by the Executive in accordance with the Takeovers Code). Accordingly, unless the Offers have previously become or been declared unconditional as to acceptance or have been extended by the Offeror with the consent of the Executive, the Offers will lapse at 7:00 p.m. on 2 June 2020 (or such later day as permitted by the Executive in accordance with the Takeovers Code). In accordance with Rule 15.7 of the Takeovers Code, except with the consent of the Executive, all Conditions must be fulfilled or the Offers must lapse within 21 days of the First Closing Date or of the date the Offers becomes or is declared unconditional as to acceptances, whichever is later.

Save as mentioned above, if the latest time for the acceptance of the Offers and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

REASONS FOR YOU TO ACCEPT THE OFFERS

1. Cash or illiquid securities?

Save for the month of December 2019 (in particular, 9 December 2019, one day after the publication of the 1st Placing Announcement, when the daily trading volume of the Shares surged to 3,015,000, being the highest daily trading volume over the past 12 months), the liquidity of the Shares was generally thin for the last two years. Since April 2018, the monthly average daily trading volume of the Shares represents less than 0.4% of the total number of Shares in issue as at the Last Trading Date and less than 0.6% of the total number of Shares in issue (excluding the Charged Shares and the Bai Shares) as at the Last Trading Date. This would mean that Shareholders would find it very difficult to dispose of a significant number of Shares in the open market.

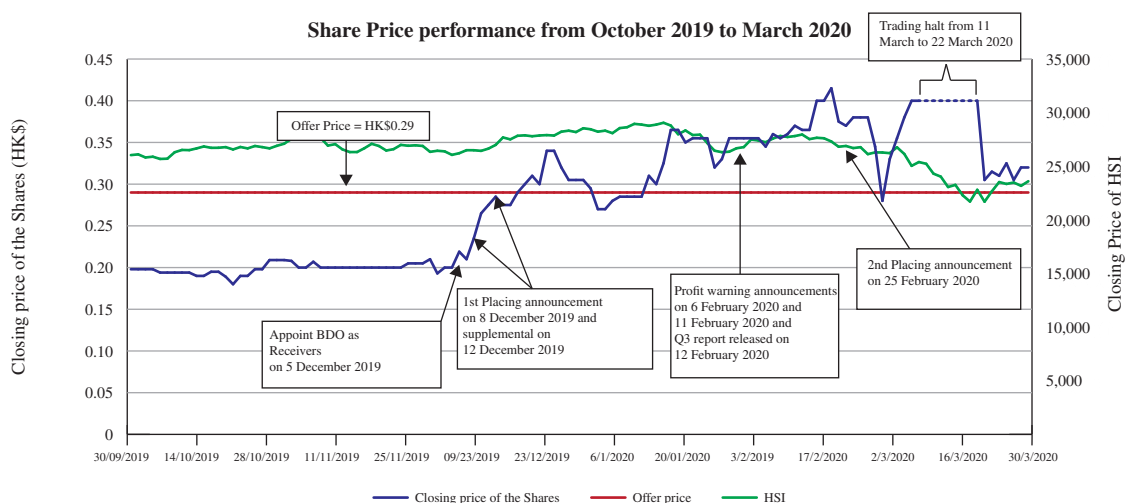
Allegation 1 (in the Response Announcement): “Further, the Offers valued the Company and the Options at HK\$69.7 million in aggregate which grossly undervalue the Company, which is at a market capitalization of HK\$96.3 million (assuming all the outstanding Options have been exercised)”

The theoretical market capitalization of the Company of HK\$96.3 million (assuming all the outstanding Share Options have been exercised) was calculated based on the Share price of HK\$0.4 per Share and the Share Options exercise price of HK\$0.265 per Share. However, it is questionable whether the Share price of HK\$0.4 per Share is sustainable. Based on the daily closing prices as quoted on the Stock Exchange, the Share price has remained at a relatively low level with an average price per Share of approximately HK\$0.25 and HK\$0.273 for the last 180 consecutive trading days and the last 365 consecutive trading days, respectively, immediately prior to and including the Last Trading Day. Also, upon the resumption of trading of the Shares on 23 March 2020, the Share price immediately plunged 23.8% from HK\$0.4 per Share as at the Last Trading Day to HK\$0.305 per Share as at close of 23 March 2020, being the first trading day after resumption,. This further demonstrates that the Share price at HK\$0.4 per Share may not be sustainable and suggests that the Company was over valued at market capitalization of HK\$96.3 million.

It should be noted that the aggregate value of the Offers of approximately HK\$ 69.7 million (assuming no further Shares are issued before the close of the Offers) is higher than the average market capitalisation of the Company during the last consecutive 365 trading days immediately prior to and including the Last Trading Day, which was approximately HK\$60.3 million.

REASONS FOR YOU TO ACCEPT THE OFFERS

The Offeror noted that there has been material fluctuations of the Company's Share price between December 2019 and February 2020. Based on the daily closing prices of the Shares as quoted on the Stock Exchange, the Share price surged from HK\$0.193 per Share on 2 December 2019 and reached its peak at HK\$0.415 per Share on 21 February 2020. Based on a review of the latest published information of the Company during the aforementioned period, the Offeror is not aware of any significant information related to the positive change in the Company's business, operating performance and/or financial position, which could reasonably account for the price improvement, except possibly the publication of the 1st Placing Announcement on 8 December 2019.



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

The Offeror noted that after the publication of the 1st Placing Announcement, the Share price sharply rallied from HK\$0.21 per Share as at close of 6 December 2019 (being the last trading day before 8 December 2019) to HK\$0.34 per Share as at close of 24 December 2019, which represented a jump of 61.9%. During the same period, the Hang Seng Index remained relatively stable at 26,498 points as at 6 December 2019 and 27,864 points as at 24 December 2019, representing a slight growth of 5.2% only. This suggests that the increase of the Company's Share price in this period was not driven by the macroeconomic reasons. The Offeror also noted that since the publication of the 1st Placing Announcement, the trading volume of the Shares increased significantly – between 8 December 2019 and up to the Last Trading Date, the trading volume of the Shares was 28.9 million Shares, which was more than five times of the total daily trading volume of the Shares for the last 180 consecutive trading days before 8 December 2019.

REASONS FOR YOU TO ACCEPT THE OFFERS

2. The Company needs better control and management to boost investor confidence that can help bring the Share price more in line with the Company's underlying value.

After the Offeror secures majority voting control, the Offeror intends to introduce change to the Board so that its executive Directors do not comprise only of the existing or future controlling shareholder or his family members to improve governance, transparency and accountability to Shareholders.

As noted in "Letter from Kingsway Capital – Comparison of Value", the Share price maintained at a deep discount to the Company's net assets per Share of approximately 86.3% on average throughout the last 365 consecutive trading days immediately prior to and including the Last Trading Day. This average discount is deeper than the current Share Offer Price discount of approximately 83.1% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$1.717 as at 30 September 2019 (as disclosed in the 2019 Interim Report) that the Company complained about in the Response Announcement. Nevertheless, the Board saw it fit to pursue the Placing (which was terminated based on the Company's announcement dated 27 March 2020) at a price that is not only a 81% discount to the Company's net assets per Share, but also represented a nearly 19% discount to the closing price per Share on the Last Trading Day or nearly 7% discount to the average of the closing price per Share for the five consecutive trading days prior to the Last Trading Day, which can contribute to further downward pressure on the Share price. At the same time, the business justification given by the Company in the Placing Announcement for the Placing, which was terminated on 27 March 2020 based on the announcement of the Company on the same date, appears dubious as explained further below.

Cash position and timing of the Placing (now terminated)

The Offeror has noted that the Group maintained a relatively stable and sufficient cash balance at approximately HK\$35 million or above since 30 September 2018 and operating cash inflows position since 30 September 2018 and there is no material merger and acquisition opportunities or concrete investment target based on the Company's announcements in the past 12 months.

Having considered (i) the Group maintained a low gearing ratio for the past 3 years which ranged from nil to 2.5%; (ii) the Group has no material operating and/or capital commitment; and (iii) the Group has not disclosed or formulated any concrete and convincing expansion plan, the Offeror is of the view that the Group lacks an imminent funding need and the ulterior motive for the Placing is unclear.

The Company stated in the Response Announcement that as at 29 February 2020, the cash and cash equivalents balance of the Company (excluding pledged deposits) was approximately HK\$28 million which while lower than the amount reported in the 2019 Interim Report (being the interim report showing the latest cash position of the Group) of

REASONS FOR YOU TO ACCEPT THE OFFERS

approximately HK\$34.8 million as at 30 September 2019, is a fair amount higher than those reported in the 2017 Annual Report and 2018 Annual Report of approximately HK\$11.1 million and HK\$23.3 million, respectively.

It is noted that the Company had not found it necessary to launch any placings or other equity issues in FY2017, FY2018 and FY2019 until initially in December 2019 shortly after the appointment of the Receivers by Mr. Cheung to protect his security interests in respect of the long overdue loan under the Facility Agreement.

Doubtful business plan and dubious use of proceeds for the Placing (now terminated)

In the Company's 3Q 2019 results announcement dated 12 February 2020, the Company reported in respect of its retail and wholesale business that *"Due to highly competitive of the wholesale business in Hong Kong and the increase in the cost of sales and administration fee in this segment, the Company decided to streamline this business segment by reducing the market share in the wholesale business. The Company can improve the working capital after better manage its inventory and its accounts receivable. After increasing of the working capital, the Company could more focus in its money lending business and other possible investment." (emphasis added)*

While in the Company's first announcement of the Placing dated 25 February 2020 the intended use of proceeds was rather vague, the Company's supplemental announcement dated 28 February 2020 stated as follows: *"In respect of the money lending business of the Group, the Company believes that there is a sharp rise in financing demand in Hong Kong due to the recent economic downturn caused by the prolonged social movements last year and coronavirus disease (COVID-19) outbreak that is taking place in various countries in Asia, Europe and other parts of the world. The Board is of the view that the Group should have more capital to meet the increasing financing demand from its money lending business. The Board also believes that with the imminent economic downturn in Hong Kong and worldwide as a result of the coronavirus disease, the Group should have sufficient capital to prepare itself of the uncertainties ahead in Hong Kong market and also be able to grasp investment opportunities that may arise in the near future." (emphasis added)*

In less than a month thereafter, the Company changed its mind about its focus on the money lending business of the Group and stated in the Placing Update as follows: *"Due to the recent civil unrest and COVID-19 outbreak, the Directors observed that consumers tend to do shopping online instead of doing their purchases at physical shops. To this end, the Group intends to expand its existing online retail business including setting up branch(es) in Taiwan, stock up more inventories and expand product offerings, and to enhance the online platform to accommodate higher volume of orders and provide more efficient and user-friendly online retail services to consumers."* The Company allocated only 37.3% of the net proceeds of the Placing towards the money lending business but 44.8% of the net proceeds of the Placing towards its wholesale and retail business (including its online retail platform).

REASONS FOR YOU TO ACCEPT THE OFFERS

The civil unrest and COVID-19 outbreak prevailed at the time of the Company's announcements of its 3Q 2019 results and the Placing. The Offeror noted that the Government had only announced additional measures in response to the recent spike in COVID-19 in the evening of 20 March 2020, being the date of the Placing Update. It is therefore not clear how the civil unrest and COVID-19 situation could properly justify the sudden shift of the business focus by the Company back to their distribution business (which it had previously decided to downscale due to the very same reasons). It suffices to say that the proposed use of approximately HK\$9.24 million initially and HK\$5 million (under the Placing Update) of the proceeds of the Placing for the money lending business which had a reported loan book value of HK\$378.1 million (gross) or HK\$345.6 million (net of impairment) as at 30 September 2019, i.e. less than 3% of the gross loan book value makes the claimed need to raise funds even more dubious.

At least the above clearly demonstrates that the executive Directors' decision to proceed with the Placing could have been driven less by business strategy but more by some unknown urgency of issuing Placing Shares which would inevitably dilute the shareholding of the existing Shareholders (including the Bai Shares and the value of the Charged Shares).

Questionable Control and Governance

Accurate and not misleading disclosure by listed issuers is a cornerstone for investor protection, so that shareholders and investors can trade or parties dealing with the listed group can do so on an informed basis. This would include information in relation to interests over substantial/controlling shareholdings of any issuer. The Offeror questions the internal controls of the Company to ensure that its public disclosures were accurate and not misleading.

The Offeror noted that since the creation of the Security Package, the Company has reported the DI Filings of Mr. Cheung and Mr. Shiu and his companies with respect to security interests in the Charged Shares, with an explicit disclosure that "Those shares were pledged to Mr. Cheung Siu Fai on 18 October 2017" which could only have been possible had someone (other than Mr. Cheung who was not asked) confirmed that the various DI Filings related to the same transaction. That disclosure disappeared from the disclosure of interests section in the 2018 Interim Report and later reports, while there had been no subsequent filings made in connection with those initial DI Filings. The Offeror notes that the DI Filings of Mr. Shiu and his companies with respect to the security interest over the Charged Shares have been withdrawn only on 20 March 2020 on the basis that they were "mistakenly filed" according to the Response Announcement. By the same token, the Company's announcements of the 1st Placing and the Placing and prominently showed China Creative as the owner of the Bai Shares, omitting to note that the Bai Shares were registered in Ms. Bai's name and in respect of which she made a beneficial owner DI Filing, the existence of disputes aside.

REASONS FOR YOU TO ACCEPT THE OFFERS

The now terminated Placing and the rapidly changing business plans of the Group, which the Offeror questioned in the VGO Announcement and/or this Offer Document, also raise concerns about the state of governance of the Company.

Disregard of minority shareholders' interest

Ms. Bai has informed the Offeror that until the Response Announcement was published, the Company never had the courtesy to let her know that the Company considered her requisition invalid because of a technical reason, namely that the notice was not received at the registered address of the Company in Bermuda. Shareholders have been deprived of the early opportunity to vote on Ms. Bai's requisition proposals. The same disregard for shareholders' interests drove Ms. Bai to make the requisition in the first place when she only came to know that her acquisition of Shares was disputed by a note reference in the 1st Placing Announcement while DI Filings were made both by her and the vendor (although withdrawn by the vendor on 19 March 2020).

The Offeror firmly believes in the importance of establishing good investor communications in conjunction with better governance and transparency to inspire investor confidence in any listed company and contribute to their willingness to invest in its shares.

An allegation of fraud (which the Court did not find persuasive at all) that Mr. Shiu alleged that his signatures on the Security Package were forged by Mr. Cheung was the only way Mr. Shiu could possibly delay the enforcement of the Security Package

The Company has failed to mention that Mr. Shiu has failed to disclose that in his two affirmations in support of his failed ex-parte injunction application and the subsequent inter-partes injunction application (HCA 280/2020) that while he denied having executed the Share Charges (which Mr. Cheung challenges), he allegedly came to discover their existence in the second half of 2018 in connection with a request by the company secretary of the Company to update his shareholding for compliance and disclosure purposes. Nevertheless, he had not taken any action after his alleged discovery for more than a year and did not inform Mr. Cheung until his draft affirmation to support his failed ex-parte injunction was served. Further, Mr. Shiu and the companies through which he holds his Shares had not until 20 March 2020 (based on the Response Announcement) purported to rectify the "mistakenly" made DI Filings that were made in the name of Mr. Shiu, Rich Treasure and Able Rich in respect of the creation of security interest over 82,288,613 Shares on 25 October 2017.

REASONS FOR YOU TO ACCEPT THE OFFERS

In the case of the inter-partes injunction heard on 27 March 2020 (see “Letter from Kingsway Capital – Information on the Offeror Concert Group – Failed application for ex-parte injunction and withdrawal of inter-partes injunction application”), Mr. Shiu’s application failed to even meet the “serious issues to be tried” threshold and Mr. Shiu was ordered to bear the costs of the defendants including Mr. Cheung in relation to the inter-partes injunction and the hearing.

Allegation 2 (in the Response Announcement): “The Board (other than members of the IBC) perceives that all of the above converge to an indication that the motives of the Offeror as to the Offers are dubious, not bona fide, but a plot with ulterior motive to cripple the operations, the corporate actions and equity fund raising ability of the Group and therefore adversely affect the interests of the Shareholders as a whole.”

There is no benefit to the Offeror to sabotage the Company in which the Offeror seeks by the Offers to acquire a majority of voting rights. The reason why the Offeror believes that the Placing is driven by dubious intent is outlined above. Subject to the Offeror being able to take control of the Board and the new Directors having financial control of the Group with the cooperation of the management, the Offeror can then deploy its resources to build over time the Group’s business and in the meantime support better governance transparency and investor communications than what current management offers.

3. Help you and us succeed

In order to have the prospect of a change for the better for reasons already stated above, the Offeror encourages you to accept the Offers, so to contribute to the fulfilment of the Acceptance Condition, while you may retain some shareholding in the Company should you wish also to invest in the future development of the Group. Shareholders and Optionholders should review the Response Document and the advice of the independent board committee of the Company and the independent financial adviser appointed by the Company in relation to the Offers before making an informed decision to accept or not to accept the Offers.

Allegation 3 (in the Response Announcement): The Offers are highly conditional and uncertain

The Company failed to inform you that the Conditions are customary conditions found in voluntary general offers, and are generally designed to address value depletion events and illegality that is not known to the Offeror based on announcements of the Company. There is no ulterior motive in setting the Conditions.

The Offeror’s intention is that upon the fulfilment of the Acceptance Condition and absent any material adverse developments of the Company that pertain to the fulfilment of the Conditions (other than those that are not capable of waiver), the Offeror will make a decision to proceed to declare the Offers unconditional on or before the date specified in the “Expected Timetable”.

DEFINITIONS

In this Offer Document, unless the context otherwise requires, each of the following expressions shall have the meanings set opposite that expression when used herein:

“Able Rich”	Able Rich Consultants Limited, a company incorporated under the laws of Hong Kong with limited liability, and a company wholly-owned by Rich Treasure based on DI Filings;
“Able Rich Mortgage”	the share mortgage relating to shares in Able Rich dated 18 October 2017 between Rich Treasure as mortgagor and Mr. Cheung as mortgagee;
“Acceptance Condition”	Condition (i), namely, that valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror Concert Group holding more than 50% of the voting rights in the Company as at the Closing Date;
“acting in concert”	has the meaning ascribed to it in the Takeovers Code;
“associate”	has the meaning ascribed to it in the Takeovers Code;
“Bai Shares”	the 26,093,500 Shares registered in the name of Ms. Bai
“BDO”	BDO Financial Services Limited, a company incorporated under the laws of Hong Kong with limited liability;
“Board”	the board of Directors;
“Business Day”	a day on which the Stock Exchange is open for the transaction of business;
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited;
“Charged Shares”	the 82,288,613 Shares that were subject to the Share Charge;

DEFINITIONS

“China Creative”	China Creative Digital Entertainment Limited (stock code: 8078), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange;
“China Securities”	China Securities Limited 中國證券有限公司, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO;
“Closing Date”	the First Closing Date or any subsequent closing date as may be announced by the Offeror and approved by the Executive;
“Company”	Easy Repay Finance & Investment Limited (stock code: 8079), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the GEM of the Stock Exchange;
“Concert Party Deed”	the deed dated 13 March 2020 between the Offeror and Ms. Bai described under “Information of the Offeror Concert Group – Concert Party Deed with Ms. Bai” in the Letter from Kingsway Capital;
“Condition(s)”	condition(s) to the Share Offer, the text of which are set out under “Conditions to the Share Offer” in this Offer Document in the Letter from Kingsway Capital;
“Consents”	any consent, approval, authorisation, qualification, waiver, permit, grant, franchise, concession, agreement, licence, exemption or order of, registration, certificate, declaration or permission from, or filing with, or report or notice to, any Relevant Authority(ies) or third parties, including those required under or in relation to any concession rights or licences granted by the Relevant Authority(ies) or third parties to the Group to carry out its operations, whether under applicable laws or regulations, any agreement or arrangement with such Relevant Authority(ies) or third parties, or otherwise;

DEFINITIONS

“Custodian Agreement”	the custodian agreement dated 18 October 2017 between Able Rich as chargor, Mr. Cheung as chargee and Sun Securities as custodian in connection with the Share Charge;
“DI Filing(s)”	disclosure(s) of interests and/or short positions made pursuant to the requirements of Part XV of the SFO;
“Director(s)”	the director(s) of the Company;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Facility Agreement”	the facility agreement in respect of a term loan facility for a term of up to one year of up to HK\$327 million dated 18 October 2017 between Popland Investments Limited as borrower and Mr. Cheung as lender;
“Finet”	Finet Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, being the placing agent in respect of the Placing;
“First Closing Date”	18 May 2020, being the 45th day after the date of despatch of the Offer Document;
“Form(s) of Acceptance”	the Form of Share Offer Acceptance and the Form of Option Offer Acceptance;
“Form of Option Offer Acceptance”	the form of acceptance and cancellation with respect to the Option Offer;
“Form of Share Offer Acceptance”	the form of acceptance and transfer with respect to the Share Offer;
“FY 2017”	the financial year ended 31 March 2017 of the Company;
“FY 2018”	the financial year ended 31 March 2018 of the Company;
“FY 2019”	the financial year ended 31 March 2019 of the Company;
“GEM”	the GEM of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;

DEFINITIONS

“Group”	the Company and its subsidiaries from time to time;
“HKSCC Nominees Limited”	the wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited which acts as the common nominee for the shares held in the CCASS Depository;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Kingsway Capital”	Kingsway Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Offers;
“Kingsway Financial Services Group”	Kingsway Financial Services Group Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, being the agent making the Offers on behalf of the Offeror;
“Last Trading Day”	10 March 2020, being the last trading day of the Shares on the Stock Exchange prior to the issuance of the VGO Announcement;
“Latest Practicable Date”	31 March 2020, being the latest practicable date prior to the printing of this Offer Document for the purpose of ascertaining certain information contained herein;
“Mr. Cheung”	Mr. Cheung Siu Fai, the sole shareholder and sole director of the Offeror;
“Mr. Shiu”	Mr. Shiu Yeuk Yuen, who indirectly wholly-owned Able Rich based on the Company’s announcements and an executive Director;
“Ms. Bai”	Ms. Bai Yu;
“Ms. Tam”	Ms. Tam Yuk Ching, Jenny;

DEFINITIONS

“New Smart”	New Smart international Creation Limited, which based on the statement of claim for HCA 80/2020, was at all material times wholly-owned by China Creative;
“Offer Document”	this offer document issued by or on behalf of the Offeror to all Shareholders and the Optionholder(s) in accordance with the Takeovers Code containing, among others, details of the Offers;
“Offeror”	Beta Dynamic Limited, the sole shareholder and sole director of which is Mr. Cheung;
“Offeror Concert Group”	the Offeror, Mr. Cheung and parties acting in concert with any of them (including Ms. Bai);
“Offer Period”	has the meaning given to it in the Takeovers Code, being the period commencing 13 March 2020, being the date of the VGO Announcement, and ending on the Closing Date;
“Offers”	the Option Offer and the Share Offer collectively;
“Offer Share(s)”	all the issued Shares (other than those already owned or agreed to be acquired by the Offeror);
“Option Offer”	the voluntary cash offer being made by Kingsway Financial Services Group for and on behalf of the Offeror to cancel all the Share Options in accordance with the Takeovers Code;
“Optionholder(s)”	the holder(s) of the Share Option(s);
“Placees”	the placees with respect to the Placing;
“Placing”	means the “best efforts” placing of up to 43,500,000 new Shares which was the subject of the Placing Announcements and which was terminated on 27 March 2020 based on the Company’s announcement of the same date;
“Placing Agent”	Finet, in its capacity as the placing agent of the Company with respect to the Placing;

DEFINITIONS

“Placing Agreement”	an agreement dated 25 February 2020 entered into between the Company and the Placing Agent in respect of the Placing;
“Placing Announcements”	the announcements of the Company dated 25 February 2020, 28 February 2020 and 13 March 2020 and the Placing Update;
“Placing Share(s)”	the Share(s) subject to the Placing;
“Placing Update”	the announcement dated 20 March 2020 of the Company entitled “Update on the Proposed Placing and Resumption of Trading”;
“Receivers”	Mr. Chan Leung Lee and Mr. Yeo Boon Ann, in their capacity as receivers appointed by Mr. Cheung on 5 December 2019 under the Share Charge and the Able Rich Mortgage;
“Receiving Agent”	Tricor Standard Limited in its capacity as the receiving agent of the Offeror with respect to the Offers;
“Relevant Authorities”	any government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution in any jurisdiction that has the authority to grant permit, license or approval or accept registration or filing in relation to the Offers or otherwise;
“Relevant Period”	the period commencing six months prior to the date of the VGO Announcement (i.e. 13 September 2019) and up to the Latest Practicable Date;
“Response Announcement”	the announcement dated 20 March 2020 of the Company entitled “Announcement in response to the voluntary conditional cash offers and resumption of trading”;
“Response Document”	the circular to Shareholders and Optionholders to be issued by the Company in accordance with the Takeovers Code in response to this Offer Document;
“Rich Treasure”	Rich Treasure Group Limited, a company incorporated under the laws of British Virgin Islands with limited liability and a company wholly-owned by Mr. Shiu based on DI Filings;

DEFINITIONS

“Rich Treasure Mortgage”	the share mortgage relating to shares in Rich Treasure dated 18 October 2017 between Mr. Shiu as mortgagor and Mr. Cheung as mortgagee;
“Security Package”	the security interest of Mr. Cheung under the Share Charge, the Able Rich Mortgage, the Rich Treasure Mortgage;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Share Charge”	the share charge relating to the Charged Shares dated 18 October 2017 between Able Rich as chargor and Mr. Cheung as chargee;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Offer”	the voluntary cash offer being made by Kingsway Financial Services Group for and on behalf of the Offeror to acquire all the Offer Shares in accordance with the Takeovers Code;
“Share Offer Price”	the price of HK\$0.29 per Offer Share, subject to adjustment as disclosed in this Offer Document, payable in cash by the Offeror on the terms of the Share Offer;
“Share Option(s)”	the outstanding share option(s) granted by the Company under the Share Option Scheme;
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 4 January 2011;
“Share Registrar”	Tricor Standard Limited, the Hong Kong branch share registrar of the Company, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong;
“Shiu Junior”	Mr. Shiu Stephen Junior, the son of Mr. Shiu;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Sun Securities”	Sun Securities Limited 太陽證券有限公司, a company incorporated under the laws of Hong Kong with limited liability and a licensed corporation to carry out Type 1 (dealing in shares) regulated activities under the SFO;
“Takeovers Code”	the Code on Takeovers and Mergers;
“Trading Halt”	the halt of trading in the Shares effective at 9:00 a.m. on 11 March 2020;
“Unconditional Date”	the date on which the Offers become or are declared unconditional in all respects;
“VGO Announcement”	the announcement dated 13 March 2020 issued by the Offeror in relation to the Offers;
“1st Placing Announcement”	the announcement dated 6 December 2019 of the Company in relation to a “best efforts” placing of 43,500,000 new Shares which lapsed based on the Company’s announcement dated 30 December 2019;
“2017 Annual Report”	the annual report of the Company for the year ended 31 March 2017;
“2018 Annual Report”	the annual report of the Company for the year ended 31 March 2018;
“2018 Interim Report”	the interim report of the Company for the six months ended 30 September 2018;
“2019 Annual Report”	the annual report of the Company for the year ended 31 March 2019;
“2019 General Mandate”	the general mandate to issue new Shares granted at the annual general meeting of the Company on 5 December 2019; and
“2019 Interim Report”	the interim report of the Company for the six months ended 30 September 2019;

DEFINITIONS

“2019 Third Quarterly Report”	the third quarterly report of the Company for the nine months ended 31 December 2019;
“3Q 2018”	the nine months ended 31 December 2018;
“3Q 2019”	the nine months ended 31 December 2019;
“%”	per cent.

LETTER FROM KINGSWAY CAPITAL



Kingsway Financial Services Group Limited

7/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong

3 April 2020

To the Shareholders and the Optionholders

**VOLUNTARY CONDITIONAL CASH OFFERS BY
KINGSWAY FINANCIAL SERVICES GROUP LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY THE OFFEROR)
AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
EASY REPAY FINANCE & INVESTMENT LIMITED
(stock code: 8079)**

INTRODUCTION

The Offeror announced in the VGO Announcement dated 13 March 2020 that, among other things, Kingsway Financial Services Group would make the Offers (in compliance with the Takeovers Code) on behalf of the Offeror (i) to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror) at the Share Offer Price of HK\$0.29 per Offer Share; and (ii) to cancel all outstanding Share Options, on the basis set out in the Offer Document.

As at the Latest Practicable Date, save for the security interest of Mr. Cheung over the Charged Shares and the Bai Shares held by Ms. Bai, no member of the Offeror Concert Group held, owned or had control or direction over any voting rights or rights over any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities. Accordingly, as at the Latest Practicable Date, the Offeror Concert Group held a total of 26,093,500 Shares (representing approximately 10.86% of the total number of Shares in issue).

This letter forms part of the Offer Document which sets out, among other things, the details of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. Further details of terms and procedures of acceptance of the Offers are set out in Appendix I to this Offer Document and the accompanying Form(s) of Acceptance.

LETTER FROM KINGSWAY CAPITAL

Under the Share Option Scheme, if a general or partial offer is made to all Shareholders and such offer becomes or is declared unconditional, the Optionholders will, notwithstanding any other terms on which their Share Options were granted, be entitled to exercise the Share Option (to the extent not already exercised) to its full extent up to the close of such offer. The option period in respect of any Share Option shall automatically terminate and that Share Option (to the extent not already exercised) will lapse thereafter.

As at the Latest Practicable Date, there were Share Options outstanding entitling the holder thereof to subscribe for an aggregate of 385,000 new Shares at an exercise price of HK\$0.265 per Share. The exercise prices for all the underlying Shares issuable under the Share Options are below the Share Offer Price. The above consideration represents the difference between the exercise price of each Share Option of HK\$0.265 per Share and the Share Offer Price. The Option Offer will be extended to the sole Optionholder (based on the information provided by the Company) in accordance with the Takeovers Code.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

Comparison of value

The Share Offer Price of HK\$0.29 per Offer Share represents:

- (i) a discount of approximately 27.5% to the closing price of HK\$0.4 per Share as quoted on the Stock Exchange on 10 March 2020, being the Last Trading Day before the Trading Halt;
- (ii) a discount of approximately 22.3% to the average closing price of approximately HK\$0.373 per Share based on the daily closing prices as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 20.1% to the average closing price of approximately HK\$0.363 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 20.1% to the average closing price of approximately HK\$0.363 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;

LETTER FROM KINGSWAY CAPITAL

- (v) a discount of approximately 0.7% to the average closing price of approximately HK\$0.292 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 16.0% to the average closing price of approximately HK\$0.25 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a discount of approximately 9.4% to the closing price of approximately HK\$0.32 per Share based on the daily closing prices as quoted on the Stock Exchange on 31 March 2020, being the Latest Practicable Date; and
- (viii) a discount of approximately 83.1% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$1.717 as at 30 September 2019, calculated based on the unaudited consolidated net assets attributable to owners of the Company of approximately HK\$412,780,000 as at 30 September 2019 and 240,359,354 Shares in issue as at the Latest Practicable Date.

Although the Share Offer Price of HK\$0.29 per Offer Share represents a discount of approximately 27.5% to the closing price of HK\$0.4 per Share as quoted on the Stock Exchange on 10 March 2020, being the Last Trading Day before the Trading Halt and a discount of approximately 83.1% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$1.717 as at 30 September 2019, the Offeror considered that the Share Offer Price is reasonable after taking into account such factors, including but not limited to (i) the historical trend of the Share price, trading volume and the market capitalisation of the Company; and (ii) financial performance of the Group, as follows:

- (i) The Share price maintained at a relatively low level with an average daily closing price per Share (as quoted on Stock Exchange) of approximately HK\$0.25 and HK\$0.273 over the last 180 and 365-consecutive trading days, respectively, immediately prior to and including the Last Trading Day (each an “**Average Price**”). The Share Offer Price represents an approximately 16.0% and 6.2% premium to the Average Price for the last 180 and the last 365 consecutive trading days, respectively. The Share price surged at HK\$0.193 per Share from 2 December 2019 and reached its peak at HK\$0.415 per Share on 21 February 2020, and based on a review of the latest published information of the Company during the relevant period, the Offeror is not aware of any significant information in relation to a positive change in the Group’s business, operating performance and/or financial position, which could reasonably account for the price improvement (except possibly the publication of the 1st Placing Announcement on 8 December 2019) and it remains unclear whether such high price of the Shares can be sustained;

LETTER FROM KINGSWAY CAPITAL

- (ii) The Share price remained a deep discount to the Company's net assets per Share of approximately 86.3% on average throughout the last 365 consecutive trading days immediately prior to and including the Last Trading Day, which discount is deeper than the current Share Offer Price discount of approximately 83.1% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$1.717 as at 30 September 2019 as disclosed in the 2019 Interim Report.

Furthermore, according to the Company's 2019 Interim Report, the balance of loans and advances to customers accounted for 83.2% of the Group's net assets. The Offeror noted from the 2019 Third Quarterly Report that the Group recorded impairment losses on loans and advances to customers of approximately HK\$37.0 million during the period, such impairment increased by approximately 50.6% when compared to the FY2019. Further, the impairment losses on loans and advances to customers increased from approximately HK\$1.9 million for the six months ended 30 September 2019 to approximately HK\$37.0 million for 3Q2019, representing an increase of approximately 18.5 times, which indicates that there may be impairment concern on the Group's loan and receivable balances and thus the Group's net assets value may not exhibit a reasonable benchmark for the Company's valuation.

- (iii) The trading liquidity of the Shares was generally thin during the last two years (since April 2018), given that the monthly average daily trading volume of the Shares represents less than 0.4% of the total number of Shares in issue as at the Last Trading Date and less than 0.6% of the total number of Shares in issue (excluding Charged Shares and the Bai Shares) as at the Last Trading Day, which suggest that Shareholders may find it very difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of Shares.
- (iv) The current offer value of approximately HK\$69.7 million (assuming no further Shares are issued) is higher than the average market capitalisation of the Company during the last 365 consecutive trading days immediately prior to and including the Last Trading Day, which was approximately HK\$60.3 million.
- (v) Based on the publicly available information, the Group sustained a deteriorating financial performance since the year ended 31 March 2015 and was in a loss-making position since FY2018 and nil dividend has paid to Shareholders since the year 2012.

LETTER FROM KINGSWAY CAPITAL

The Group recorded a continuous decrease in net profit since the year ended 31 March 2015 from a net profit of approximately HK\$40.9 million for that year to a net loss of approximately HK\$37.1 million for FY2019. The financial performance of the Company further deteriorated after FY2019. According to the 2019 Third Quarterly Report, the revenue and net profit of the Group decreased from approximately HK\$165.1 million and negative HK\$9.1 million respectively for 3Q2018 to approximately HK\$78.2 million and negative HK\$34.6 million respectively for 3Q2019.

The continuous deterioration of the Group's financial performance in the past years brings uncertainty and grave concern to its ability to provide sufficient return on investment of the Shareholders.

Please refer also to "REASONS FOR YOU TO ACCEPT THE OFFERS" in the Offer Document.

Based on the above factors, the Offeror considered that the Share Offer Price is reasonable and beneficial to the Shareholders as the Share Offer provides a viable alternative exit to Shareholders to realise their investment in the Shares.

Highest and lowest Share prices

The highest and lowest closing price per Share as quoted on the Stock Exchange during the period commencing six months preceding the commencement of the Offer Period and ending on the Latest Practicable Date was HK\$0.415 per Share (on 21 February 2020) and HK\$0.18 per Share (on 23 October 2019), respectively.

Value of the Offers

Based on the published information of the Company, as at the Latest Practicable Date, there were 240,359,354 Shares in issue and 385,000 Share Options outstanding carrying rights to subscribe for an aggregate of 385,000 new Shares at an exercise price of HK\$0.265 per Share. Save as disclosed above, based on the publicly available information, the Offeror was not aware of any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue as at the Latest Practicable Date.

LETTER FROM KINGSWAY CAPITAL

On the basis of the Share Offer Price of HK\$0.29 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$69,704,212.66. Assuming no further Shares are issued pursuant to the exercise of Share Options before the close of the Offers, the value of the Share Offer is approximately HK\$69,704,212.66 (based on 240,359,354 Shares being subject to the Share Offer).

Assuming none of the Share Options is exercised prior to the close of the Offers, 385,000 Share Options will be subject to the Option Offer and the Option Offer is valued at approximately HK\$9,625 based on the Option Offer price of HK\$0.025 per Share Option. Based on the above, the aggregate value of the Offers is approximately HK\$69,713,837.66 (assuming no change in the number of issued Shares before the close of the Offers).

Assuming that all the Share Options are exercised by the Optionholders but no further Shares are issued prior to the close of the Offers, the Share Offer will be valued at approximately HK\$69,815,862.66 (based on 240,744,354 Shares being subject to the Share Offer). In this case, no amount will be payable by the Offeror under the Option Offer.

Confirmation of financial resources available for the Offers

The total consideration under the Offers shall be payable in cash. The Offeror intends to finance the entire consideration payable under the Offers through the shareholder's loans provided by Mr. Cheung, which in turn, is financed by the internal resources of Mr. Cheung.

Kingsway Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum consideration payable by the Offeror upon full acceptance of the Offers.

LETTER FROM KINGSWAY CAPITAL

Conditions to the Share Offer

The Share Offer is conditional on the satisfaction of the following conditions:

- (i) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror Concert Group holding more than 50% of the voting rights in the Company as at the Closing Date;
- (ii) the Shares remaining listed and traded on the GEM of the Stock Exchange up to the Closing Date (or, if earlier, the Unconditional Date) save for any temporary suspension(s) of trading pending the issuance of any announcement(s) in relation to any inside information of the Company (if any) and no indication being received on or before the Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offers or anything done or caused by or on behalf of the Offeror Concert Group;
- (iii) (a) all Consents as are necessary for the consummation of the transactions contemplated in the Offers and in connection with, including, without limitation, any change in the direct or indirect shareholder(s) or ultimate controlling shareholder(s) of any member of the Group that has been granted the Consents to carry out its operations having been obtained and remaining in full force and effect without material variation from any Relevant Authority(ies) and all conditions (if any) to such Consents having been fulfilled, (b) each member of the Group possessing or having obtained all Consents from the Relevant Authority(ies) that are necessary to carry on its business and (c) all mandatory Consents from third parties having been obtained for the acquisition of the Offer Shares and/or the cancellation of the Share Options under the Offers;
- (iv) no event having occurred which would make the Offers or the acquisition of any of the Offer Shares and/or the cancellation of the Share Options under the Offers void, unenforceable or illegal or prohibit the implementation of the Offers;

LETTER FROM KINGSWAY CAPITAL

- (v) no Relevant Authority(ies) in any jurisdiction having taken or instigated any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offers or the acquisition of any of the Offer Shares and/or Share Options under the Offers void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to the Offers (other than such items or events as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offers); and
- (vi) since the date of the last audited consolidated financial statements of the Company, save as disclosed by the Company on the website of the Stock Exchange on or before 13 March 2020, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of the Group as a whole, whether or not arising in the ordinary course of business.

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions either generally or in respect of any particular matter save that Conditions (i) and (iv) cannot be waived. If any of the Conditions is not satisfied or (where applicable) waived on or before 30 June 2020 (unless otherwise extended and announced by the Offeror), the Share Offer will lapse. As at the Latest Practicable Date, based on the information currently available to the Offeror, (i) no Consent of the type described in Condition (iii) was required by the Offeror for the consummation of the Offers, and (ii) there exist no circumstances in respect of the Offers of the type described in Condition (v).

The Offeror has sought from the Company confirmation as to whether or not the Company is aware of any matter that would render the Conditions (apart from Condition (i)) not capable of fulfilment in relation to the Group. As at the Latest Practicable Date, the Offeror has not received any response from the Company. The Offeror will take into account any information provided by the Company, if and to the extent available, in determining whether or not the Conditions (other than the Acceptance Condition and those which are not capable of waiver) are fulfilled or whether to waive any non fulfilment.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Conditions (other than Condition (i)) so as to cause the Offers to lapse unless the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Offers.

LETTER FROM KINGSWAY CAPITAL

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Share Offer becomes unconditional as to acceptances and when the Offers become unconditional in all respects. The Offers must also remain open for acceptance for at least fourteen (14) days after the Offers become unconditional in all respects.

The Offeror reserves the right to revise the terms of the Offers in accordance with the Takeovers Code.

Condition to the Option Offer

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

WARNING: Shareholders, Optionholders and/or potential investors of the Company should note that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions, and the Option Offer is subject to, and conditional upon, the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not become unconditional. Shareholders, Optionholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company (including the Shares and any options or rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

Acceptance of the Share Offer and the Option Offer

In addition to the Conditions set out in this Offer Document, the Share Offer is made on the basis that acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the Offer Shares acquired under the Share Offer are sold by such person or persons as (a) fully paid; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interest of any nature whatsoever; and (c) together with all rights, benefits and entitlements attached thereto (including the right to receive and retain all dividends and other distributions (if any) which may be announced, declared, paid or made thereon by the Company on or after the Closing Date). The Offeror has noted that based on the announcements of the Company as of the close of business on the Latest Practicable Date that no dividend has been declared or recommended by the board of Directors in respect of any period for the financial year ended 31 March 2020 of the Company.

LETTER FROM KINGSWAY CAPITAL

Acceptance of the Option Offer by the Optionholders will result in the cancellation of those outstanding Share Options, together with all rights attaching thereto.

The Offers are being made in compliance with the Takeovers Code which is administered by the Executive.

Hong Kong stamp duty

Seller's Hong Kong ad valorem stamp duty on acceptances of the Share Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amounts payable to Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfers of the relevant Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the Option Offer.

Payment

Payment (after deducting the accepting Shareholders' share of stamp duty) in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days following the later of (i) the date on which the Offers become or are declared unconditional in all respects and (ii) the date on which duly completed form(s) of acceptance and the relevant documents of title of Shares or the Share Options (as the case may be) are received by the Receiving Agent to render each such acceptance complete and valid.

Taxation advice

Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, Kingsway Financial Services Group, Kingsway Capital, their respective ultimate beneficial owners and parties acting in concert with any of them, the Receiving Agent or any of their respective directors, officers, advisers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

LETTER FROM KINGSWAY CAPITAL

Overseas Shareholders

The availability of the Offers to any overseas Shareholders or Optionholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders and Optionholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibility of each overseas Shareholder or the Optionholder who wishes to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due from that overseas Shareholder or the Optionholder).

Acceptance of the Offers by any overseas Shareholder or Optionholder will be deemed to constitute a representation and warranty from such overseas Shareholder or Optionholder to the Offeror that the local laws and requirements have been complied with. The overseas Shareholders and the Optionholder should consult their professional advisers if in doubt.

Dealing and Interests of the Offeror Concert Group in the Company's Securities

As at the Latest Practicable Date,

- (i) save for the security interest of Mr. Cheung over certain Shares and the 26,093,500 Shares owned by Ms. Bai disclosed in "Information on the Offeror Concert Group" below, no member of the Offeror Concert Group held, owned or had control or direction over any voting rights or rights over any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities;
- (ii) the Offeror Concert Group had not received any irrevocable commitment to accept or reject the Offers;
- (iii) save for the security interest of Mr. Cheung over certain Shares and Ms. Bai's acquisition of 26,093,500 Shares on 5 November 2019 at the price of HK\$0.1916 per Share disclosed in "Information on the Offeror Concert Group" below, the Offeror Concert Group had not acquired any voting rights in or otherwise dealt for value in the Shares or rights over the Shares during the 6-month period immediately prior to the date of this Offer Document;
- (iv) there was no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror Concert Group;

LETTER FROM KINGSWAY CAPITAL

- (v) there was no arrangement, understanding or agreement between any member of the Offeror Concert Group on the one hand, and any Shareholder(s) on the other hand, which would constitute a “special deal” (as defined under Rule 25 of the Takeovers Code);
- (vi) save for the indemnities given by Mr. Cheung disclosed in “Information on the Offeror Concert Group” below, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which might be material to the Offers;
- (vii) save as disclosed in “Conditions to the Share Offer” above, there was no agreement or arrangement to which the Offeror was a party which related to circumstances in which the Offeror might or might not invoke or seek to invoke a condition to the Offers; and
- (viii) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror Concert Group had borrowed or lent.

INFORMATION ON THE OFFEROR CONCERT GROUP

Information on the Offeror

The Offeror was incorporated in the British Virgin Islands with limited liability as an investment holding company. As at the Latest Practicable Date, the Offeror is wholly-owned by Mr. Cheung. Mr. Cheung is the sole director of the Offeror.

Information on Mr. Cheung

Mr. Cheung, aged 49, holds a Master Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Electronic Engineering from The Hong Kong Polytechnic University. Mr. Cheung is a Certified Financial Analyst. Mr. Cheung founded and is a director of Hammer Capital Asset Management Limited (“**Hammer Capital**”). Prior to founding Hammer Capital, he was the Head of Asia Pacific of the Strategic Equity Solutions of Merrill Lynch (Asia Pacific) Limited (“**Merrill Lynch**”). Prior to his position at Merrill Lynch, he was the Head of Asia Pacific of the Strategic Equity Solutions and the Managing Director of the Structured Products of Asia of Citigroup Global Markets Asia Limited. He has also held key positions in various major investment banks in Asia Pacific like Calyon Corporate & Investment Bank (presently known as Crédit Agricole Corporate & Investment Bank) and JPMorgan Chase & Co..

LETTER FROM KINGSWAY CAPITAL

Appointment of Receivers in respect of security interests of Mr. Cheung

The Offeror was informed by its sole director and shareholder, Mr. Cheung, that he is the beneficiary of (i) the Share Charge over 82,288,613 Shares (representing approximately 34.24% of the total number of Shares in issue as at the Latest Practicable Date) created by Able Rich, (ii) the Able Rich Mortgage and (iii) the Rich Treasure Mortgage, to secure amounts due under the Facility Agreement between Popland Investments Limited (which, based on the documents provided to Mr. Cheung at the time of signing of the Facility Agreement, was wholly owned by Shiu Junior), as borrower and Mr. Cheung as lender in respect of a term loan facility for a term of up to one year of up to HK\$327 million. The loan has matured on 18 October 2018 and has not been fully repaid. The Offeror has noted that on 25 October 2017, each of Mr. Cheung, Mr. Shiu, Rich Treasure and Able Rich has made a DI Filing in respect of the creation of security interests in respect of 82,288,613 Shares. According to the Response Announcement, the DI Filings of Mr. Shiu, Rich Treasure and Able Rich were withdrawn on 20 March 2020. In view of the circumstances that led to the withdrawal of inter-partes injunction as set out in “Failed application for ex-parte injunction and withdrawal of inter-partes injunction application” below, there is clearly a question as to whether the withdrawal was compliant with the SFO.

Mr. Cheung issued a statutory demand dated 31 December 2019 against Mr. Shiu (as mortgagor under the Rich Treasure Mortgage) for the amount of HK\$218,526,266.09 (being HK\$212,517,550.68 in principal amount and accrued and unpaid interest) owed under the Facility Agreement. Mr. Shiu made an application dated 24 January 2020 against Mr. Cheung (HCSD 12/2020) to set aside the statutory demand. The affirmation made by Mr. Shiu that was filed with this application alleged that Mr. Shiu never signed the Share Charge or the Able Rich Mortgage or the Rich Treasure Mortgage and his signature on those documents were forged by Mr. Cheung, and that while he signed the Custodian Agreement in October 2017, Mr. Shiu only signed the execution page of the Custodian Agreement and did not agree to the content of the Custodian Agreement. Mr. Shiu’s allegation of forgery against Mr. Cheung was unsupported by any details, evidence or particulars. Despite a request for the same on 6 February 2020, Mr. Shiu refused by letter on 13 February 2020 and failed to provide any further information on his allegation of forgery. Please see “Failed application for ex-parte injunction and withdrawal of inter-partes injunction application” below.

The Offeror was informed by Mr. Cheung that: (i) the Charged Shares were held under the Custodian Agreement; (ii) on 5 December 2019, Mr. Cheung appointed Mr. Chan Leung Lee and Mr. Yeo Boon Ann (both employees of BDO) as the Receivers under both the Share Charge and the Able Rich Mortgage, and (iii) on 9 March 2020, the Charged Shares have been transferred to the Receivers pursuant to the terms of the Custodian Agreement.

LETTER FROM KINGSWAY CAPITAL

Pursuant to the terms of engagement by Mr. Cheung (as lender and beneficiary of the Share Charge and the Able Rich Mortgage) of BDO for the provision of the Receivers which BDO has confirmed are on their customary terms and rates, Mr. Cheung has agreed to pay for the services of BDO on a time costs basis and has given an indemnity (as is customary in such appointments) in favour of BDO and the Receivers against all liabilities and all actions, suits, proceedings, claims, demands, costs and expenses whatsoever which may be taken against any of them or incurred or become payable or paid by any of them in respect of the receivership. Pursuant to the terms of the relevant charges, the appointed receivers will be deemed to be agent of the chargor for all purposes. The Offeror has noted that at common law, a receiver owes a duty of care to the chargor to take reasonable care to obtain the best price reasonably obtainable at the time of sale in respect of the charged assets and to exercise his powers in good faith and for a proper purpose. BDO Limited, an affiliated firm of (but separate legal entity from) BDO, is the statutory auditor of Hammer Capital. No other material relationship exists between the Offeror, Mr. Cheung and BDO.

In connection with the appointment of the Receivers under the Able Rich Mortgage, Mr. Cheung (as plaintiff) has taken out originating summons on 24 January 2020 (HCMP 138/2020) against Able Rich, Rich Treasure (which based on DI Filings wholly-owns Able Rich and is wholly-owned by Mr. Shiu), Mr. Shiu and the Registrar of Companies primarily to seek rectification of the companies register to reflect the appointment of receivers to Able Rich and its charged property. The Court has given directions on the exchange of further evidence between the parties, after which the Court will give further directions for the disposal of the originating summons.

The Custodian Agreement contains indemnities given by Able Rich in favour of Sun Securities as custodian but no indemnities from Mr. Cheung. Mr. Cheung has since given an indemnity in favour of Sun Securities against all claim arising from or in connections with, and any losses costs expense and any other liability which Sun Securities may incur, by reason of Sun Securities acting upon or carrying out any instructions given by Mr. Cheung to Sun Securities at any time pursuant to the Custodian Agreement.

Failed application for ex-parte injunction and withdrawal of inter-partes injunction application

In the evening of 10 March 2020, Mr. Cheung was informed that Mr. Shiu intended to bring a High Court action on the basis of fraud and/or forgery, and further, Mr. Shiu intended to take out an ex-parte application on behalf of himself, Rich Treasure and Able Rich, as plaintiffs against Mr. Cheung, China Securities (at which the securities account opened by the Receivers for holding the Charged Shares is being held) and the Receivers as defendants to seek an interim injunction restraining the defendants from dealing with, entering into or procuring to enter into any transaction for the sale, disposal or transfer of any or part of the 82,288,613 Shares. The application appeared to be supported by an unsigned affirmation from Mr. Shiu that alleges that the share mortgages in favour of Mr. Cheung are forged and therefore void.

LETTER FROM KINGSWAY CAPITAL

Mr. Cheung has since been informed that the ex-parte application was made by Mr. Shiu and heard by the Honourable Mr. Justice Wilson Chan in the evening of 10 March 2020, but His Lordship refused to grant an interim injunction. On 11 March 2020, Mr. Cheung requested Mr. Shiu to serve the writ of summons. On 13 March 2020, Mr. Shiu served a writ of summons in HCA 280/2020 which maintained his allegations of fraud and/or forgery against Mr. Cheung. On 19 March 2020, Mr. Shiu took out an inter-parte summons seeking to restrain the defendants from: (i) dealing with, entering into or procuring to enter into any transaction for the sale, disposal or transfer, or otherwise disposing of or encumbering, any or part of the 82,288,613 Shares (i.e. the Charged Shares); and/or (ii) exercising or procuring to exercise shareholding rights in relation to the 82,288,613 Shares (i.e. the Charged Shares), including but not limited to voting rights. On 27 March 2020 at 10:00 a.m., the inter-parte summons was heard by the Honourable Madam Justice Linda Chan. Her Ladyship remarked that: (i) as Mr. Shiu failed to prove the alleged forger of the documents that create the Security Package (who could well be Mr. Shiu's own agents), there was no valid cause of action against the defendants including Mr. Cheung; (ii) indeed, the evidence showed that Mr. Shiu's execution of the documents that created the Security Package and the Custodian Agreement was arranged by Mr. Shiu's agents and/or legal team; (iii) a party making an allegation of fraud should produce compelling evidence and mere assertion would not be enough, but Mr. Shiu did not produce any contemporaneous evidence to support his allegation of fraud; (iv) if Mr. Shiu discovered the so-called fraud in 2018, the obvious thing for him to do was to complain, but there was no contemporaneous evidence of Mr. Shiu having taken any steps immediately or shortly after the alleged discovery of fraud; (v) it was quite obvious that Mr. Shiu had signed the Custodian Agreement as chargor and not for the purpose of transferring Shares as he alleged; (vi) Mr. Shiu provided no answer as to the common seals affixed to the documents that created the Security Package and the Custodian Agreement; (vii) while Mr. Shiu had adduced an expert report from a handwriting expert, the weight of the expert evidence would depend on the samples given to the expert, especially when there was evidence of variance in Mr. Shiu's signatures; and (viii) Mr. Shiu confirmed the validity of the documents that create the Security Package in his DI Filings as well as the Company's annual report, which undermined Mr. Shiu's case of there having been a forgery. Upon hearing Her Ladyship's remarks, Mr. Shiu instructed his legal team to withdraw the inter-parte summons and was ordered to bear the costs of the defendants of and occasioned by the inter-parte injunction and the hearing, with certificate for two counsels given to Mr. Cheung.

LETTER FROM KINGSWAY CAPITAL

Action against security providers and Finet by Mr. Cheung

Mr. Cheung informed the Offeror that on 16 March 2020, he issued a writ against Mr. Shiu, Rich Treasure, Able Rich, the Company and Finet in HCA 325/2020. Under the writ, Mr. Cheung claims damages for breaches of the Rich Treasure Mortgage by Mr. Shiu, breaches of the Able Rich Mortgage by Rich Treasure and breaches of the Share Charge by Able Rich for, amongst other things, procuring, causing the dilution of the shareholding of the Shares subject to the Share Charge to less than 37.59% (being the shareholding of the Company that the Charged Shares represented as at the date of the Share Charge). He also seeks a permanent injunction against the Company and Finet from proceeding with the Placing and issuing Shares thereunder, a permanent injunction against the Company or a permanent injunction against the Company from exercising the 2019 General Mandate and a permanent injunction restraining all defendants from doing any act that procures, causes, permit and/or allows the dilution of the shareholding that is subject to the Share Charge. The Placing has been terminated by the Company as set out in the Company's announcement dated 27 March 2020.

Concert Party Deed with Ms. Bai

On 13 March 2020, the Offeror entered into the Concert Party Deed with Ms. Bai that takes effect on the same date pursuant to which Ms. Bai agreed to vote her Shares in such way as the Offeror may direct for a period of 6 months following the closing of the Offers. In addition, Ms. Bai gave an irrevocable undertaking to the Offeror not to sell or otherwise deal in any of her Shares before the close of the Offers other than to accept the Share Offer in respect of some or all her Shares. Ms. Bai has informed Mr. Cheung that she has not yet decided whether or not to accept the Offers. Ms. Bai has confirmed that she is the registered holder and beneficial owner of 26,093,500 Shares (representing approximately 10.86% of the total number of Shares in issue as at the Latest Practicable Date) which she acquired on 5 November 2019 at the price of HK\$0.1916 per Share.

Requisition against the Company by Ms. Bai

The Offeror has been notified by Mr. Cheung that following an approach by Ms. Bai on 9 December 2019 with respect to a potential requisition against the Company, Mr. Cheung, his employee and the Receivers agreed to be put forward for appointment as directors in the Company under a requisition dated 30 December 2019 made by Ms. Bai to convene a special general meeting, among other things, to elect six persons as Directors. Ms. Bai has confirmed that such requisition was made on 30 December 2019 to which the Company had not made any substantive response. The Offeror noted from the Response Announcement that the Company had taken no action on the requisition that was considered invalid on the ground that it had not been deposited at the registered office of the Company. Ms. Bai confirmed that the Company never notified her of this technical non-compliance.

LETTER FROM KINGSWAY CAPITAL

Ms. Bai has confirmed to the Offeror that her then approach to Mr. Cheung was driven by a reference in the 1st Placing Announcement that *“it is noted that Bai Yu has made a shareholding disclosure at the Hong Kong Stock Exchange in relation to 26,093,500 Shares. This transaction is disputed by China Creative. China Creative maintains the position that it remains to be the beneficial holders of the concerned shares.”* She also confirmed that she did not have any notice prior to that announcement of anyone disputing the Shares she acquired. China Creative is a company listed on the GEM of the Stock Exchange (stock code: 8078). According to public information as at the Latest Practicable Date, Shiu Junior is the Chairman and an executive director of China Creative, and held approximately 8.22% of issued shares in China Creative. The Offeror noted that a DI Filing was made in respect of a relevant event on 5 November 2019 following which China Creative had zero interest in Shares. Such DI Filing has been withdrawn on 19 March 2020.

Ms. Bai has informed the Offeror that she issued an originating summons (“OS”) in HCMP 155/2020 on 4 March 2020 against the Directors and the Company to seek remedies under the Companies Ordinance. Ms. Bai is seeking orders to restrain the Company from proceeding with the Placing (which the Company announced as terminated on 27 March 2020) or exercising the 2019 General Mandate and against the Directors to restrain them from interfering with her exercise of her rights as a Shareholder.

In her affirmation to support the OS, Ms. Bai says that since December 2019, the actions of the Directors have prejudiced her rights as a minority Shareholder. In particular, the effect of the Placing will result in a dilution of her shareholding in the Company to less than 10% (being the threshold required for shareholders to requisition Company meetings). Ms. Bai says further that based upon 2019 Interim Report, the Company had cash and cash equivalents of approximately HK\$37.2 million. In such circumstances, Ms. Bai says that the Company has no reason to raise HK\$13.2 million of which only HK\$9.24 million would be used for the Company’s moneylending business while the rest (HK\$3.96 million) would be used for the Company’s working capital. In the absence of genuine and proper reasons for such fundraising, Ms. Bai says that the Directors have an ulterior motive which is not in the best interests of the Company. The Placing has been terminated by the Company as set out in the Company’s announcement dated 27 March 2020.

LETTER FROM KINGSWAY CAPITAL

Action against Ms. Bai

Ms. Bai informed the Offeror that China Creative and New Smart as plaintiffs issued a writ of Summons dated 15 January 2020 (HCA 80/2020) against Ms. Tam and Ms. Bai as defendants which was served on Ms. Bai on 20 January 2020. Based on the statement of claim, (i) New Smart was wholly-owned by China Creative at all material times; (ii) and they held 4,584,425 Shares and 21,509,075 Shares as at 19 October 2017 around which date China Creative entered into a loan agreement with Ms. Tam in respect of a term loan facility of HK\$5,000,000 for 13 months; (iii) and each of the plaintiffs charged their Shares in favour of Ms. Tam. Ms. Bai has confirmed that she was not privy to those arrangements at the time they were made and only became aware of the Shares being available for sale through her broker, China Securities. China Creative and New Smart alleged that the instrument of transfer and the contract notes dated 5 November 2019 by which all of the 26,093,500 Shares were transferred to Ms. Bai were forged. Ms. Bai paid HK\$5,000,037 (and HK\$10,866 in stamp duty) for the Bai Shares. Ms. Bai saw nothing unusual with the documents she was asked to sign by China Securities in connection with such purchase. She had no notice the documents she was asked to sign by China Securities in connection with such purchase were forged. She had understood that the payment she was asked to make by way of a cheque payable to Ms. Tam for those Shares was to settle debt owed by the sellers. She has instructed solicitors to prepare and file a defence against the action.

Other Relationship with Ms. Bai

The Offeror also understands from Mr. Cheung that Ms. Bai is the legal representative of a company incorporated in February 2018 in Mainland China indirectly owned by Mr. Cheung, in anticipation of commercial cooperation that had not proceeded.

INFORMATION ON THE GROUP

Based on the published information of the Company available as at the Latest Practicable Date, the Company is a company incorporated in Bermuda with limited liability, the Shares of which are currently listed on the GEM of the Stock Exchange (stock code: 8079). The Group is principally engaged in the money lending business, retail and wholesale business.

LETTER FROM KINGSWAY CAPITAL

INTENTION OF THE OFFEROR ON THE GROUP

Following the close of the Offers, it is the intention of the Offeror that the Company will continue to focus on the development of its existing businesses. The Offeror does not intend to introduce any major changes to the existing operations and business of the Group upon the close of the Offers. With respect to the money lending business of the Group, Mr. Cheung (being the sole director and shareholder of the Offeror) has had extensive experience in debt financing from his roles with Merrill Lynch and Citigroup Global Markets Asia Limited when his responsibilities covered margin financing operations and from making exempted loans (under the Money Lenders Ordinance, Cap 163 of the Laws of Hong Kong) thereafter. In any event, should the Offers become unconditional, the Offeror intends to recruit new directors with the appropriate or relevant expertise to oversee the business of the Group, supported by performing existing management and operating staff of the Group that the Offeror intends to retain.

However, the Offeror will seek to improve the governance of the Company, for example, by introducing changes to the Board so that its executive Directors do not comprise only of the existing or future controlling Shareholder (as defined in the GEM Listing Rules) or his family members.

Nevertheless, the Offeror will conduct a detailed review on the existing principal businesses and operations, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group, should such opportunities arise in the future, in particular those which may create synergies with the existing operations of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses or assets of the Group prior to the outcome of its review.

As at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (other than, possibly, the executive Directors and their associates); or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business.

LETTER FROM KINGSWAY CAPITAL

PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board comprises Mr. Shiu and Ms. Siu Yeuk Hung, Clara as executive directors; Mr. Lee King Fui, Mr. Siu Chi Yiu, Kenny and Mr. Ho Siu King, Stanley as independent non-executive directors. The Offeror notes from an announcement dated 23 March 2020 of the Company that Mr. Ho Siu King, Stanley, an independent non-executive Director has tendered his resignation, which will not be effective until it is allowed under Rule 7 of the Takeovers Code.

As at the Latest Practicable Date, the Offeror intends to nominate new Directors to the Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. It is also possible that certain existing Director(s) may leave the Board. As at the Latest Practicable Date, the Offeror had not reached any final decision as to who will be nominated and the final composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and a separate announcement will be made in this regard as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends the issued Shares to remain listed on the Stock Exchange upon the close of the Offers.

Pursuant to the GEM Listing Rules, the Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentages applicable to the Company, being less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

Mr. Cheung as the sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares. The Offeror will issue a separate announcement as and when necessary in this regard.

LETTER FROM KINGSWAY CAPITAL

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any powers of compulsory acquisition of any Shares outstanding and not acquired by it under the Offers after the close of the Offers.

DEALING DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the respective associates of the Company (as defined in the Takeovers Code, including among others, Shareholders of the Company having interests of 5% or more in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company) and of the Offeror are hereby reminded to disclose their dealings in the securities of the Company pursuant to the requirements of Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings including identities of clients, as part of that co-operation.”

LETTER FROM KINGSWAY CAPITAL

ADDITIONAL INFORMATION

Your attention is drawn to the information regarding the Offers set out in the Appendices to this Offer Document and the accompanying Form(s) of Acceptance, which form part of this Offer Document.

In considering what action to take in connection with the Offers, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Shareholders and Optionholders are reminded to review the Response Document and the advice of the independent board committee of the Company and the independent financial adviser appointed by the Company before making an informed decision to accept or not to accept the Offers.

For and on behalf of
Kingsway Capital Limited
Karen Wong
Managing Director

To accept the Offers, you should complete and sign the accompanying Form(s) of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Offer Document should be read together with the instructions printed on the Form(s) of Acceptance which form part of the terms of the Offers.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

A. The Share Offer

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand to the Receiving Agent at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "Easy Repay Finance & Investment Limited – Share Offer" as soon as possible but in any event so as to reach the Receiving Agent no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeover Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the Form of Share Offer Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Receiving Agent; or

- (ii) arrange for the Shares to be registered in your name by the Company through the Share Registrar, and deliver the Form of Share Offer Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Receiving Agent; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Share Offer Acceptance and deliver it to the Receiving Agent together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror, Kingsway Financial Services Group, the Receiving Agent and/or their respective agent(s) to collect from the Company or the Share Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Receiving Agent on your behalf and to authorise and instruct the Receiving Agent to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/ they were delivered to the Receiving Agent with the Form of Share Offer Acceptance.

- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the Form of Share Offer Acceptance should nevertheless be completed and delivered to the Receiving Agent together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Receiving Agent as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Share Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Receiving Agent. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.
- (e) Acceptance of the Share Offer will be treated as effective and valid only if the completed and signed Form of Share Offer Acceptance is received by the Receiving Agent on or before the latest time for acceptance of the Share Offer and the Receiving Agent has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

- (ii) from a registered Shareholder or his/her/its personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (e)); or
- (iii) certified by the Share Registrar or the Stock Exchange.

If the Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Receiving Agent and the Offeror must be produced.

- (f) Seller's ad valorem stamp duty payable by the Shareholders who accept the Share Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Shareholder on acceptance of the Share Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.
- (g) No acknowledgement of receipt of any Form of Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

B. The Option Offer

- (a) The duly completed and signed Form of Option Offer Acceptance should be sent, together with any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) that the Offeror may require, by post or by hand, to the Receiving Agent at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "Easy Repay Finance & Investment Limited – Option Offer" as soon as possible but in any event so as to reach the Receiving Agent no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code.
- (b) No stamp duty will be deducted from the amount paid or payable to Optionholders who accept the Option Offer.

- (c) No acknowledgment of receipt of any Form of Option Offer Acceptance and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (d) No notice of cancellation of any Share Option will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offers have previously been declared unconditional or extended or revised with the consent of the Executive in accordance with the Takeovers Code, the latest time and date for acceptance will be 4:00 p.m. on the First Closing Date, or if the Offers are extended, any subsequent closing date of the Offers that is extended will be announced by the Offeror in accordance with the Takeovers Code. The Offers shall be conditional upon, among other things, the Offeror having received valid acceptances in respect of the Offer Shares which, together with the Shares acquired or agreed to be acquired before or during the Offer Period, will result in the Offeror Concert Group holding more than 50% of the voting rights of the Company. In the event that the Offers become or are declared unconditional as to acceptances, the Offers will remain open for acceptance for not less than 14 days thereafter.

The Offers, if revised/extended, will be done as the Offeror may determine in accordance with the Takeovers Code (or permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any revision or extension of the Offers, which will state the next closing date or, if the Offers have become or are at that time unconditional as to acceptances, that the Offers will remain open until further notice and at least 14 days' notice in writing must be given to those Shareholders who have not accepted the Offers before the Offers are closed and an announcement must be published. If the Offeror revises the terms of the Offers, all Shareholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms. If the Offers are extended or revised, the announcement of such extension or revision will state the revised Closing Date. If the Offers are revised, the Offers will remain open for acceptance for a period of not less than 14 days from the posting of the revised Offer Document to the Shareholders. If the Closing Date of the Offers is extended, any reference in the Offer Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offers so extended.

The Offeror may introduce new condition(s) to be attached to revised Offers, or any subsequent revision thereof but only to the extent necessary to implement the revised Offers and subject to the consent of the Executive in accordance with the Takeovers Code.

If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a “black” rainstorm warning signal: (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the First Closing Date, the latest time and date for acceptance of the Offers will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the First Closing Date, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

3. ANNOUNCEMENTS

- (a) By 6:00 p.m. (or such later time and/or date as the Executive may in exceptional circumstances permit) on the First Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the Offers. The Offeror must publish an announcement on the website of the Stock Exchange by 7:00 p.m. on the First Closing Date stating, among others, information required under Rule 19.1 of the Takeovers Code, whether the Offers have been revised or extended, have expired or have become or been declared unconditional (and, in each case, whether as to acceptance or in all respects). The announcement will state the following:
- (i) the total number of Offer Shares and Share Options for which acceptances of the Offers have been received;
 - (ii) the total number of Offer Shares and Share Options controlled or directed by the Offeror Concert Group before the Offer Period; and
 - (iii) the total number of Offer Shares and Share Options acquired or agreed to be acquired by the Offeror Concert Group during the Offer Period.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror and any parties acting in concert with it have borrowed or lent, save for any borrowed securities which have been either on-lent or sold, and specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) In computing the total number of Offer Shares and Share Options represented by acceptances, only valid acceptances that are complete and in good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and which have been received by the Receiving Agent no later than 4:00 p.m. on the First Closing Date, being the latest time and date for acceptance of the Offers, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code, shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of the Offers must be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules respectively.

4. RIGHT OF WITHDRAWAL

- (a) Acceptances of the Offers shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of any of the Offers shall be entitled to withdraw his/her/its acceptance within 21 days from the First Closing Date if the Offers have not by then become unconditional as to acceptances. An acceptor of the Offers may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Receiving Agent or the Company Secretary of the Company, as the case may be.
- (b) If the Offeror is unable to comply with the requirements set out in “3. Announcements” above, the Executive may require that the Shareholders and the Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

If an acceptor withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return, by ordinary post and at the risk of the relevant acceptor, in respect of the Share Offer, the Share certificate(s) and/or transfer receipt(s) and/or (in respect of the Option Offer) the Option certificate(s) (if applicable) and/or other document(s) or title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Shareholder and/or Optionholder.

5. SETTLEMENT OF THE OFFERS**A. The Share Offer**

Subject to the Share Offer becoming or being declared unconditional and provided that a valid Form of Share Offer Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Receiving Agent before the close of the Share Offer, a cheque for the amount due to each of the Shareholders who accept the Share Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Share Offer will be despatched to such Shareholder, or in the case of joint Shareholders, to the Shareholder whose name appears first in the register of members of the Company, by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days of the later of the date on which the Share Offer becomes or is declared unconditional in all respects and the receipt of all the relevant documents by the Receiving Agent to render such acceptance complete and valid.

Settlement of the consideration to which any Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

B. The Option Offer

Subject to the Option Offer becoming or being declared unconditional and provided that a valid Form of Option Offer Acceptance and any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) that the Offeror may require have been received by the Receiving Agent before the close of the Option Offer, a cheque for the amount due to the Optionholders in respect of the Share Options tendered by him/her/it under the Option Offer will be sent to the respective addresses as they appear in the respective duly completed Form of Option Offer Acceptance received by the Receiving Agent by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days of the later of the date on which the Share Offer becomes or is declared unconditional in all respects and the receipt of all the relevant documents by the Receiving Agent to render such acceptance complete and valid.

Settlement of the consideration to which any Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Optionholder.

6. EXERCISE OF SHARE OPTIONS

Optionholders who wish to accept the Share Offer with respect to the Shares issuable under the Share Options upon exercise of such Share Options held by them should contact the Company as soon as possible to ascertain the time that the Company may need to issue and deliver the original Share certificate(s) following your exercise of the Share Options, so that such Optionholders may make an informed decision as to whether or not there is adequate time for valid acceptances of the Share Offer to be made in accordance with “1. Procedures for Acceptance of the Offers – A. The Share Offer”.

7. LAPSE OF SHARE OPTIONS

Nothing in this Offer Document or the Option Offer will serve to extend the life of any Share Option which lapses under the relevant Share Option Scheme. No exercise of Share Options or acceptance of the Option Offer may be made in relation to any Share Option that has lapsed.

8. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The making of the Offers to the overseas Shareholders and/or overseas Optionholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders and/or overseas Optionholders should obtain appropriate legal advice regarding the implications of the Offers in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of each overseas Shareholder and/or overseas Optionholder who wishes to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due from that accepting Shareholders and/or Optionholder).

Acceptance of the Offers by any overseas Shareholder and/or overseas Optionholders will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offers.

9. TAX IMPLICATIONS

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of the Offeror, Kingsway Financial Services Group, Kingsway Capital, their respective ultimate beneficial owners and parties acting in concert, the Receiving Agent or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers is in a position to advise the Shareholders and/or Optionholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offers.

10. GENERAL

- (a) All communications, notices, Form(s) of Acceptance, certificate(s), Share certificate(s), transfer receipt(s), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers will be delivered by or sent to or from the Shareholders and/or the Optionholders or their designated agents, by ordinary post at their own risk, and none of the Offeror, Kingsway Financial Services Group, the Receiving Agent, or other parties involved in the Offers or any of their respective directors, officers, advisers, associates, agents accepts any liability for any loss or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form(s) of Acceptance form part of the terms and conditions of the Offers.
- (c) The accidental omission to despatch this Offer Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of the Form(s) of Acceptance by or on behalf of a Shareholder/Optionholder will constitute such Shareholder's/Optionholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offers.

- (e) Due execution of the Form(s) of Acceptance in accordance with Note 1 to Rule 30.2 of the Takeovers Code will (i) be deemed to constitute acceptance of the Share Offer/Option Offer on and subject to the terms set out or referred to in the Offer Document and the Form(s) of Acceptance, including any revision or extension of the terms of the Share Offer/Option Offer in accordance with the Takeovers Code, in the case of any revision, where the Share Offer/Option Offer is revised and the consideration offered under such revised Share Offer/Option Offer does not represent on such date (on such basis as the Offeror may consider appropriate) a reduction in the value of the Share Offer/Option Offer in its original or any previously revised form(s); and (ii) constitute an instruction and authority to each of the Offeror, Kingsway Financial Services Group, the Receiving Agent, the Company and/or their respective agent(s) or such person(s) as any of them may direct to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer/Option Offer (including any revision thereto) and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares or the absolute right to cancel Share Options in respect of which such person or persons has/have accepted the Share Offer/Option Offer (including any revision thereto).
- (f) Acceptance of:
- (i) the Share Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Kingsway Financial Services Group that the Shares tendered under the Share Offer are sold by such person or persons free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interest of any nature whatsoever and together with all rights accruing or attaching to them, including, without limitation, the rights to receive all future dividends and other distributions, declared, made or paid, if any, by the Company on or after the Closing Date.
- (ii) the Option Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Kingsway Financial Services Group that the Share Options tendered under the Option Offer are sold by such person or persons free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interest of any nature whatsoever and together with all rights accruing or attaching to them.
- (g) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares and/or Share Options in respect of which it is indicated in the Form(s) of Acceptance is the aggregate number of Shares and/or Share Options held by such nominee for such beneficial owners who accept the Offers.

- (h) If no number is inserted or a number inserted is greater than your registered holding of Share(s)/Share Option(s) or those physical Share(s) tendered for acceptance of the Share Offer or Option Offer and you have signed the Form(s) of Acceptance, the Form(s) of Acceptance will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Receiving Agent on or before 4:00 p.m. on the Closing Date.
- (i) Reference to the Offers in this Offer Document and in the Form(s) of Acceptance shall include any extension or revision thereof.
- (j) In making their decisions, Shareholders and Optionholders must rely on his/her/its/their own examination of the Offeror and the terms of the Offers, including the merits and risks involved. The contents of this Offer Document, including any general advice or recommendations contained therein, and the Form(s) of Acceptance are not to be construed as legal or business advice. Shareholders and Optionholders could consult with his/her/its/their own professional advisers for professional advice.
- (k) If the Offers lapse for any reason, they shall cease to be capable of further acceptance and the Offeror and Kingsway Financial Services Group shall cease to be bound by any of the prior acceptances.
- (l) If the Offers lapse for any reason, any share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance will be returned to the relevant Shareholder(s) and Optionholder(s) who have accepted the Offers by ordinary post at the relevant Shareholders' and Optionholders' own risks as soon as possible but in any event within 10 days after the Offers have lapsed.
- (m) The Offers are being made by the issue and despatch of this Offer Document on 3 April 2020.
- (n) The Offers are made in accordance with the Takeovers Code.
- (o) All acceptances, instructions, authorities and undertakings given by the Shareholders or Optionholders in the Form(s) of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (p) The English text of this Offer Document and of the Form(s) of Acceptance shall prevail over their respective Chinese text for the purpose of translation.

1. RESPONSIBILITY STATEMENT

This Offer Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders and the Optionholders with regard to the Offeror and the Offers.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Offer Document and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document misleading.

The information relating to the Group in this Offer Document has been extracted from or based on the published information of the Group. The only responsibility accepted by the sole director of the Offeror in respect of such information is for the correctness and fairness of the extraction of such information and/or its reproduction or presentation.

2. MARKET PRICES

The table below shows, based on publicly available information of the Company, the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Date; and (iii) the Latest Practicable Date.

Date	Closing price Per Share (HK\$)
30 September 2019	0.198
31 October 2019	0.209
29 November 2019	0.210
31 December 2019	0.305
31 January 2020	0.330
28 February 2020	0.380
10 March 2020	0.400
31 March 2020/Latest Practicable Date	0.320

Highest and Lowest Share Prices

The highest and lowest closing price per Share as quoted on the Stock Exchange during the period commencing six months preceding the commencement of the Offer Period and ending on the Latest Practicable Date was HK\$0.415 per Share (on 21 February 2020) and HK\$0.18 per Share (on 23 October 2019), respectively.

3. DISCLOSURE OF INTERESTS OF THE OFFEROR CONCERT GROUP IN THE OFFEREE

As at the Latest Practicable Date, save for the security interest of Mr. Cheung over certain Shares and the Shares held by Ms. Bai disclosed in “Information on the Offeror Concert Group” in the Letter from Kingsway Capital in this Offer Document, no member of the Offeror Concert Group held, owned or had control or direction over any voting rights or rights over any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities. Accordingly, as at the Latest Practicable Date, the Offeror Concert Group held a total of 26,093,500 Shares (representing approximately 10.86% of the total number of Shares in issue).

None of the Offeror Concert Group had dealt for value in any relevant securities as defined in Note 4 to Rule 22 of the Takeovers Code of the Company during the Relevant Period and up to the Latest Practicable Date, save for the following transactions:

Date of transaction on the Stock Exchange	Purchaser	Number of Shares purchased	Unit price per Share (HK\$)
5 November 2019	Ms. Bai	<u>26,093,500</u>	0.1916
		<u><u>26,093,500</u></u>	

As at the Latest Practicable Date,

- (a) save for the security interest of Mr. Cheung over certain Shares disclosed in “Information on the Offeror Concert Group” in the Letter from Kingsway Capital in this Offer Document, the sole director of the Offeror did not have any interests in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities, or had dealt for value in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror Concert Group and any other person;
- (c) no arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between a person who owned or controlled Shares or convertible securities, warrants, options or derivatives of the Company and the Offeror Concert Group.

4. ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date,

- (a) the securities acquired in pursuance of the Offers will not be transferred, charged or pledged to any other persons and there is no agreement, arrangement or understanding in this regard.
- (b) there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (c) the Offeror had not received any irrevocable commitment to accept or reject the Offers;
- (d) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror Concert Group and any of the Directors, recent Directors, and Shareholders or recent Shareholders which had any connection with or dependence upon the Offers;
- (e) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers; and
- (f) there existed no arrangement, understanding or agreement between any member of the Offeror Concert Group on one hand, and any Shareholder(s) on the other hand, which would constitute a “special deal” under Rule 25 of the Takeovers Code.

5. CONSENT AND QUALIFICATIONS

The following are the qualifications of the expert who has given an opinion or advice in this Offer Document:

Name	Qualification
Kingsway Capital	a licensed corporation permitted to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)

The above expert has given and has not withdrawn its written consent to the issue of this Offer Document with copy of its letter and/or the references to its name included in the form and context in which they are respectively included.

6. GENERAL

- (a) The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, Mr. Cheung Siu Fai is the sole director and sole shareholder of the Offeror.
- (b) The registered office of the Offeror is c/o CCS Trustee Limited, Mandar House, 3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands. The Offeror does not have a place of business in Hong Kong.
- (c) The registered office of Kingsway Capital is 7/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.
- (d) The registered office of Kingsway Financial Services Group is 7/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.
- (e) The address of Ms. Bai is Shen Zhen Shi Luo Hu Qu, Bao An Nan Lu Hong Gui Lu, Feng Ge Ming Yuan B Zuo 24J Shi, China.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the SFC's website at <http://www.sfc.hk>, the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Offeror at <http://aplushk.com/betadynamic> from the date of this Offer Document for as long as the Offers remain open for acceptance:

- (a) the letters of consent from Kingsway Capital referred to in the paragraph headed "Consent and qualifications" in this Appendix;
- (b) the letter from Kingsway Capital, the text of which is set out on pages 10 to 32 of this Offer Document; and
- (c) the Memorandum and Articles of Association the Offeror.