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## **EASY REPAY FINANCE & INVESTMENT LIMITED**

### **易還財務投資有限公司**

*(Continued into Bermuda with limited liability)*

**(Stock code: 8079)**

## **ANNOUNCEMENT IN RESPONSE TO THE VOLUNTARY CONDITIONAL CASH OFFERS AND RESUMPTION OF TRADING**

### **THE OFFERS**

On 10 March 2020 (after trading hours), the Board received a letter from the Offeror notifying the Board of the Offeror's firm intention to make voluntary conditional cash offers (i) to acquire all the Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it); and (ii) to cancel all outstanding Options in compliance with Rule 13.5 of the Takeovers Code.

On 13 March 2020, the Offeror published the Offer Announcement setting out details of the Offers. As disclosed in the Offer Announcement, Kingsway Financial will, for and on behalf of the Offeror, make (i) the Share Offer at the Share Offer Price of HK\$0.29 per Offer Share (subject to any reduction by the amount of cash dividend or fair market value of any non-cash distribution if the Company declares or pays so on each Share for any period in the year ending 31 March 2020); and (ii) the Option Offer at the Option Offer Price of HK\$0.025 for cancellation of each Option.

Based on the Offer Announcement, as at 13 March 2020, the Offeror Concert Group allegedly owned a total of 26,093,500 Shares (being the Substantial Block under dispute as more particularly described in this announcement, representing approximately 10.86% of the total number of Shares in issue), which, however, will be subjected to the Share Offer.

## **DISPUTES OVER THE BENEFICIAL OWNERSHIPS OF THE SUBJECT SHARES**

The Board has been informed that the beneficial ownerships of the Subject Shares comprising (i) the Controlling Block, being 82,288,613 Shares; and (ii) the Substantial Block, being 26,093,500 Shares, representing approximately 45.09% of the total Shares in issue, are currently subject to serious disputes and legal proceedings.

Shareholders therefore are strongly advised to take no action as regards the Offers until they have received the Response Document setting out the latest update of the disputes of the Subject Shares, and the views and recommendations of the IBC and the IFA in relation to the Offers.

## **LATEST DEVELOPMENTS**

### **1. Latest developments of the Placing**

On 25 February 2020, the Company entered into the Placing Agreement pursuant to which up to 43,500,000 new Shares will be placed through the Placing Agent at HK\$0.315 per Share. The new Shares are to be allotted and issued pursuant to the General Mandate.

Pursuant to the Placing Agreement, completion of the Placing is conditional on, among others, listing approval of the Placing Shares having been granted by the Stock Exchange. Given that Company is required to comply with the requirement in respect of the discount of the Placing Price under Rule 17.42B of the Listing Rules before the Stock Exchange is in a position to grant the listing approval, and the initial Placing Price of HK\$0.315 represented a discount of more than 20% to the closing price of the Shares on the Last Trading Day, the Company is required by the Stock Exchange to adjust the initial Placing Price in order to comply with Rule 17.42B of the Listing Rules. Accordingly, on 20 March 2020, the Company and the Placing Agent entered into the Supplemental Placing Agreement to increase the initial Placing Price from HK\$0.315 to HK\$0.325, representing (i) a discount of approximately 18.75% to the closing price of the Shares on the Last Trading Day; and (ii) a discount of approximately 6.88% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days prior to the Last Trading Day. The long stop date of the Placing is also shortened to 3 April 2020 as required by the Stock Exchange.

## **2. Fund Raising Injunctions Proceedings that jeopardise the interests of the Company and the Shareholders as a whole**

Mr. Cheung and his party acting in concert, Ms. Bai, have commenced the Fund Raising Injunctions Proceedings on 3 March 2020 and 16 March 2020 respectively to seek to restrain the Company from proceeding with (i) the Placing; (ii) the resolution passed at the AGM of the Company held on 5 December 2019 which granted the General Mandate; and (iii) any act that procures, causes, permits the dilution of the shareholding of the Controlling Block held by Able Rich, or interfering with Ms. Bai's purported exercise of her rights as a purported shareholder of the Company (as the case may be). Amidst the threats of deterioration of the Hong Kong economy as brought by the Covid-19 outbreak, the Board considers that the Fund Raising Injunctions Proceedings would inevitably obstruct the Group's effort to maintain a strong and healthy financial state in the wake of the forthcoming economic stress in the local economy, and in turn jeopardise the interests of the Company and the Shareholders as a whole. The Board therefore will contest vigorously against these Fund Raising Injunctions Proceedings.

## **3. Duly passed resolutions at the AGM**

On 28 February 2020, the Company received a letter from Mr. Cheung alleging that at the AGM, Able Rich wrongfully exercised its vote in all of the resolutions because Mr. Cheung has sent a notice of enforcement over the shares of Able Rich to Mr. Shiu on 5 December 2019. Upon seeking legal advice from Bermuda legal advisers of the Company, it was confirmed that the AGM was duly held and all the resolutions, including the resolution approving the General Mandate, were duly passed in accordance with the bye-laws of the Company and Bermuda law.

## **4. Invalid requisition by Ms. Bai**

It was stated in the Offer Announcement that Ms. Bai has made a purported requisition against the Company on 30 December 2019 to convene a special general meeting to elect six persons as Directors and to revoke the General Mandate based upon her purported interest in the Substantial Block and that the Company had not made any substantive response. The Board has in this regard obtained a legal opinion from the Company's legal advisers on Bermuda laws and has been advised that Ms. Bai's requisition was invalid on the ground that the requisition had not been deposited at the registered office of the Company as required under section 74(2) of the Companies Act of Bermuda. Accordingly, the Company has taken no action on the invalid requisition.

## NOTES TO THE SHAREHOLDERS

The Board (other than members of the IBC) would like to draw the Shareholders' attention to the following.

The Share Offer is not attractive, only in the interest of the Offeror, not the Company nor the Shareholders. The Share Offer Price represented a deep discount of 83.1% to the unaudited consolidated net assets attributable to owners of the Company as at 30 September 2019 and a discount of approximately 27.5% to the closing price of the Shares on the Last Trading Day. No Shareholder would reasonably be expected to accept the Share Offer at HK\$0.29 per Offer Share given that Shareholders could sell in the market at a much higher price, arguably except for Shareholders who may hold a large block of Shares which may require some market liquidity for disposal in full. Further, the Offers value the Company and the Options at HK\$69.7 million in aggregate, and thus grossly undervalue the Company which is at a market capitalization of HK\$96.3 million (assuming all the outstanding Options have been exercised).

The Offers are highly conditional and uncertain. Having considered that (i) the Offers are conditional on, among others, (a) 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 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 (b) valid acceptances of the Share Offer resulting in the Offeror Concert Group holding more than 50% of the voting rights in the Company; (ii) a series of legal proceedings, and reports to and investigations by the Hong Kong Police Force into possible criminal activities (as more particularly described below in this announcement), in relation to the ownerships of the beneficial interests in the Subject Shares (which represented approximately 45.09% of the total Shares in issue) are undergoing; and (iii) the Offeror Concert Group allegedly holds only approximately 10.86% of the total issued Shares as at 13 March 2020, the Board (other than members of the IBC) considers these may cast serious doubts as to the fulfilment of the aforesaid conditions, making the Offers highly conditional and uncertain.

The motive of the Offeror as to the Offers is dubious. The Board (other than members of the IBC) strongly advises the Shareholders to have a full and careful scrutiny of the events surrounding the Offers, including unattractive terms of the Offers, the uncertainties as to the fulfilment of the conditions of the Offers, and the ongoing litigation in relation to the beneficial ownerships of the Subject Shares. 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 of the Group and therefore affect adversely the interests of the Shareholders as a whole.

**In view of the above, Shareholders are strongly advised to take no action as regards the Offers until they have received the Response Document setting out the latest update of the disputes of the Subject Shares, and the views and recommendations of the IBC and the IFA in relation to the Offers. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company.**

#### **FORMATION OF INDEPENDENT BOARD COMMITTEE**

The IBC comprising all the independent non-executive Directors, namely, Mr. Siu Chi Yiu Kenny, Mr. Lee King Fui and Mr. Ho Siu King, Stanley, has been formed to advise the Shareholders in relation to the Offers. On 7 March 2020, Mr. Ho Siu King, Stanley has tendered his resignation to the Company which will be effective on 7 June 2020, but in any event Mr. Ho's resignation would not be effective until it is allowed under Rule 7 of the Takeovers Code.

In addition, an IFA will be appointed to advise the IBC and the Shareholders in relation to the Offers. A further announcement will be made by the Company following the appointment of the IFA.

#### **GENERAL**

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch the Offer Document containing, amongst other things, the terms and conditions of the Share Offer and the Option Offer and the forms of acceptance and transfer or cancellation to the Shareholders and the Optionholders within 21 days of the date of the Offer Announcement. In response, the Response Document, which will contain, amongst other things, the recommendation of the IBC and the advice of the IFA to the IBC on the Share Offer and the Option Offer, will be issued and despatched by the Company to the Shareholders and Optionholders within 14 days after the posting of the Offer Document, or such other date as permissible pursuant to the Takeovers Code.

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the GEM was halted with effect from 9:00 a.m. on 11 March 2020 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares on the GEM with effect from 9:00 a.m. on 23 March 2020.

## THE OFFERS

On 10 March 2020 (after trading hours), the Board received a letter from the Offeror notifying the Board of the Offeror's firm intention to make voluntary conditional cash offers (i) to acquire all the Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it); and (ii) to cancel all outstanding Options in compliance with Rule 13.5 of the Takeovers Code.

On 13 March 2020, the Offeror published the Offer Announcement setting out details of the Offers. As disclosed in the Offer Announcement, Kingsway Financial will, for and on behalf of the Offeror, make (i) the Share Offer at the Share Offer Price of HK\$0.29 per Offer Share (subject to any reduction by the amount of cash dividend or fair market value of any non-cash distribution if the Company declares or pays so on each Share for any period in the year ending 31 March 2020); and (ii) the Option Offer at the Option Offer Price of HK\$0.025 for cancellation of each Option.

Based on the Offer Announcement, as at 13 March 2020, the Offeror Concert Group allegedly held a total of 26,093,500 Shares (representing approximately 10.86% of the total number of Shares in issue), which, however, will be subject to the Share Offer.

The Offers are subject to the following conditions (the "**Conditions**"):-

- (i) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the first closing date (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 Cheung Parties (as defined in the Offer Announcement) holding more than 50% of the voting rights in the Company as at the Closing Date;
- (ii) the Shares remaining listed and traded on GEM up to the Closing Date (or, if earlier, the date on which the Offers become or are declared unconditional in all respects (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 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 Cheung Parties (as defined in the Offer Announcement);

- (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 shareholders 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 have 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 cancellation of the 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 cancellation of the Options under the Offers void, unenforceable or illegal or prohibit the implementation of the Offers;
- (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 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);
- (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 10 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; and
- (vii) no corporate action, agreement or proposal in relation to the issuance of any Relevant Securities having been contemplated, implemented or announced since 10 March 2020.

The Offeror reserves its right to waive, in whole or in part, all or any of Conditions either generally or in respect of any particular matter save that Condition (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.

## **DISPUTES OVER THE BENEFICIAL OWNERSHIPS OF THE SUBJECT SHARES**

Since December 2019, the Board has been informed of certain disputes on the Subject Shares, which represented a total of 108,382,113 Shares or approximately 45.09% of the total number of Shares in issue as at the date of this announcement. The Subject Shares constituted (i) the Controlling Block, representing 82,288,613 Shares or approximately 34.24% of the total Shares in issue; and (ii) the Substantial Block, representing 26,093,500 Shares or approximately 10.86% of the total Shares in issue.

Shareholders are strongly advised to take note of the disputes of the Subject Shares as detailed below before dealing in the Shares or determining whether or not to accept the Offers.

### **1. Controlling Block**

The Board has been informed by Mr. Shiu (being the Chairman of the Board and an executive Director) that a total of 82,288,613 Shares (being the Controlling Block) held by Able Rich, a company wholly-owned by him, have been transferred to a securities account maintained at China Securities in the name of the purported Receivers appointed by Mr. Cheung (being the sole shareholder and director of the Offeror) on 9 March 2020, as part of the purported enforcement of the Alleged Share Charges which are, according to Mr. Shiu being forged documents. The Alleged Share Charges represented respective charges over the Rich Treasure Shares, the Able Rich Shares and the Controlling Block as security to a loan in the principal amount of HK\$327,000,000 provided by Mr. Cheung to Popland pursuant to the Popland Loan Agreement. On 10 March 2020, Mr. Shiu, Rich Treasure and Able Rich took out an ex-parte injunction application as plaintiffs against Mr. Cheung, China Securities and the purported Receivers as defendants to seek an interim injunction restraining the said defendants from, among others, dealing with any or part of the Controlling Block (i.e. 82,288,613 Shares) (the “**Ex-parte Application**”) on the basis that the Alleged Share Charges were forged.

Having considered the Ex-parte Application, the learned Duty Judge indicated that the said plaintiffs should instead proceed on an inter-partes basis rather than the ex-parte basis.

Following the Ex-parte Application, a writ of summons was issued on 11 March 2020 under HCA 280/2020, where Mr. Shiu, Rich Treasure and Able Rich are the plaintiffs and Mr. Cheung, China Securities and the purported Receivers are the defendants (“**HCA 280/2020**”). Upon the making of the Offers by Mr. Cheung (via the Offeror), the Board has been informed by Mr. Shiu that he considers the circumstances hastily evolved to post imminent risks to his proprietary interest in and corporate control of the Company. On 19 March 2020, Mr. Shiu made an inter parte application for injunctive relief to seek to restrain Mr. Cheung, China Securities and the purported Receivers from, among others, (i) dealing with any or part of the Controlling Block; and (ii) exercising or procuring to exercise shareholding rights in relation to the Controlling Block, including but not limited to voting rights. The said inter-partes application has been fixed by the Court on 27 March 2020.

Mr. Shiu has also informed the Company that on 13 March 2020, report was made to the Hong Kong Police Force on among other things that the Alleged Share Charges are forged and fraudulent documents, which purportedly allowed Mr. Cheung to have unlawfully misappropriated the Controlling Block currently held in the purported Receivers’ securities account maintained at China Securities. On 20 March 2020, upon seeking legal advice and in light of the information already disclosed in the public domain on the legal actions being taken by the parties, Mr. Shiu, Rich Treasure and Able Rich also applied to the Stock Exchange to withdraw the DI forms in respect of their alleged pledges over the Controlling Block in favor of Mr. Cheung, which were mistakenly filed on 25 October 2017. The Stock Exchange accepted the application and the said DI forms have been withdrawn as at the date of this announcement.

The Board has further been informed by Mr. Shiu that, Mr. Cheung, relying upon the Alleged Share Charges, also caused the commencement of the following legal proceedings relating to the ownership of the beneficial interests of the Controlling Block and the relevant rights:

- (i) Mr. Cheung issued a statutory demand dated 30 December 2019 against Mr. Shiu, which Mr. Shiu said he only received on or around 10 January 2020. On 24 January 2020, Mr. Shiu made an application to the Court to set aside the said statutory demand under HCSD 12/2020 on the basis, among others, that the Alleged Share Charges are forged and fraudulent documents. This case is now pending Court’s directions; and
- (ii) on or around 24 January 2020, Mr. Cheung commenced proceedings of HCMP 138/2020 against Mr. Shiu, Rich Treasure, Able Rich and Registrar of Companies to seek to rectify the public and corporate records of Able Rich, again based on the Alleged Share Charges which Mr. Shiu considered forged and fraudulent. The Company understands that Mr. Shiu, Rich Treasure and Able Rich will contest and will file evidence opposing to these proceedings.

**As at the date of this announcement, the above legal proceedings in respect of the Controlling Block are still ongoing. Shareholders are strongly advised to exercise extreme caution when determining whether or not to accept the Offers and to pay particular attention to the latest developments in respect of the Controlling Block to be announced as and when appropriate.**

## **2. Substantial Block**

The Board has been informed by China Creative that on 15 January 2020, China Creative and New Smart (which is a wholly-owned subsidiary of China Creative at all material times) as plaintiffs commenced the action of HCA 80/2020 against Ms. Tam and Ms. Bai as defendants, seeking reliefs, among others, that the purported transfer of the Substantial Block from China Creative and New Smart to Ms. Bai on or around 5 November 2019 upon Ms. Tam's purported enforcement of securities of certain loan borrowed by China Creative were unlawful, void and/or invalid for the reason, among others, that forged instruments were involved. China Creative and New Smart therefore seek further reliefs that Ms. Bai is holding as to (i) 21,509,075 Shares out of the Substantial Block on trust for and on behalf of China Creative; and (ii) 4,584,425 Shares out of the Substantial Block on trust for and on behalf of New Smart. The Company is given to understand that Ms. Tam and Ms. Bai would contest these proceedings, but have yet to file their respective defence.

China Creative has also informed the Company that on 2 March 2020, report was made to the Hong Kong Police Force against the aforesaid forged instruments, which have caused the purported transfer of the Substantial Block to Ms. Bai and the mistaken filings of forms of disclosure of interest by China Creative and New Smart, respectively. On 18 March 2020, upon seeking legal advice and with a view to putting the public record straight, China Creative and New Smart applied to the Stock Exchange to withdraw the DI forms in respect of their alleged transfer of beneficial interests in the Substantial Block to Ms. Bai, which were mistakenly filed on 5 November 2019. The Stock Exchange accepted the application and the said DI forms have been withdrawn as at the date of this announcement.

As at the date of this announcement, both China Creative and Ms. Bai claimed to have the beneficial interests in the Substantial Block according to their respective disclosure of interests filings.

**As at the date of this announcement, the legal proceedings in respect of the ownership of the beneficial interests of the Substantial Block are still ongoing. Shareholders are strongly advised to exercise extreme caution when determining whether or not to accept the Offers and pay particular attention to the latest developments in respect of the Substantial Block to be announced as and when appropriate.**

## **THE LATEST DEVELOPMENTS AND RESPONSES OF THE COMPANY**

### **1. Latest developments of the Placing**

On 25 February 2020, the Company entered into the Placing Agreement pursuant to which up to 43,500,000 new Shares will be placed through the Placing Agent at HK\$0.315 per Share. The new Shares are to be allotted and issued pursuant to the General Mandate.

Pursuant to the Placing Agreement, completion of the Placing is conditional on, among others, listing approval of the Placing Shares having been granted by the Stock Exchange. Given that the Company is required to comply with the requirement in respect of the discount of the Placing Price under Rule 17.42B of the Listing Rules before the Stock Exchange is in a position to grant the listing approval, and the initial Placing Price of HK\$0.315 represented a discount of more than 20% to the closing price of the Shares on the Last Trading Day, the Company is required by the Stock Exchange to adjust the initial Placing Price in order to comply with Rule 17.42B of the Listing Rules. Accordingly, on 20 March 2020, the Company and the Placing Agent entered into the Supplemental Placing Agreement to increase the initial Placing Price from HK\$0.315 to HK\$0.325, representing (i) a discount of approximately 18.75% to the closing price of the Shares on the Last Trading Day; and (ii) a discount of approximately 6.88% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days prior to the Last Trading Day. The long stop date for fulfilment of the conditions precedent to completion of the Placing is also shortened to 3 April 2020 as required by the Stock Exchange.

As at the date of this announcement, the Company is still in the process of obtaining listing approval of the Placing Shares. Further information on the Placing is set out in the announcements of the Company dated 25 February 2020, 28 February 2020, 13 March 2020 and 20 March 2020.

### **2. Fund Raising Injunctions Proceedings that jeopardise the interests of the Company and the Shareholders as a whole**

On or around 3 March 2020, the Company and the Board received an originating summons issued under the proceedings of HCMP 155/2020 from Ms. Bai who as a plaintiff seeks, among others, injunctions to restrain the Company and the Board from proceeding with (i) the Placing; and (ii) the resolution passed at the AGM of the Company held on 5 December 2019 which granted the General Mandate; and from interfering with Ms. Bai's purported exercise of her rights as a purported shareholder of the Company.

On or around 16 March 2020, Mr. Cheung also issued a writ of summon under the proceedings of HCA 325/2020 as a plaintiff and sought, among others, permanent injunctions to restrain the Company from proceeding with (i) the Placing; (ii) the resolution passed at the AGM of the Company held on 5 December 2019 which granted the General Mandate; and (iii) any act that procures, causes, permits the dilution of the shareholding of the Controlling Block held by Able Rich (the aforesaid two proceedings stated in the preceding two paragraphs collectively, the “**Fund Raising Injunctions Proceedings**”).

As at 29 February 2020, the cash and cash equivalents balance of the Company (excluding pledged deposits) was approximately HK\$28.0 million, which is expected to cover not more than six months of the general working capital requirement of the Group, without taking into account further blows of the global lockdowns and prolonged period of social and market stagnancy in Hong Kong. It was the Board’s intention to allocate certain proceeds from the Placing to increase the supplies of frozen foods and other daily consumer products to cater for the recent surge of the online orders during the Covid-19 outbreak, which the Board believes to be a commercially sensible and strategic move that will benefit the Group’s business performance and in the interest of the Company and the Shareholders. The Board also considers that it is uncertain as to whether the Company will be able to secure other fund raising opportunities during the year.

In view of the above and amidst the threats of deterioration of the Hong Kong economy as brought by the Covid-19 outbreak, the Board considers that the Fund Raising Injunctions Proceedings would inevitably obstruct the Group’s effort to maintain a strong and healthy financial state of the Group in the wake of the forthcoming economic stress in the local economy, and may in turn jeopardise the interests of the Company and the Shareholders as a whole. The Board therefore will contest vigorously against these Fund Raising Injunctions Proceedings.

### **3. Duly passed resolutions at the AGM**

On 28 February 2020, the Company received a letter from Mr. Cheung alleging that at the AGM, Able Rich wrongfully exercised its vote in all of the resolutions because Mr. Cheung has sent a notice of enforcement over the shares of Able Rich to Mr. Shiu on 5 December 2019. Upon seeking legal advice from Bermuda legal advisers of the Company, it was confirmed that the AGM was duly held and all the resolutions, including the resolution approving the General Mandate, were duly passed in accordance with the bye-laws of the Company and Bermuda law.

#### **4. Invalid requisition by Ms. Bai**

It was stated in the Offer Announcement that Ms. Bai has made a purported requisition against the Company on 30 December 2019 to convene a special general meeting to elect six persons as Directors and to revoke the General Mandate based upon her purported interest in the Substantial Block and that the Company had not made any substantive response. The Board has in this regard obtained a legal opinion from the Company's legal advisers on Bermuda laws and has been advised that Ms. Bai's requisition was invalid on the ground that the requisition had not been deposited at the registered office of the Company as required under section 74(2) of the Companies Act of Bermuda. Accordingly, the Company has taken no action on the invalid requisition.

#### **NOTES TO SHAREHOLDERS**

The Board (other than members of the IBC) would like to draw Shareholders' attention to the following analysis. An independent advice will be given by the IBC and the IFA in the Response Document, which is expected to be despatched within 14 days after the posting of the Offer Document.

##### **1. The Share Offer is only in the interest of the Offeror, not the Company nor the Shareholders**

The Share Offer Price represented a deep discount of approximately 83.1% to the unaudited consolidated net assets attributable to the owners of the Company as at 30 September 2019 and approximately 27.5% discount to the closing price of the Shares on 10 March 2020, being the last trading day before the trading halt of the Shares on the Stock Exchange.

The Board (other than members of the IBC) is of the view that under normal circumstances, except for any other personal or extreme factors Shareholders might consider, no Shareholder would be reasonably expected to accept the Share Offer at HK\$0.29 per Offer Share given that Shareholders could sell in the market at a much higher price, arguably except for Shareholders who may hold a large block of Shares which may require some market liquidity for disposal in full.

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).

## **2. The Offers are highly conditional and uncertain**

It is worth noting that (i) the Offers are conditional on, among others, (a) 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 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 (b) valid acceptances of the Share Offer resulting in the Offeror Concert Group holding more than 50% of the voting rights in the Company; (ii) a series of legal proceedings, and reports to and investigations by the Hong Kong Police Force into possible criminal activities, relating to the ownerships of the beneficial interests in the Subject Shares (which represented approximately 45.09% of the total Shares in issue) are undergoing; and (iii) the Offeror Concert Group allegedly holds only approximately 10.86% of the total issued Shares as at 13 March 2020, the Board (other than members of the IBC) considers that the ongoing legal proceedings and investigations cast serious doubts as to the fulfilment of the aforesaid conditions, making the Offers highly conditional and uncertain.

Accordingly, Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company and determining whether or not to accept the Offers.

## **3. The motives of the Offeror as to the Offers are dubious**

The Board (other than members of the IBC) strongly advises the Shareholders to have a full and careful scrutiny of the events surrounding the Offers, including unattractive terms of the Offers, the uncertainties as to the fulfilment of the conditions of the Offers, and the ongoing disputes and police investigations in relation to the beneficial ownerships of the Subject Shares. 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 the therefore adversely affect the interests of the Shareholders as a whole.

## **FORMATION OF THE IBC**

The IBC comprising all the independent non-executive Directors, namely, Mr. Siu Chi Yiu Kenny, Mr. Lee King Fui and Mr. Ho Siu King, Stanley, has been formed to advise the Shareholders in relation to the Offers. On 7 March 2020, Mr. Ho Siu King, Stanley has tendered his resignation to the Company which will be effective on 7 June 2020, but in any event Mr. Ho's resignation would not be effective until it is allowed under Rule 7 of the Takeovers Code.

In addition, the IFA will be appointed to advise the IBC and the Shareholders in relation to the Offers. A further announcement will be made by the Company following the appointment.

## **SECURITIES OF THE COMPANY**

As at the date of this announcement, the Company has a total of 240,359,354 issued Shares and outstanding Options carrying rights to subscribe for 385,000 Shares at HK\$0.265 per Share. Save as disclosed above, the Company has no other Relevant Securities as at the date of this announcement.

All associates (as such term is defined under the Takeovers Code and including a person who owns or controls 5% or more of any class of Relevant Securities) of the Company are reminded to disclose their dealings in the Relevant Securities of the Company under Rule 22 of the Takeovers Code.

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

*“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 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. 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.”*

## **GENERAL**

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch the Offer Document containing, amongst other things, the terms and conditions of the Offers and the forms of acceptance and transfer or cancellation to the Shareholders and the Optionholder(s) within 21 days of the date of the Offer Announcement. In response, the Response Document, which will contain, amongst other things, the recommendation of the IBC and the advice of the IFA on the Offers, will be issued and despatched by the Company to the Shareholders and Optionholder(s) within 14 days after the posting of the Offer Document, or other such date as permissible pursuant to the Takeovers Code.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the GEM was halted with effect from 9:00 a.m. on 11 March 2020 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares on the GEM with effect from 9:00 a.m. on 23 March 2020.

## **WARNING**

**In view of the ongoing disputes on the Subject Shares (which represented a controlling stake of the Company as at the date of this announcement) leading to legal actions and reports to the Hong Kong Police Force, the Offers are highly conditional and uncertain, and the intention of the Offeror in respect of the Offers should be subject to careful scrutiny. Accordingly, Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, the following definitions apply throughout unless otherwise stated.

|                    |  |
|--------------------|--|
| “Able Rich”        | Able Rich Consultants Limited, a company incorporated under the laws of Hong Kong with limited liability, and is wholly owned by Rich Treasure |
| “Able Rich Shares” | the entire issued share capital of Able Rich   |

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| “acting in concert”     | has the same meaning ascribed to it in the Takeovers Code  |
| “AGM”                   | annual general meeting   |
| “Alleged Share Charges” | charges executed over the Rich Treasure Shares, the Able Rich Shares and the Subject Shares, which Mr. Shiu considers forged and fraudulent documents                        |
| “Board”                 | the board of Directors   |
| “BVI”                   | British Virgin Islands   |
| “CC Loan Agreement”     | an agreement dated 19 October 2017 entered into between China Creative as the borrower and Ms. Tam as the lender in respect of a 13-month loan facility of HK\$5,000,000     |
| “China Creative”        | China Creative Digital Entertainment Limited (stock code: 8078), a company incorporated under the laws of Bermuda and its shares are listed on the GEM                       |
| “China Securities”      | China Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO |
| “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 GEM        |
| “Controlling Block”     | 82,288,613 Shares which were held by Able Rich as at the date of the Popland Loan Agreement  |
| “DI form”               | form of disclosure of interest with disclosure information filed with it on the website of the Stock Exchange in accordance with the requirement of the SFO                  |
| “Directors”             | directors of the Company   |
| “Executive”             | Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director  |
| “GEM”                   | the Growth Enterprise Market of the Stock Exchange   |

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| “General Mandate”    | the general mandate granted at the AGM held by the Company on 5 December 2019  |
| “Group”              | the Company and its subsidiaries from time to time   |
| “HK\$”               | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”          | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “IBC”                | an independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Siu Chi Yiu Kenny, Mr. Lee King Fui and Mr. Ho Siu King, Stanley, that has been formed to advise the Shareholders in relation to the Offers  |
| “IFA”                | the independent financial adviser to be appointed by the Company for the purpose of advising the Independent Board Committee and the Shareholders in respect of the Offers and as to acceptances   |
| “Kingsway Financial” | 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 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 Offer Announcement  |
| “Mr. Cheung”         | Mr. Cheung Siu Fai, the sole shareholder and director of the Offeror   |
| “Mr. Shiu”           | Mr. Shiu Yeuk Yuen, being Chairman of the Board and executive Director   |
| “Ms. Bai”            | Ms. Bai Yu   |
| “Ms. Tam”            | Ms. Tam Yuk Ching, Jenny   |

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| “New Smart”             | New Smart International Creation Limited, which is wholly owned by China Creative  |
| “Offer Announcement”    | the announcement dated 13 March 2020 made by the Offeror in relation to the Offers   |
| “Offer Share(s)”        | all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror   |
| “Offeror”               | Beta Dynamic Limited, a company incorporated under the laws of the BVI, which is wholly owned by Mr. Cheung  |
| “Offeror Concert Group” | the Offeror and Ms. Bai  |
| “Offers”                | together, the Share Offer and the Option Offer   |
| “Option(s)”             | outstanding share option(s) granted by the Company under the share option scheme adopted by the Company at the special general meeting of the Company dated 4 January 2011 |
| “Optionholder(s)”       | holder(s) of the Option(s)   |
| “Option Offer”          | the voluntary conditional cash offer by Kingsway Financial on behalf of the Offeror for cancellation of all the outstanding Options held by the Optionholders              |
| “Placing”               | the proposed placing of up to 43,500,000 new Shares pursuant to the Placing Agreement  |
| “Placing Agent”         | Finet Securities Limited, a licensed corporation to carry out type 1 (dealing securities) and type 4 (advising on securities) regulated activities under the SFO           |
| “Placing Agreement”     | an agreement dated 25 February 2020 entered into between the Company and the Placing Agent in respect of the Placing   |
| “Placing Price”         | the price at which 43,500,000 new Shares are to be placed by the Company pursuant to the Placing Agreement (as amended from time to time)                                  |

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| “Popland Loan Agreement” | an agreement dated 18 October 2017 entered into between Popland Investments Limited (which is wholly owned by Shiu Junior) as the borrower and Mr. Cheung as the lender in respect of a 12-month loan facility of HK\$327,000,000 |
| “Relevant Securities”    | has the same meaning ascribed to it in Note 4 to Rule 22 of the Takeovers Code  |
| “Response Document”      | the board circular to be issued by the Company in relation to the Offers in accordance with the Takeovers Code  |
| “Rich Treasure”          | Rich Treasure Group Limited, a company incorporated under the laws of the BVI with limited liability and is wholly owned by Mr. Shiu  |
| “Rich Treasure Shares”   | the entire issued share capital of Rich Treasure  |
| “SFC”                    | the Securities and Futures Commission of Hong Kong  |
| “SFO”                    | Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)  |
| “Share Offer”            | the voluntary conditional cash offer by Kingsway Financial on behalf of the Offeror to acquire the Offer Shares   |
| “Share(s)”               | the ordinary share(s) of HK\$0.01 each in the share capital of the Company  |
| “Shareholder(s)”         | holder(s) of the Shares   |
| “Shiu Junior”            | Mr. Shiu Stephen Junior, son of Mr. Shiu  |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited   |
| “Subject Shares”         | the Controlling Block and the Substantial Block   |
| “Substantial Block”      | 26,093,500 Shares, which were held as to 21,509,075 Shares by China Creative and 4,584,425 Shares by New Smart as at the date of the CC Loan Agreement  |

“Supplemental Placing Agreement”

the supplemental agreement dated 20 March 2020 entered into between the Company and the Placing Agent in respect of the Placing

“Takeovers Code”

the Hong Kong Code on Takeovers and Mergers

By order of the Board  
**Easy Repay Finance & Investment Limited**  
**Shiu Yeuk Yuen**  
*Chairman*

Hong Kong, 20 March 2020

*As at the date of this announcement, the Board comprises Mr. Shiu Yeuk Yuen and Ms. Siu Yeuk Hung, Clara as executive Directors; and Mr. Siu Chi Yiu Kenny, Mr. Lee King Fui and Mr. Ho Siu King, Stanley as independent non-executive Directors.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading. The Directors only take responsibility for the correctness and fairness of the reproduction or presentation of the information relating to the terms of the Offers which is extracted from the Offer Announcement.*

*This announcement will remain on the “Latest Company Announcements” page of the website of the GEM at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its posting and on the Company’s website at [www.ecrepay.com](http://www.ecrepay.com).*