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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect about this Response Document or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Easy Repay Finance & Investment Limited**, you should at once hand this Response Document to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, 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).

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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)**

**RESPONSE DOCUMENT**  
**VOLUNTARY CONDITIONAL CASH OFFERS**

**ON THE ADVICE OF THE IFA, THE IBC RECOMMENDS YOU**  
**NOT TO ACCEPT**  
**THE VOLUNTARY CONDITIONAL CASH OFFERS**

*Financial adviser to the Company*



*Independent financial adviser to the IBC*

**RAINBOW.**

RAINBOW CAPITAL (HK) LIMITED  
流博資本有限公司

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Capitalized terms used in this cover page shall have the same meanings as those defined in this Response Document.

A letter from the Board is set out on pages 8 to 23 of this Response Document. A letter from the IBC to the Shareholders and the Optionholder containing its recommendation is set out on pages 24 to 25 of this Response Document. A letter from the IFA containing its advice in respect of the Offers to the IBC is set out on pages 26 to 54 of this Response Document.

17 April 2020

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## EXPECTED TIMETABLE

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The expected timetable of the Offers below is extracted from the Offer Document and for reference only.

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 announcement refer to Hong Kong time and dates.

<b>Event</b>	<b>Time and date</b>
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 of the 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 the Response Document within 14 days from the posting of the 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.

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## EXPECTED TIMETABLE

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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 the 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 in the paragraph headed "4. RIGHT OF WITHDRAWAL" in Appendix I to the 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 Optionholders 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 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 and the Optionholder by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## DEFINITIONS

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*In this Response Document, unless the context otherwise requires, the following terms shall have the following meaning:*

“1H2019”	the six months ended 30 September 2019
“3Q2019”	the nine months ended 31 December 2019
“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
“Acquisition Announcement”	the announcement dated 9 April 2020 of the Company in relation to the acquisition of 20% interest in three companies principally engaged in operation of restaurants
“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
“associate”	has the same meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Business Day(s)”	day(s) on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System operated by the Hong Kong Securities Clearing Company Limited
“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

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## DEFINITIONS

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“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
“Closing Date”	the date stated in the Offer Document as the first closing day of the Offers 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 continued into Bermuda with limited liability and the issued Shares of which are listed on GEM
“Condition(s)”	means condition(s) to the Share Offer, the text of which are set out under the section headed “Conditions of the Offers” in the Letter from the Board in this Response Document
“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
“Controlling Block”	82,288,613 Shares (representing approximately 34.24% of the total Shares in issue) which were held by Able Rich as at the date of the Popland Loan Agreement
“DI form(s)”	form(s) 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
“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

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## DEFINITIONS

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“Form of Share Offer Acceptance”	the form of acceptance and transfer with respect to the Share Offer
“FY2017”	the financial year ended 31 March 2017
“FY2018”	the financial year ended 31 March 2018
“FY2019”	the financial year ended 31 March 2019
“FY2019 Annual Report”	the annual report of the Company for FY2019
“GEM”	the Growth Enterprise Market of the Stock Exchange
“General Mandate”	the general mandate granted to the Directors to issue, allot and deal with new Shares at the AGM held by the Company on 5 December 2019
“Group”	the Company and its subsidiaries from time to time
“Head Captain Agreement”	the agreement dated 8 December 2019 entered into between the Company and an independent third party to acquire 100% equity interest in Head Captain Limited
“HK Government”	the Government of The Hong Kong Special Administrative Region
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the HKICPA
“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 and the Optionholder in relation to the Offers
“IFA” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser appointed by the Company with the approval of the IBC for the purpose of advising the IBC in respect of the Offers and as to acceptances

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## DEFINITIONS

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“Interim Report”	the interim report of the Company for 1H2019
“KCL”	Keep Choice Limited, being an associated company with 19.8% effective interest held by the Company
“Kingsway Capital”	Kingsway Capital Limited, a corporation licensed under the SFO to carry out 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”	Kingsway Financial Services Group Limited, a corporation licensed under the SFO to carry out 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
“Latest Practicable Date”	14 April 2020, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
“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 the Chairman of the Board and executive Director
“Ms. Bai”	Ms. Bai Yu
“Ms. Tam”	Ms. Tam Yuk Ching, Jenny
“NAV”	the consolidated net assets attributable to the Shareholders
“New Smart”	New Smart International Creation Limited, which is wholly owned by China Creative
“Offers”	together, the Share Offer and the Option Offer
“Offer Announcement”	the announcement dated 13 March 2020 made by the Offeror in relation to the Offers

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## DEFINITIONS

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“Offer Document”	document issued by or on behalf of the Offeror to all Shareholders and the Optionholder in accordance with the Takeovers Code containing, among others, details of the Offers
“Offer Period”	has the meaning given to it under the Takeovers Code, being the period commencing from 13 March 2020, being the date of the Offer Announcement, and ending on the Closing Date
“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
“Optima Capital”	Optima Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Company in respect of the Offers
“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 Optionholder(s)
“Option Offer Price”	HK\$0.025 for each Option
“Placing”	the proposed placing of up to 43,500,000 new Shares pursuant to the Placing Agreement
“Placing Agent”	Finet Securities Limited, a corporation licensed under the SFO 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, which has been terminated on 27 March 2020 as announced by the Company

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## DEFINITIONS

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“Placing Price”	the price at which 43,500,000 new Shares are to be issued by the Company pursuant to the Placing Agreement (as amended from time to time)
“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
“Purported Receivers”	Yeo Boon Ann and Chan Leung Lee of BDO Limited, the joint and several receivers appointed over the Able Rich Shares and the Controlling Block by Mr. Cheung relying upon the Alleged Share Charges
“Receiving Agent”	Tricor Standard Limited in its capacity as the receiving agent of the Offeror in respect to the Offers
“Relevant Authorities”	means 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 on 13 September 2019, being the date falling six months preceding the date of commencement of the Offer Period, up to and including the Latest Practicable Date
“Relevant Securities”	has the same meaning ascribed to it in Note 4 to Rule 22 of the Takeovers Code
“Response Announcement”	the announcement dated 20 March 2020 issued by the Company in response to the Offerors
“Response Document”	this response document dated 17 April 2020 in response to the Offers issued by the Company 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)

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## DEFINITIONS

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“Share Offer”	the voluntary conditional cash offer by Kingsway Financial on behalf of the Offeror to acquire the Offer Shares
“Share Offer Price”	HK\$0.29 per Offer Share (subject to reduction)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“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 (representing approximately 10.86% of the total Shares in issue) which were held as to 21,509,075 Shares (representing approximately 8.95% of the total Shares in issue) by China Creative and 4,584,425 Shares (representing approximately 1.91% of the total Shares in issue) 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
“Third Quarterly Report”	quarterly report of the Company for 3Q2019
“Unconditional Date”	the date on which the Offers become or are declared unconditional in all respects

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## LETTER FROM THE BOARD

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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)**

*Executive Directors*

Mr. Shiu Yeuk Yuen

Ms. Siu Yeuk Hung, Clara

*Independent Non-Executive Directors*

Mr. Siu Chi Yiu, Kenny

Mr. Lee King Fui

Mr. Ho Siu King, Stanley

*Registered office*

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM10

Bermuda

*Principal Place of Business*

Unit A, 8/F, D2 Place Two,

15 Cheung Shun Street,

Cheung Sha Wan,

Kowloon,

Hong Kong

17 April 2020

*To the Shareholders and the Optionholder*

Dear Sir or Madam,

### VOLUNTARY CONDITIONAL CASH OFFERS

#### INTRODUCTION

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 Response Document, representing approximately 10.86% of the total number of Shares in issue), which, however, will be subject to the Share Offer.

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## LETTER FROM THE BOARD

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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.

On 3 April 2020, the Offeror despatched the Offer Document.

The purpose of this Response Document is to provide you with, among others, information regarding the Group and the Offers, the recommendation of the IBC to the Shareholders and the Optionholder in respect of the Offers and the advice of the IFA to the IBC in respect of the Offers.

### ADVICE FOR SHAREHOLDERS AND OPTIONHOLDER

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 and the Optionholder in respect of the Offers. As disclosed in the announcement of the Company dated 23 March 2020, Mr. Ho Siu King, Stanley, has on 7 March 2020 tendered resignation with effect from 7 June 2020, or any other earlier or later date as permitted or required (as the case may be) under Rule 7 of the Takeovers Code.

As disclosed in the announcement of the Company dated 26 March 2020, the IFA has been appointed as the independent financial adviser to advise the IBC in respect of the Offers. The appointment of the IFA by the Company has been approved by the IBC. The letter of advice from the IFA addressed to the IBC is set out on pages 26 to 54 of this Response Document.

**You are advised to read this Response Document, the recommendation of the IBC and the letter from the IFA in conjunction with the Offer Document carefully before taking any action in respect of the Offers.**

**The Offers are subject to, inter alia, valid acceptances to be received by the Offeror and parties acting in concert with it resulting in the Offeror Concert Group holding more than 50% of the voting rights in the Company. Shareholders are reminded that beneficial ownerships of the Subject Shares (representing 45.09%) are subject to serious disputes and legal proceedings. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company.**

### EXECUTIVE SUMMARY

The IFA, considers that the Offers are **NOT FAIR AND REASONABLE** and not in the interests of the Shareholders and the Company as a whole, and therefore advises the IBC to recommend the Shareholders and the Optionholder **NOT TO ACCEPT** the Offers.

The Board concurs with the IBC and the IFA and is of the view that the Offers are unfair and not in the interests of the Shareholders and the Optionholder, and recommends the Shareholders and the Optionholder to **REJECT** the Offers.

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## LETTER FROM THE BOARD

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The Offers should be **REJECTED** because:

- (i) **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% and 81.9% to the unaudited NAV as at 30 September 2019 and 31 December 2019 respectively. It also represented approximately 27.5% discount to the closing price of the Shares on the Last Trading Day.

The Offeror argued in the Offer Document that the average Share price for the last 365 consecutive trading days immediately prior to and including the Last Trading Day represented an even deeper discount (i.e. 86.3%) to the unaudited NAV as at 30 September 2019, as if it was a ground to justify the Share Offer Price. The Board (excluding the IBC members whose recommendation is set out in the Letter from the IBC) does not find it a valid ground to justify an offer price with such deep discount to the NAV. The Board (excluding the IBC members whose recommendation is set out in the Letter from the IBC) considers that share price of a listed company, in general, is not an accurate indicator of the underlying value of a company, in particular when it represents such deep discount to the NAV of a company. To accept the Share Offer, it would imply that the underlying value of the Company is worth not more than 17% of the unaudited NAV as at 30 September 2019. Without a careful scrutiny of the assets and liabilities of the Company, such pricing is grossly unfair. The Board (excluding the IBC members whose recommendation is set out in the Letter from the IBC) would like to draw the Shareholders' attention to the net assets backing of the Group as a whole. On the asset side of the Company, as at 30 September 2019, the loan book of approximately HK\$345.6 million was the largest component, accounting for approximately 78.7%, of the total assets of the Group and was supported by a wide and solid client basis with a bad debt written off ratios of 0%, 0.2% and 1.4% in FY2017, FY2018 and FY2019, respectively. The cash and cash equivalents, the pledged bank deposits, and financial assets at fair value through profit or loss (which primarily consisted of Hong Kong listed equities) of approximately HK\$43.9 million in aggregate were the second largest component, accounting for approximately 10.0%, of the total assets of the Group. The liability side of the Company was even simpler, with (i) current liabilities of mere HK\$23.1 million mainly comprising the trade and other payables of not more than HK\$9.5 million, borrowings of HK\$4.5 million and others; and (ii) less than HK\$0.8 million non-current liabilities. The debt to equity ratio of the Group was around 1.1% as at 30 September 2019. In view of such strong net asset backing, the Board considers it absurd to value the Company with such big discount to the NAV and solely based on the 365-average Share price. The Offeror in fact rhymed with the Board in this regard as it was stated in the Offer Document that the Company should help bring the Share price more in line with the Company's underlying value, which illustrated that the Offeror itself does not consider the current Share price is a good indicator of the Company's underlying value.

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## LETTER FROM THE BOARD

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The Board (other than members of the IBC whose recommendation is set out in the Letter from 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 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 that valued the Company and the Options at HK\$69.7 million in aggregate grossly undervalue the Company with a market capitalization of approximately HK\$96.3 million and approximately HK\$72.2 million as at the Last Trading Day and Latest Practicable Date respectively (assuming all 385,000 outstanding Options have been exercised).

- (ii) **The Offers are highly conditional and uncertain.** It is worth noting that the Offers are conditional on, among other customary conditions, (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 like other customary conditions, (b) valid acceptances of the Share Offer resulting in the Offeror Concert Group holding more than 50% of the voting rights in the Company.

Despite the inter-partes injunction application in HCA280/2020 (as interlocutory proceedings) was withdrawn by Mr. Shiu after considering the legal advice, the main legal proceedings relating to the ownerships of the beneficial interests in the Controlling Block (i.e. HCA280/2020) and the Substantial Block (i.e. HCA80/2020) (which together represented approximately 45.09% of the total Shares in issue), as well as the potential investigations by the Hong Kong Police Force into possible criminal activities detailed in the section “Disputes over the Beneficial Ownership of the Subject Shares” in this letter from the Board, are still ongoing as at the Latest Practicable Date. The Offeror Concert Group allegedly held only approximately 10.86% of the total issued Shares as at 13 March 2020. The Board (excluding the IBC members whose recommendation is set out in the Letter from the IBC) considers that the ongoing legal proceedings and potential police investigations cast serious doubts as to the fulfilment of the aforesaid conditions, making the Offers highly conditional and uncertain.

- (iii) **The motives of the Offeror as to the Offers are dubious.** The Board (excluding the IBC members whose recommendation is set out in the Letter from the IBC) strongly advises the Shareholders to have a full and careful scrutiny of the events surrounding the Offers, including the unattractive terms of the Offers, the uncertainties as to the fulfilment of the conditions of the Offers, and the ongoing legal proceedings and potential police investigations over the beneficial ownerships of the Subject Shares.

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## LETTER FROM THE BOARD

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The Board would also like to draw the Shareholders' attention to the following:

- (i) **Business strategy as usual:** As disclosed in the announcement of the Company dated 27 March 2020, the Placing was terminated on the same date of the announcement. It however does not change the business strategy of the Group to streamline the wholesale business since second quarter of 2019 due to the market conditions. The Group had disposed of wholesale business of pharmacy products and frozen food, and reduced the warehouse areas leased by the Company for improving its cost structure. The Placing, despite its termination, is to strengthen the financial position of the Group in midst of the threats by the COVID-19 pandemic while remaining focused on the money lending business and the wholesale and retail business.
- (ii) **Failed requisition by Ms. Bai:** It was argued in the Offer Document that the Company disregarded minority shareholders' interest as if the Company should be blamed for Ms. Bai's own failure to deposit the requisition notice in accordance with the Bye-laws. The Board considers that it is the Shareholders' responsibility to observe the Bye-laws when exercising their Shareholders' rights, and it is beyond the Company's jurisdiction to advise particular Shareholder the technicality involved in the exercise of their Shareholders' rights.
- (iii) **Timing of Mr. Shiu's legal action:** The Offeror questioned in the Offer Document that the Company failed to mention in the Response Announcement that Mr. Shiu only took legal action in respect of the forgery of the Alleged Share Charge against Mr. Cheung more than a year after Mr. Shiu's discovery of the forgery. The Company did not involve itself in the decision making process of Mr. Shiu in respect of the legal actions taken by him but understands from Mr. Shiu that it is legitimate and sensible to obtain legal advice and take other relevant factors into serious consideration before resorting to legal actions, and the time required to make such decision shall not jeopardise the merits of his case per se.

### THE OFFERS

Information in this section is reproduced from the Offer Document.

Kingsway Financial is, for and on behalf of the Offeror and in compliance with the Takeovers Code, making the Offers to acquire all the Offer Shares and to cancel all the Options on terms set out in the Offer Document on the following basis:

#### The Share Offer

For each Offer Share. . . . . HK\$0.29 in cash subject to reduction described below

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## LETTER FROM THE BOARD

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If the Company declares or pays on each Share any cash dividend or other non-cash distribution for any period in the year ended 31 March 2020 and the record date to determine entitlement for dividend or such other distribution falls before the date on which the Offeror becomes registered holder of the Shares tendered on acceptance of the Offer, the Share Offer Price shall be reduced by the amount of dividend or the fair market value of such non-cash distribution after consultation with the Executive. As at the Latest Practicable Date, the Board has not declared any outstanding dividends or other distribution and does not intend to do so during the Offer Period.

**The Share Offer is conditional upon the Offeror Concert Group having received valid acceptances in respect of Offer Shares which, together with the Shares acquired or agreed to be acquired by the Offeror Concert Group, will result in the Offeror Concert Group holding more than 50% of the voting rights of the Company.**

### **The Option Offer**

For cancellation of each Option . . . . . HK\$0.025 in cash

As at the Latest Practicable Date, there was only one Optionholder holding Options to subscribe for an aggregate of 385,000 new Shares at an exercise price of HK\$0.265 per Share. The exercise price for all the underlying Shares issuable under the Options is below the Share Offer Price.

### **Value of the Offers**

As at the Latest Practicable Date, there were 240,359,354 Shares in issue and 385,000 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, there are no other Relevant Securities in issue as at the Latest Practicable Date.

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 whether pursuant to the exercise of Options or otherwise 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 Options is exercised prior to the close of the Offers, 385,000 Options will be subject to the Option Offer and the Option Offer will be valued at approximately HK\$9,625 based on the Option Offer Price of HK\$0.025 per Option. Based on the above, the aggregate value of the Offers will be 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 Options are exercised by the Optionholder 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).

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## LETTER FROM THE BOARD

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### Highest and lowest closing prices for each Share

The highest and lowest closing price per Share as quoted on the Stock Exchange during the six-month period immediately preceding and including the Last Trading Day was HK\$0.415 per Share on 21 February 2020 and HK\$0.18 per Share on 23 October 2019, respectively.

### Conditions of the Offers

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;
- (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

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## LETTER FROM THE BOARD

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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 Offers 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 was no circumstances in respect of the Offers of the type described in Condition (v).

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Conditions (other than Conditions (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.

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, Optionholder 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, Optionholder 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.**

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## LETTER FROM THE BOARD

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### Further details of the Offers

Further details of the Offers including, among others, the terms and procedures of acceptance of the Offers, are set out in the sections headed “Letter from Kingsway Capital”, “Further terms of the Offers and procedure of acceptances” in the Offer Document and the Form(s) of Acceptance.

### INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liabilities and continued into Bermuda with limited liability and the Shares were listed on the GEM on 15 October 2001.

The Group is principally engaged in (i) money lending business; and (ii) wholesale and retail business mainly involving retail of groceries, frozen foods and coupons and wholesale of groceries and frozen foods.

The Group has been actively participating in money lending business since 2011, followed by its first retail distribution office having opened in 2013 for online sales of grocery products (including frozen seafood, personal care products, stationery, electrical appliances and etc) to the public, and the wholesale business having started in 2015. Since FY2017, the wholesale and retail business became the largest revenue stream of the Group. The Group is now operating three retail grocery shops in Wanchai, Lai Chi Kok and Tai Po and an online platform for the sales of grocery products. In FY2019, the wholesale and retail segment contributed revenue of approximately HK\$146.2 million, representing a year-on-year increase of approximately 12.4% while the money lending business contributed approximately HK\$60.0 million, representing approximately 2.6% year-on-year decrease. The Group was loss making in FY2019 due to the increases in administrative expenses and impairment on loans and advances to customers after adoption of a new accounting standard in respect of financial instruments. To improve the cost structure of the Group and streamline the wholesale business, in April 2019, the Group disposed of one of its subsidiaries that is principally engaged in wholesale business (i.e. Cool Cool Frozen Limited). In December 2019, the Company initiated to explore the opportunities of potential vertical integration by acquiring a 100% equity interest in a company which is principally engaged in operation of a Korean cuisine restaurant in Hong Kong (i.e. Head Captain Limited) for a consideration of HK\$2.0 million. The acquisition does not constitute a notifiable transaction under the GEM Listing Rules but signified the Group’s initial trial to step into local catering market after years of experience in sourcing food supplies for the local restaurants. As disclosed in the Acquisition Announcement, on 5 March 2020 (before commencement of the Offer Period), the Company further invested in 20% equity interest in each of three targets which principally operates HK-style cuisine restaurant in Kowloon Bay, Shatin and North Point respectively under the brand name of “Times Cafe 時代冰室”. Each of these acquisitions, on its own, does not constitute a notifiable transaction under the GEM Listing Rules but if aggregated, constitute a discloseable transaction for the Company under the GEM Listing Rules. Due to imprecise interpretation of the application of Rule 19.22 of the GEM Listing Rules, the relevant announcement was made on 9 April 2020 (i.e. the Acquisitions Announcement). Other material events subsequent to the last published audited accounts (i.e. 31 March 2019) are set out in the section headed “Material Change” under Appendix I – Financial Information of the Group to this Circular.

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## LETTER FROM THE BOARD

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As at 30 September 2019, total assets of the Group amounted to approximately HK\$439.4 million, which primarily consist of loans and advances to customers and cash and cash equivalents. Based on the unaudited equity attributable to Shareholders of approximately HK\$384.1 million as at 31 December 2019 and 240,359,354 Shares in issue as at the Latest Practicable Date, the unaudited NAV per Share is approximately HK\$1.60. Detailed financial information on the Group for FY2017, FY2018 and FY2019 are set out in Appendix I – Financial Information of the Group to this Circular.

As at the Latest Practicable Date, the Board has not declared any outstanding dividends or other distribution and does not intend to do so during the Offer Period.

### **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 Latest Practicable Date. The Subject Shares comprised (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**

##### *Main legal proceedings under HCA 280/2020 and relevant injunction applications*

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) originally 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 and therefore the main proceedings (HCA 280/2020) commenced on 11 March 2020, where Mr. Shiu, Rich Treasure and Able Rich are the plaintiffs and Mr. Cheung, China Securities and the Purported Receivers are the defendants. 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.

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## LETTER FROM THE BOARD

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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 (the “**Inter-Partes Application**”) 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. On 27 March 2020, Mr. Shiu informed the Company that upon seeking legal advice, the Inter-Partes Application was withdrawn, and the Court allowed accordingly, on the same date. However, the Board wishes to draw the Shareholders’ attention that the main proceedings in respect of the beneficial ownership of the Controlling Block under HCA 280/2020 are still ongoing.

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. On 6 April 2020, the Court directed the parties to fix and attend a call-over hearing for 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.

### ***Report to Hong Kong Police Force***

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.

### ***Rectified DI filings***

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 on 20 March 2020. Accordingly, on 8 April 2020, the Company published an announcement to clarify the relevant disclosure made in the third quarterly report for the nine months ended 31 December 2017 published on 8 February 2018, the annual report of the Company for the FY2017 published on 26 June 2018 and the first quarterly report of the Company for the three months ended 30 June 2018 published on 14 August 2018.

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## LETTER FROM THE BOARD

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**As at the Latest Practicable Date, the above legal proceedings in respect of the Controlling Block were 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**

#### *Main legal proceedings under HCA 80/2020 and others*

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 (representing approximately 8.95% of the total Shares in issue) out of the Substantial Block on trust for and on behalf of China Creative; and (ii) 4,584,425 Shares (representing approximately 1.91% of the total Shares in issue) out of the Substantial Block on trust for and on behalf of New Smart. Ms. Bai served her Defence on 30 March 2020. The Company is given to understand that Ms. Tam would contest these proceedings, but Ms. Tam yet to file their respective defence.

#### *Report to Hong Kong Police Force and Rectified DI filings*

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 DI forms 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 on 19 March 2020.

As at the Latest Practicable Date, 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 Latest Practicable Date, the legal proceedings in respect of the ownership of the beneficial interests of the Substantial Block were 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.**

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# LETTER FROM THE BOARD

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## THE 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 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.

In view of the latest market conditions, the Board announced on 27 March 2020 that the Company and the Placing Agent mutually agreed to terminate the Placing Agreement.

### 2. Fund Raising Injunctions Proceeding (HCA 325/2020) 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. In view of the termination of the Placing Agreement, Ms. Bai served a notice of withdrawal on 2 April 2020 and thereby withdrew the case of HCMP155/2020.

Despite the termination of the Placing Agreement, the legal proceedings (HCA 325/2020) commenced by Mr. Cheung as a plaintiff on 16 March 2020 by writ of summon seeking, 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 "**Fund Raising Injunction Proceeding**"), is still ongoing as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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It is worth noting that the fund raising ban sought by Mr. Cheung under the Fund Raising Injunction Proceeding is a blanket ban. The Company will be totally banned from any fund raising activities using the General Mandate until the convening of the next annual general meeting of the Group should the Court rule for Mr. Cheung's case. The Board (excluding the IBC members whose recommendation is set out in the Letter from the IBC) considers that it is barbarous to seek a blanket ban of the Group's fund raising activities that exploits the rights of the Shareholders from considering any fund raising proposals under the General Mandate based on their own merits. This in turn jeopardises the interests of the Company and the Shareholders as a whole.

### SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there were 240,359,354 Shares in issue which were fully paid-up and rank *pari passu* in all respects with each other, including in particular as to dividends, voting rights and return on capital.

Save for the Options carrying rights to subscribe for 385,000 new Shares at HK\$0.265 per Share as at the Latest Practicable Date, the Company does not have any outstanding options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such options, warrants, derivatives or convertibles.

The shareholding structure of the Company as at the Latest Practicable Date is set out below:–

	<b>As at the Latest Practicable Date</b>	
	<i>No. of Shares</i>	<i>Approximately</i>
<b>Director/Substantial Shareholders</b>		
Mr. Shiu ( <i>Note 1</i> )	1,620,007	0.67%
The Controlling Block ( <i>Note 2</i> )	82,288,613	34.24%
The Substantial Block ( <i>Note 3</i> )	26,093,500	10.86%
<b>Public Shareholders</b>		
Other Shareholders	<u>130,357,234</u>	<u>54.23%</u>
Total:	<u><u>240,359,354</u></u>	<u><u>100%</u></u>

*Notes:*

1. Mr. Shiu is the Chairman of the Board and executive Director and was interested in 1,620,007 Shares, with 7 Shares held by his spouse, Ms. Hau Lai Mei.
2. The Purported Receivers is the registered owner of the Controlling Block but the beneficial ownership of which is subject to disputes and legal proceedings detailed in the section headed "Disputes over the beneficial ownerships of the Subject Shares" in this letter from the Board.
3. Ms. Bai Yu is the registered owner of the Substantial Block but the beneficial ownership of which is subject to disputes and legal proceedings detailed in the section headed "Disputes over the beneficial ownerships of the Subject Shares" in this letter from the Board.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE OFFEROR CONCERT GROUP

The information set out below is reproduced from the Offer Document.

#### Information on the Offeror

The Offeror was incorporated in the British Virgin Islands with limited liability as an investment holding company. As at the date of this Response Document, 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.

### 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. However, the Offeror will seek to improve the governance of the Company, for example, by introducing changes to the board of the Company so that its executive Directors do not comprise only of the existing and future controlling shareholder or his family members. Further information with respect to directors that the Offeror may wish to introduce to the board of the Company has been included in the Offer Document.

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. 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, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any asset or business into the Group.

The Board acknowledged the intention of the Offeror in respect of the Group and its employees as stated above.

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## LETTER FROM THE BOARD

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### LISTING STATUS OF THE COMPANY

As stated in the Offer Document, the Offeror intends to maintain the listing of Shares on the Stock Exchange after closing of the Share Offer.

According to the GEM Listing Rules, if, at the close of the Share Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) 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.

The Offeror has stated in the Offer Document that the sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Share Offer.

### RECOMMENDATION: REJECT THE OFFERS

The IBC, having considered the terms of the Offers and the advice from the IFA, is of the view that the Offers should be **REJECTED**.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Response Document.

You are also recommended to read carefully further details in respect of the Offers as set out in the Offer Document and the Form(s) of Acceptance and Transfer which contain details of the Offers before deciding whether or not to accept the Offers.

By order of the Board  
**Easy Repay Financial & Investment Limited**  
**Shiu Yeuk Yuen**  
*Executive Director*

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## LETTER FROM THE IBC

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# EASY REPAY FINANCE & INVESTMENT LIMITED

## 易還財務投資有限公司

(Continued in Bermuda with limited liability)

(Stock code: 8079)

17 April 2020

*To the Shareholders and the Optionholder*

Dear Sir or Madam,

### VOLUNTARY CONDITIONAL CASH OFFERS

We refer to the Response Document dated 17 April 2020 issued by the Company in response to the Offers, in which this letter forms part. Terms used in this letter shall have the meanings as those defined in the Response Document unless the context requires otherwise.

We have been appointed to form the IBC to consider the terms of the Offers and to give recommendation to the Shareholders and the Optionholder as to whether, in our opinions, the terms of the Offers are fair and reasonable so far as they are concerned and as to acceptance of the Offers. The IFA has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the letter from the IFA on pages 26 to 54 of the Response Document.

We also wish to draw your attention to the letter from the Board and the additional information set out in the appendices to the Response Document.

Shareholders are reminded that the Share Offer Price represented a deep discount of approximately 83.1% to the unaudited NAV as at 30 September 2019. Should the Shareholders accept the Offers, it would mean that the Shareholders agree to the Offeror that the underlying value of the Company is worth not more than 17% of the unaudited NAV as at 30 September 2019. The Shareholders are strongly advised to make a careful scrutiny of the assets and liabilities of the Group before determining whether or not to accept such extreme Offers. The Shareholders are reminded that as at 20 September 2019, approximately 78.7% of the total assets of the Group was the loan receivables in respect of the money lending business, which was supported by a wide and solid client basis and a bad debt written off ratios of which was 0%, 0.2% and 1.4% in FY2017, FY2018 and FY2019 respectively. Approximately 10% of the total assets as at 30 September 2019 was cash and cash equivalents, pledged bank deposits, and financial assets at fair value through profit or loss (which primarily consisted of Hong Kong listed equities). The liability side of the Company was very simple, with current liabilities of mere HK\$23.1 million mainly comprising the trade and other payables, borrowings and others, and non-current liabilities of less than HK\$0.8 million. The debt to equity ratio of the Group was around 1.1% as at 30 September 2019. In view of this net asset backing, the IBC considers that the Share Offer Price is not a fair and reasonable one.

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## LETTER FROM THE IBC

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Having considered the terms of the Offers and the advice from the IFA, we consider that the terms of the Offers (being the Share Offer and the Option Offer) are not fair and reasonable so far as the Shareholders and the Optionholder are concerned. Accordingly, we advise the Shareholders and the Optionholder not to accept the Share Offer and Option Offer, respectively.

Notwithstanding our recommendation, the Shareholders and the Optionholder should consider carefully the terms of the Offers and the letter from the IFA in this Response Document.

Yours faithfully,

For and on behalf of the

Independent Board Committee of

**Easy Repay Finance & Investment Limited**

**Mr. Siu Chi Yiu, Kenny**

*Independent*

*non-executive Director*

**Mr. Lee King Fui**

*Independent*

*non-executive Director*

**Mr. Ho Siu King, Stanley**

*Independent*

*non-executive Director*

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## LETTER FROM THE IFA

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*The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the IBC in respect of the Offers, which has been prepared for the purpose of incorporation in this Response Document.*

**Rainbow Capital (HK) Limited**

17 April 2020

*To: The IBC of Easy Repay Finance & Investment Limited*

Dear Sirs,

### **VOLUNTARY CONDITIONAL CASH OFFERS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the IBC in respect of the Offers, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) of this Response Document to the Shareholders and the Optionholder dated 17 April 2020, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in this Response Document.

On 13 March 2020, the Offeror announced that 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. The Offer Document was despatched on 3 April 2020.

The IBC, comprising all of 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 and the Optionholder in connection with the Offers. The IBC has approved the appointment of Rainbow Capital as the independent financial adviser to the IBC in the same regard.

We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offers. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

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## LETTER FROM THE IFA

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### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in this Response Document; (ii) the information supplied by the Directors and the management of the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Response Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Response Document are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in this Response Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Response Document and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date.

The Shareholders and the Optionholder will be informed by the Company and us as soon as practicable if there is any material change to the information disclosed in this Response Document during the Offer Period, in which case we will consider whether it is necessary to revise our opinion and inform the IBC and the Shareholders and the Optionholder accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Response Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of their respective subsidiaries and associates.

We have not considered the tax and regulatory implications on the Shareholders of acceptance or non-acceptance of the Share Offer nor the Optionholder of acceptance or non-acceptance of the Option Offer since these depend on their individual circumstances. In particular, the Shareholders and the Optionholder who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

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# LETTER FROM THE IFA

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## PRINCIPAL TERMS OF THE OFFERS

### The Share Offer

Kingsway Financial, for and on behalf of the Offeror, is making the Share Offer in compliance with the Takeovers Code on the following terms:

**For each Offer Share . . . . . HK\$0.29 in cash subject to reduction described below**

If the Company declares or pays on each Share any cash dividend or other non-cash distribution for any period in the year ended 31 March 2020 and the record date to determine entitlement for dividend or such other distribution falls before the date on which the Offeror becomes registered holder of the Shares tendered on acceptance of the Offer, the Share Offer Price shall be reduced by the amount of dividend or the fair market value of such non-cash distribution after consultation with the Executive.

### The Option Offer

As at the Latest Practicable Date, there was only one Optionholder holding Options to subscribe for an aggregate of 385,000 new Shares at an exercise price of HK\$0.265 per Share. Subject to the Share Offer becoming unconditional, Kingsway Financial, for and on behalf of the Offeror, is making the Option Offer for the cancellation of all outstanding Options on the following terms:

**For cancellation of each Option . . . . . HK\$0.025 in cash**

The Option Offer Price represents the difference between the Share Offer Price and the exercise price of the Options.

### Conditions of the Offers

The Offers are conditional upon, among other things, the Offeror Concert Group having received valid acceptances of the Share Offer in respect of such number of Offer Shares which, together with the Shares already owned or agreed to be acquired before or during the Offers, will result in the Offeror Concert Group holding more than 50% of the voting rights in the Company as at the Closing Date.

Further details of the Offers including, among other things, the expected timetable and the terms and procedures of acceptance of the Offers are set out in the sections headed “Expected Timetable”, “Letter from Kingsway Capital” and “Further terms of the Offers and procedures of acceptance” to the Offer Document and the Form(s) of Acceptance.

# LETTER FROM THE IFA

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offers, we have taken into account the following principal factors and reasons:

### 1. Information and historical financial performance of the Group

The Group is principally engaged in (i) money lending business; and (ii) wholesale and retail business mainly involving retail of groceries, frozen foods and coupons and wholesale of groceries and frozen foods. The money lending business has been the core business of the Group since 2011, followed by the retail distribution office opened in 2013 for online sales of grocery products and the wholesale business commenced in 2015. The Group is operating three retail shops located in Wanchai, Lai Chi Kok and Tai Po and an online business. The Group also acquired a Korean cuisine restaurant in Hong Kong in December 2019 and invested in 20% equity interests in three Hong Kong-style restaurants in Hong Kong in March 2020. Revenue of the Group is wholly generated from customers located in Hong Kong.

#### (i) Financial performance

Set out below is a summary of the consolidated statements of comprehensive income for the two years ended 31 March 2019 and the nine months ended 31 December 2019 as extracted from the annual report of the Company for the year ended 31 March 2019 (the “2019 Annual Report”) and the third quarterly report of the Company for the nine months ended 31 December 2019 (the “2019 Q3 Report”):

	For the year ended 31 March		For the nine months ended 31 December	
	2018 HK\$'000 (audited)	2019 HK\$'000 (audited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue from money lending</b>	61,660	60,080	42,841	36,970
<b>Revenue from sale of goods</b>	130,108	146,188	122,214	41,213
Cost of goods sold	(114,245)	(126,373)	(100,050)	(30,193)
<b>Gross profit from sale of goods</b>	15,863	19,815	22,164	11,020
<i>Gross profit margin</i>	12.2%	13.6%	18.1%	26.7%
<b>Total revenue</b>	191,768	206,268	165,055	78,183
Administrative expenses	(59,164)	(70,294)	(54,299)	(42,712)
Allowance for expected credit losses on loans and advances to customers, net	–	(24,552)	–	–
Impairment losses on loans and advances to customers, net	(8,240)	–	(8,540)	(36,977)
<b>Loss for the year/period</b>	(6,488)	(37,134)	(9,093)	(34,628)

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## LETTER FROM THE IFA

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*(a) Year ended 31 March 2019 compared to year ended 31 March 2018*

For the year ended 31 March 2019, revenue of the Group was approximately HK\$206.3 million, representing an increase of approximately 7.6% as compared to approximately HK\$191.8 million in the previous year. Such increase was mainly due to the increase in revenue generated from the retail and wholesale business from approximately HK\$130.1 million for the year ended 31 March 2018 to approximately HK\$146.2 million for the year ended 31 March 2019, representing an increase of approximately 12.4%. The gross profit margin of the Group's retail and wholesale business increased slightly to approximately 13.6% for the year ended 31 March 2019 from approximately 12.2% in the previous year.

For the year ended 31 March 2019, net loss of the Group was approximately HK\$37.1 million as compared to approximately HK\$6.5 million in the previous year. This was primarily attributable to (1) the increase in administrative expenses of approximately 18.8% from approximately HK\$59.2 million for the year ended 31 March 2018 to approximately HK\$70.3 million for the year ended 31 March 2019; and (2) the increase in impairment on loans and advances to customers, net as a result of the adoption of an expected credit loss model under HKFRS 9 Financial Instruments issued by the Hong Kong Institute of Certified Public Accountant. Without the allowance for expected credit losses on loans and advances to customers, net loss of the Group for the year ended 31 March 2019 would be narrowed to approximately HK\$12.6 million.

The Group has been streamlining its business mix with a view to improving its profitability. In February and March 2019, the Group disposed of its pharmacy and wholesale businesses, respectively, in view of the unsatisfactory performance of these businesses and the Group's intention to re-allocate its resources to other more profitable business sectors. In April 2019, the Group's wholesale of frozen food business was also disposed. As disclosed in the 2019 Annual Report, the Group plans to integrate its retail and wholesale businesses through e-commerce while continuing to seek suitable investment opportunities for business diversification.

*(b) Nine months ended 31 December 2019 compared to nine months ended 31 December 2018*

Revenue of the Group decreased from approximately HK\$165.1 million for the nine months ended 31 December 2018 to approximately HK\$78.2 million for the nine months ended 31 December 2019, mainly due to the decrease in revenue generated from the retail and wholesale business from approximately HK\$122.2 million for the nine months ended 31 December 2018 to approximately HK\$41.2 million for the nine months ended 31 December 2019. The decrease in revenue was primarily attributable to the disposal (the "**Disposal**") of the Group's wholesales subsidiaries in March and April 2019. Notwithstanding the decrease in revenue, the gross profit margin of the Group's retail and wholesale business increased significantly from approximately 18.1% for the nine months ended 31 December 2018 to approximately 26.7% for the nine months ended 31 December 2019, primarily due to the streamline in the wholesale business whose costs of sales were generally higher than that of the retail and online business.

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## LETTER FROM THE IFA

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As disclosed in the section headed “6. Material Change” in Appendix I to this Response Document, despite the significant decrease in revenue for the nine months ended 31 December 2019, the Disposal also gave rise to a substantial reduction in relevant administrative expenses such as rent and management for the warehouse for frozen food storage.

For the nine months ended 31 December 2019, net loss of the Group was approximately HK\$34.6 million as compared to approximately HK\$9.1 million for the corresponding period in 2018. This was primarily attributable to (1) the decrease in revenue; and (2) the increase in impairment losses on loans and advances to customers, net from approximately HK\$8.5 million for the nine months ended 31 December 2018 to approximately HK\$37.0 million for the nine months ended 31 December 2019. The financial performance of the Group for the nine months ended 31 December 2019 was affected by the worsened local economy in the second half of 2019 caused by the local social incidents which dealt a heavy blow to economic sentiment and consumption-related activities.

In December 2019, the Group initiated its first move into the local catering business by acquiring a Korean cuisine restaurant in Hong Kong. In March 2020, the Group further invested in 20% equity interests in three Hong Kong-style restaurants in Hong Kong. As disclosed in the section headed “6. Material Change” in Appendix I to this Response Document, the Group explored the opportunities for vertical integration of its frozen food supplies with the aforesaid restaurant investments.

The Group has been implementing certain business strategies in response to the worsened market conditions including the streamline in its wholesale business. The Group plans to expand its online retail business, for instance, by hiring more salespersons and delivery staff and upgrading its online platform, taking into account the recent social incidents and novel coronavirus outbreak in which consumers tend to do shopping online instead of doing their purchases at physical shops. The money lending business and the wholesale and retail business remain the principal businesses of the Group and the Group will adjust its strategies and focus among its business segments in accordance with the changing market conditions.

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## LETTER FROM THE IFA

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**(ii) Financial position**

Set out below is a summary of the consolidated statements of financial position as at 31 March 2018 and 2019 and 30 September 2019 as extracted from the 2019 Annual Report and the interim report of the Company for the six months ended 30 September 2019:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2018</b>	<b>2019</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Total assets	519,463	443,488	439,368
<i>Include:</i>			
Loans and advances to customers	407,632	332,905	345,571
Trade receivables	30,117	18,095	9,344
Cash and cash equivalents	11,053	34,779	37,252
Pledged bank deposits	1,001	1,002	1,002
Net current assets	277,690	277,654	270,615
Total liabilities	39,496	23,585	23,868
<i>Include:</i>			
Borrowings	16,000	7,500	4,500
Equity attributable to Shareholders	477,501	417,035	412,780

As at 30 September 2019, total assets of the Group amounted to approximately HK\$439.4 million, representing a decrease of approximately 0.9% as compared to that as at 31 March 2019. Total assets primarily consist of loans and advances to customers and cash and cash equivalents. As at 30 September 2019, loans and advances to customers, trade receivables, cash and cash equivalents and pledged bank deposits accounted for approximately 89.5% of total assets of the Group.

The Group is financially healthy given its net current asset and net cash position. As at 30 September 2019, the Group had net current assets of approximately HK\$270.6 million and net cash (being bank and cash minus borrowings) of approximately HK\$33.8 million. Based on the unaudited NAV of approximately HK\$384.1 million as at 31 December 2019 as disclosed in the 2019 Q3 Report and 240,359,354 Shares in issue as at the Latest Practicable Date, the unaudited NAV per Share is approximately HK\$1.60.

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## LETTER FROM THE IFA

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### 2. Information on the Offeror Concert Group and its intention regarding the Group

#### (i) *Information on the Offeror Concert Group*

The Offeror Concert Group comprises the Offeror and Ms. Bai.

##### (a) *The Offeror*

The Offeror is a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Cheung who is the sole director of the Offeror. The Offeror is an investment holding company.

As disclosed in the “Letter from Kingsway Capital” in the Offer Document, Mr. Cheung has extensive experience in the financial services industry. Mr. Cheung founded and is a director of Hammer Capital Asset Management Limited. Prior to that, he held key positions in various major investment banks such as Merrill Lynch (Asia Pacific) Limited, Citigroup Global Markets Asia Limited, Calyon Corporate & Investment Bank (presently known as Crédit Agricole Corporate & Investment Bank) and JPMorgan Chase & Co.

As at the Latest Practicable Date, 82,288,613 Shares (i.e. the Controlling Block), representing approximately 34.24% of the issued share capital of the Company, of which Mr. Cheung claimed to be the beneficiary under the Alleged Share Charges, were held in a securities account maintained at China Securities in the name of the Purported Receivers and subject to disputes and legal proceedings, details of which are set out in the paragraph headed “Disputes over the beneficial ownerships of the Subject Shares” in the Letter from the Board.

##### (b) *Ms. Bai*

Ms. Bai is a party acting in concert with the Offeror pursuant to the concert party deed entered into between the Offeror and Ms. Bai on 13 March 2020. As disclosed in the “Letter from Kingsway Capital” in the Offer Document, 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.

As at the Latest Practicable Date, 26,093,500 Shares (i.e. the Substantial Block), representing approximately 10.86% of the issued share capital of the Company, in which Ms. Bai claimed to have beneficial interests, were registered in the name of Ms. Bai and subject to disputes and legal proceedings, details of which are set out in the paragraph headed “Disputes over the beneficial ownerships of the Subject Shares” in the Letter from the Board.

#### (ii) *Intention of the Offeror Concert Group regarding the Group*

##### (a) *Business*

As set out in the “Letter from Kingsway Capital” in the Offer Document, 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

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## LETTER FROM THE IFA

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major changes to the existing operations and business of the Group upon the close of the Offers. 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, (1) 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; and (2) no investment or business opportunity had 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.

*(b) Board composition*

The Board currently comprises five Directors, of whom two are executive Directors and three are independent non-executive Directors. As disclosed in the announcement of the Company dated 23 March 2020, Mr. Ho Siu King, Stanley, an independent non-executive Director, tendered his resignation on 7 March 2020 with effect from 7 June 2020 or any other date that is allowed under Rule 7 of the Takeovers Code.

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 or his family members.

As at the Latest Practicable Date, the Offeror intends to nominate new Directors to the Board for appointment with effect from a date permitted under Rule 26.4 of the Takeovers Code, but had not reached any final decision as to who will be nominated and the final composition of the Board.

*(c) Maintenance of the Company's listing status*

As stated in the Offer Document, the Offeror intends to maintain the listing of Shares on the Stock Exchange after the close of the Offers. Mr. Cheung 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.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (a) discontinue the employment of any employees of the Group (other than, possibly, the executive Directors and their associates); or (b) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business. Further details of the intention of the Offeror Concert Group on the Group are set out in the "Letter from Kingsway Capital" in the Offer Document.

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## LETTER FROM THE IFA

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### 3. Prospects of the Group

The Group is principally engaged in (i) money lending business; and (ii) wholesale and retail business mainly involving retail of groceries, frozen foods and coupons and wholesale of groceries and frozen foods.

#### *Money lending business*

The Group has conducted the money lending business since 2011, targeting both individual and corporate customers. For the two years ended 31 March 2019 and the nine months ended 31 December 2019, revenue generated from the money lending business accounted for approximately 32.2%, 29.1% and 47.3% of total revenue, respectively. The money lending business continues to be the core business and is expected to generate sustainable and stable income for the Group in the future as disclosed in the 2019 Q3 Report, particularly in view of the fact that loans and advances to customers constituted approximately 78.7% of the Group's total assets as at 30 September 2019.

The demand for loans is correlated to consumer and business sentiment on expenditure and/or purchase of real estate assets for residential or investment purposes which can then be reflected in the level of domestic economic activities. As disclosed in the economic report (the “**Economic Report**”) published by the Hong Kong Government in February 2020, in 2019, the Hong Kong economy contracted by 1.2%, which was primarily caused by the local social incidents which disrupted a range of economic activities as well as the escalation of the US-Mainland trade tensions. Among others, domestic demand as reflected in private consumption expenditure softened in 2019 as consumption-related activities and economic sentiment were affected by the local social incidents. In 2020, the threat of the novel coronavirus infection has added significant downward pressures to the domestic economy, according to the Economic Report. Notwithstanding the above, as disclosed in the Economic Report, total loans and advances registered a growth of 6.7% in 2019 as compared to the previous year.

The economic activities and business sentiment have been affected by the novel coronavirus infection. Many enterprises suffer from a plunge in business turnover, resulting in a liquidity problem, in particular those small and medium enterprises (the “**SMEs**”) which have difficulty in obtaining commercial bank loans due to their scale of operation. This may provide potential opportunities for licensed money lenders, particularly when banks' attitudes have become more conservative under the worsened economic environment, notwithstanding that the Group has become more cautious in its lending given the weakening economy in Hong Kong which may give rise to more bad debts in the industry.

#### *Wholesale and retail business*

As disclosed in the 2019 Q3 Report, the wholesale and retail business of the Group is highly competitive and the Group is streamlining the whole business segment. The Disposal was seen to align with the Group's business strategy. Currently, the Group is operating three retail shops in Wanchai, Lai Chi Kok and Tai Po and online business for the sales of grocery products. For the two years ended 31 March 2019 and the nine months ended 31 December 2019, revenue generated from the wholesale and retail business accounted for approximately 67.8%, 70.9% and 52.7% of total revenue, respectively.

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## LETTER FROM THE IFA

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In view of the recent social incidents, US-Mainland trade tensions and novel coronavirus outbreak, the Group's retail and restaurant business may be potentially affected. However, this may hasten the shift of consumers' behaviour to shop online instead of purchasing at physical shops as consumers stay at their homes and avoid going to crowded areas in the wake of the novel coronavirus, which may in turn stimulate the Group's existing online retail business, mitigating the potential adverse impact on the Group's retail and restaurant business. Although it is difficult to estimate how long the novel coronavirus will remain, consumers currently have a higher tendency and frequency to shop online than before. It is expected that after experiencing online shopping for several months, certain consumers may change their shopping behavior from offline to online. This may provide potential opportunities for retailers with an online presence. For instance, Hong Kong Television Network Limited (stock code: 1137), which operates HKTVmall, one of the largest online shopping malls in Hong Kong, achieved gross merchandise value of approximately HK\$1,351 million for the three months ended 31 March 2020, representing an increase of approximately 113.1%, as compared to approximately HK\$634 million for the corresponding period in 2019.

### *Outlook*

In summary, in face of many uncertain and unstable factors including the contraction of the Hong Kong economy, the US-Mainland trade tensions and the outbreak of the novel coronavirus, the growth in the money lending service industry and the wholesale and retail market (including catering) may be restricted in the short run. However, this may be partially offset by the potential demand from those SMEs with liquidity problem as well as the online shoppers under the current situation. Given the Hong Kong Government's various policy initiatives as unveiled in the 2020-2021 budget to support the local economy, the balance of evidence taking into account the aforesaid uncertainties and potential opportunities suggests that the outlook for the money lending service industry and the retail market will be generally positive in the long run. This is especially the case when the novel coronavirus infection is kept under control, the local social incidents no longer cause extreme disruptions to economic activities and the US-Mainland trade tensions are not significantly re-escalated.

#### **4. Share Offer Price comparison**

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

- (i) a discount of approximately 27.50% to the closing price of HK\$0.4 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 22.25% to the average of the closing prices of approximately HK\$0.373 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 20.11% to the average of the closing prices of approximately HK\$0.363 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

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- (iv) a discount of approximately 20.11% to the average of the closing prices of approximately HK\$0.363 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 13.43% to the average of the closing prices of approximately HK\$0.335 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 0.68% to the average of the closing prices of approximately HK\$0.292 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vii) a discount of approximately 0.68% to the volume weighted average price (“VWAP”) of approximately HK\$0.292 per Share for the 180 trading days up to and including the Last Trading Day;
- (viii) the VWAP of approximately HK\$0.289 per Share for the 360 trading days up to and including the Last Trading Day;
- (ix) a discount of approximately 12.12% to the VWAP of approximately HK\$0.330 per Share for the period from 9 March 2018 (being approximately two years preceding the Last Trading Day) to the Last Trading Day;
- (x) a discount of approximately 3.33% to the closing price of HK\$0.3 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (xi) a discount of approximately 84.82% to the audited NAV per Share of approximately HK\$1.91 based on the audited NAV of approximately HK\$417.0 million and 218,894,354 Shares in issue as at 31 March 2019; and
- (xii) a discount of approximately 81.88% to the unaudited NAV per Share of approximately HK\$1.60 as at 31 December 2019.

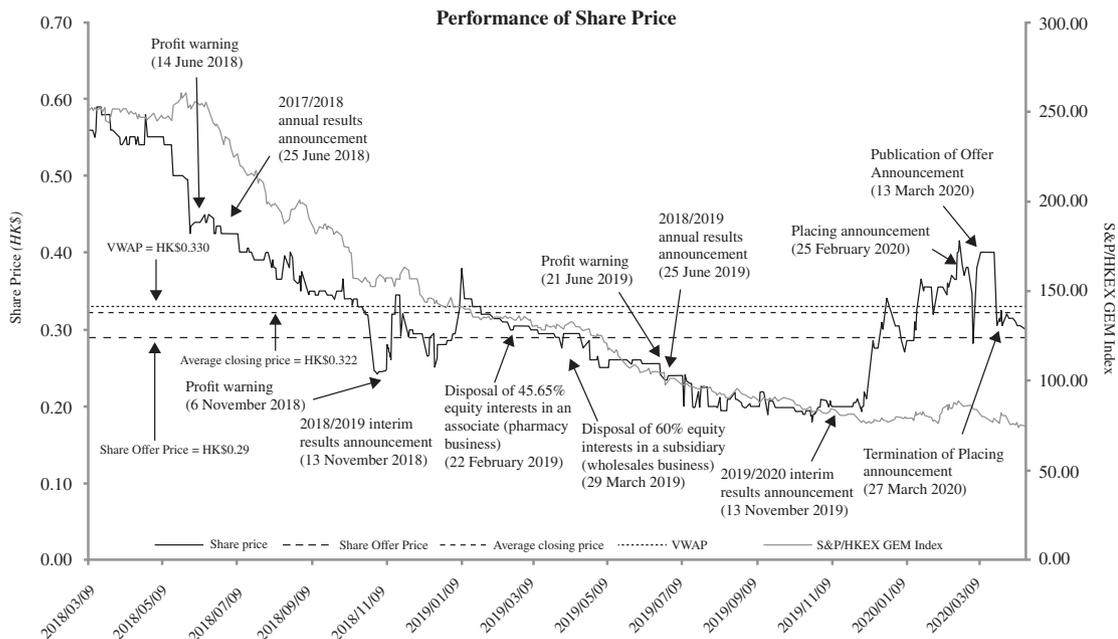
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## 5. Trading performance of the Shares

### (i) Historical Share price performance

Set out below are the movements of (a) the Share price on the Stock Exchange; and (b) the S&P/HKEX GEM Index which was constructed by S&P Dow Jones Indices and the Stock Exchange and is a benchmark for the GEM stocks listed on the Stock Exchange, representing approximately 75% of the GEM by market capitalisation, from 9 March 2018 to the Latest Practicable Date (the “**Review Period**”), being approximately two years preceding the Last Trading Day.

In 2019, the Share price generally exhibited a downward trend from HK\$0.295 per Share on 2 January 2019 to the lowest of HK\$0.18 per Share on 23 October 2019, representing a decrease of approximately 39.0%. Since then, the Share price has been on an upward trend, from HK\$0.19 per Share on 24 October 2019 to HK\$0.4 per Share on 10 March 2020, the Last Trading Day, representing an increase of approximately 110.5%. Given (a) the material fluctuation of the Share price during 2019 and up to the Last Trading Day within a range between HK\$0.18 and HK\$0.415 per Share; (b) that the overall stock market in 2019 was generally affected by the worsened market sentiment primarily caused by the US-Mainland trade tensions and the local social incidents which, in our view, should be temporary; and (c) the relatively low trading liquidity of the Shares, we consider that the Share Offer Price should be assessed based on a longer period of Share prices, i.e. the Review Period.



Source: Bloomberg and the website of S&P Dow Jones Indices

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As shown in the chart above, during the Review Period, the Share price generally closed above the Share Offer Price. The average closing price and the VWAP of the Shares during the period from 9 March 2018 (i.e. the beginning of the Review Period) to 10 March 2020 (i.e. the Last Trading Day) were approximately HK\$0.322 and HK\$0.330 per Share, representing a premium of approximately 11.0% and 13.8% over the Share Offer Price of HK\$0.29 per Offer Share, respectively.

From 26 March 2018 to 13 June 2018, the Share price trended downward from HK\$0.58 per Share to HK\$0.44 per Share on 13 June 2018. On 14 June 2018, following the publication of a profit warning announcement in relation to the Company's 2018 annual results, the Share price continued to drop from HK\$0.44 per Share to HK\$0.243 per Share on 1 November 2018, before it generally lifted and reached to a high of HK\$0.38 per Share on 9 January 2019. Afterwards, the Share price started to drop gradually from HK\$0.36 per Share on 10 January 2019 to HK\$0.305 per Share on 21 February 2019. On 22 February 2019 and 29 March 2019, the Company announced the disposal of its pharmacy and wholesale businesses, respectively, which were mainly attributable to the unsatisfactory performance of these businesses and the Group's intention to re-focus to other more profitable business sectors. The money lending business continues to be the core business of the Group. Since 9 January 2019 and until the end of November 2019, the Share price was on a downward trend, which was generally in line with the movements of the S&P/HKEX GEM Index as depicted in the chart above. In December 2019, the Share price exhibited an upward trend from HK\$0.193 per Share on 2 December 2019 to a high of HK\$0.34 per Share on 24 December 2019. Save for (a) the announcements of the Company dated 6 December 2019, 12 December 2019 and 30 December 2019 in relation to a proposed placing; and (b) the DI form submitted by Mr. Cheung on 5 December 2019 in respect of the Controlling Block, we did not notice any incident which may lead to such upward trend.

In January and February 2020, the Share price fluctuated and generally demonstrated an upward trend. After reaching a low of HK\$0.27 per Share on 6 January 2020, the Share price surged to HK\$0.365 per Share on 21 January 2020, before declining to HK\$0.32 per Share on 30 January 2020. Since then, the Share price continued to fluctuate and reach to a high of HK\$0.415 per Share on 21 February 2020, before the release of an announcement on 25 February 2020 in respect of the entering into of the Placing Agreement. Other than the announcements of the Company date 25 February 2020 and 28 February 2020 in respect of a proposed placing and the disputes over the beneficial ownerships of the Subject Shares, we did not notice any incident which may cause the aforesaid fluctuation. Subsequently, the Share price moved upward, closing at HK\$0.4 per Share on 10 March 2020, the Last Trading Day.

The trading in the Shares was halted on 11 March 2020. Immediately after the publication of the Offer Announcement on 15 March 2020 and resumption of trading on 23 March 2020, the Share price declined to HK\$0.305 per Share on 23 March 2020 from HK\$0.4 per Share on the Last Trading Day. On 27 March 2020, it was announced that the Company and the Placing Agent mutually agreed to terminate the Placing Agreement. As at the Latest Practicable Date, the Share price closed at HK\$0.3 per Share, representing a premium of approximately 3.4% over the Share Offer Price.

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Taking into account that (a) the Share Offer Price represents a deep discount of approximately 81.88% to the unaudited NAV per Share of approximately HK\$1.60 as at 31 December 2019 and a discount of approximately 27.50% to the closing price of HK\$0.4 per Share on the Last Trading Day; (b) the Share price generally closed above the Share Offer Price (300 trading days, accounting for approximately 59.1% of a total of 508 trading days) during the Review Period; (c) the average closing price and the VWAP of the Shares during the period from 9 March 2018 to the Last Trading Day of approximately HK\$0.322 and HK\$0.330 per Share represent approximately 11.0% and 13.8% above the Share Offer Price, respectively; and (d) the Share price closed consistently ranging from approximately 3.4% to 12.1% above the Share Offer Price following the publication of the Offer Announcement and resumption of trading on 23 March 2020 up to the Latest Practicable Date, we consider that, in comparison of the historical closing prices of the Shares, the Share Offer Price is not fair and reasonable so far as the Shareholders are concerned.

### (ii) *Liquidity of the Shares*

The following table sets out the trading volume of the Shares during the Review Period:

Month/period	Total trading volume for the month/period <i>(Number of Shares)</i>	Number of trading days of the Shares <i>(Note 1)</i>	Approximate average daily trading volume for the month/period <i>(Note 2)</i>	Approximate percentage of average daily trading volume to total number of Shares in issue <i>(Note 3)</i>	Approximate percentage of average daily trading volume to total number of Shares held by public Shareholders <i>(Note 4)</i>
<b>2018</b>					
From 9 March to					
29 March	1,629,467	15	108,631	0.0496%	0.0983%
April	960,851	19	50,571	0.0231%	0.0458%
May	5,232,904	21	249,186	0.1138%	0.2255%
June	2,415,794	20	120,790	0.0552%	0.1095%
July	742,543	21	35,359	0.0162%	0.0321%
August	3,062,834	23	133,167	0.0608%	0.1208%
September	1,152,398	19	60,653	0.0277%	0.0550%
October	2,471,179	21	117,675	0.0538%	0.1067%
November	1,845,242	22	83,875	0.0383%	0.0761%
December	746,150	19	39,271	0.0179%	0.0357%

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Month/period	Total trading volume for the month/period <i>(Number of Shares)</i>	Number of trading days of the Shares <i>(Note 1)</i>	Approximate average daily trading volume for the month/period <i>(Note 2)</i>	Approximate percentage of average daily trading volume to total number of Shares in issue <i>(Note 3)</i>	Approximate percentage of average daily trading volume to total number of Shares held by public Shareholders <i>(Note 4)</i>
<b>2019</b>					
January	1,069,085	22	48,595	0.0222%	0.0441%
February	250,018	17	14,707	0.0067%	0.0134%
March	133,250	21	6,345	0.0029%	0.0058%
April	224,224	19	11,801	0.0054%	0.0108%
May	924,506	21	44,024	0.0201%	0.0402%
June	593,171	19	31,220	0.0143%	0.0285%
July	704,407	22	32,019	0.0146%	0.0292%
August	384,221	22	17,465	0.0080%	0.0159%
September	495,341	21	23,588	0.0108%	0.0215%
October	553,871	21	26,375	0.0120%	0.0241%
November	526,616	21	25,077	0.0115%	0.0229%
December	10,250,456	20	512,523	0.2341%	0.4707%
<b>2020</b>					
January	12,735,137	20	636,757	0.2785%	0.5367%
February	3,187,655	20	159,383	0.0663%	0.1223%
March	9,988,097	14	713,436	0.2968%	0.5473%
From 1 April to the Latest Practicable Date	242,022	8	30,253	0.0126%	0.0232%

*Source: Bloomberg and the website of the Stock Exchange*

*Notes:*

1. Number of trading days of the Shares represents number of trading days during the month/period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
3. Based on the total issued share capital of the Company at the end of each month/period as disclosed in the monthly returns of the Company.
4. Based on the number of Shares held by public Shareholders as calculated by deducting the Shares held by Mr. Shiu, the Controlling Block and the Substantial Block from the total issued share capital at the end of each month/period.

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As illustrated in the table above, the trading of the Shares was generally inactive during the Review Period. The average daily trading volume for the respective month/period during the Review Period ranged from approximately 6,345 Shares to approximately 713,436 Shares, representing approximately 0.0029% to 0.2968% of the total number of Shares in issue and approximately 0.0058% to 0.5473% of the total number of Shares held by public Shareholders respectively.

As the Shares cannot be regarded as having been actively traded, if the Shareholders intend to dispose of a significant shareholding in the Company in the market within a short timeframe, it is possible that a downward pressure would be exerted on the market price of the Shares. In such circumstance, the Share Offer may represent an alternative exit for the Shareholders with significant shareholding in the Company to realise their investments in the Company. However, should the market price of the Shares exceeds the Share Offer Price during the Offer Period, as the case was as at the Latest Practicable Date, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Share Offer, Shareholders may consider selling their Shares in the open market if they would like to divest the securities of the Company in the short-run and such disposal will not result in a downward pressure on the market prices of the Shares and therefore a substantial loss in value.

### 6. Comparable analysis

#### *(i) Analysis on comparable companies*

The Group is principally engaged in (a) money lending business; and (b) wholesale and retail business mainly involving retail of groceries, frozen foods and coupons and wholesale of groceries and frozen foods.

Price-to-earnings (“**P/E(s)**”), price-to-book (“**P/B(s)**”) and price-to-sale (“**P/S(s)**”) multiples are the three most commonly used benchmarks in valuing a company. P/E is usually adopted for judging valuations for companies which are profit making. On the other hand, P/B is typically applied for valuing companies which hold relatively liquid assets on their balance sheets and their book values approximate their fair market values such as real estate companies, banks and money lenders whereas P/S is appropriate for valuing companies which have volatile earnings or loss but with relatively stable revenue such as retailers offering general merchandise.

Given (a) the Group was loss making with loss before interest, taxes, depreciation and amortisation for the year ended 31 March 2019 and the nine months ended 31 December 2019; and (b) loans and advances to customers and cash constituted over 85% of the Group’s total assets as at 30 September 2019, we consider the valuation methodology using P/B more appropriate in valuing the money lending business of the Group as compared with those using P/E and P/S. Based on (a) the Share Offer Price of HK\$0.29 per Offer Share; (b) 240,390,354 Shares in issue as at the Latest Practicable Date; and (c) the unaudited NAV of approximately HK\$384.1 million as at 31 December 2019 as extracted from the 2019 Q3 Report, the P/B implied by the Share Offer Price is approximately 0.18 time (the “**Implied P/B**”).

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Given (a) the losing making position of the Group; (b) the unstable financial performance of the Group; and (c) the asset-light nature of the Group's wholesale and retail business, we consider the valuation methodology using P/S more appropriate in valuing the wholesale and retail business of the Group as compared with those using P/E and P/B. Based on (a) the Share Offer Price of HK\$0.29 per Offer Share; (b) 240,390,354 Shares in issue as at the Latest Practicable Date; and (c) the revenue of the latest twelve months from 1 January 2019 to 31 December 2019 as extracted from the 2019 Q3 Report and the 2019 Annual Report, the P/S implied by the Share Offer Price is approximately 0.58 time (the "Implied P/S").

In assessing the fairness and reasonableness of the Share Offer Price, we have considered comparable companies for each of the business segments of the Group given that we are unable to identify any comparable company with similar business mix as the Group does.

(a) *Money lending business*

In evaluating the fairness and reasonableness of the Share Offer Price, we have, based on our search on Bloomberg and the website of the Stock Exchange, identified an exhaustive list of companies (the "ML Comparable Companies") which (1) are principally engaged in and generated a majority (i.e. over 50%) of their revenue from money lending or consumer finance businesses in Hong Kong in their respective latest financial year; (2) have their shares listed and traded on the Stock Exchange; and (3) have market capitalisation within HK\$1 billion as at the Latest Practicable Date. Based on these criteria, we identified five ML Comparable Companies. We consider this sample fair and representative as the money lending business continues to be the core business of the Group as disclosed in 2019 Q3 Report and loans and advances to customers, being the primary assets of the Group's money lending business, constituted over 75% of the Group's total assets as at 30 September 2019. As at the Latest Practicable Date, the market capitalisation of the Company was approximately HK\$72.1 million. We consider that the aforesaid criteria allow us to identify a sufficient number of samples with businesses comparable to that of the Group for comparison purpose.

The following table set out the details of the ML Comparable Companies:

Company name (stock code)	Principal activities	P/B (Note 1) (time)	Market capitalisation as at the Latest Practicable Date (HK\$ million)
Easy One Financial Group Limited ("Easy One") (221.HK)	Easy One is principally engaged in the provision of finance and securities brokerage businesses in Hong Kong and the property development business in China.	0.22	250.4

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Company name (stock code)	Principal activities	P/B <i>(Note 1)</i> <i>(time)</i>	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>
Power Financial Group Limited (“PFG”) (397.HK)	PFG offers financial services. PFG provides securities brokerage, corporate finance consultant, money lending, and other services. PFG also operates asset investment, garment manufacturing, and other businesses.	0.20	278.4
Asia Pacific Silk Road Investment Company Limited (“APSR”) (767.HK)	APSR operates as an investment holding company. APSR provides money lending, credit provision, securities investment, and other services. APSR also offers consultancy services.	0.21	197.4
Hong Kong Finance Group Limited (“HKFG”) (1273.HK)	HKFG provides mortgage loans. HKFG engages in the money lending business, offering property mortgage loans to corporate and individual customers. HKFG focuses on residential, commercial, and industrial properties located within Hong Kong.	0.28	166.0
Hao Wen Holdings Limited (“Hao Wen”) (8019.HK)	Hao Wen is headquartered in Hong Kong. Hao Wen focuses on money lending business and processing and trading of electronic parts business.	0.20	79.4
	<i>Maximum</i>	0.28	
	<i>Minimum</i>	0.20	
	<i>Average</i>	0.22	
	<i>Median</i>	0.21	
<b>The Share Offer</b>		0.18 <i>(Note 2)</i>	69.7 <i>(Note 3)</i>

*Source: Bloomberg and the website of the Stock Exchange*

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*Notes:*

1. Being the P/Bs of the respective ML Comparable Companies as at the Latest Practicable Date as extracted from Bloomberg.
2. Calculated based on (i) the Share Offer Price of HK\$0.29 per Offer Share; (ii) 240,390,354 Shares in issue as at the Latest Practicable Date; and (iii) the unaudited NAV of approximately HK\$384.1 million as at 31 December 2019 as extracted from the 2019 Q3 Report.
3. Calculated based on (i) the Share Offer Price of HK\$0.29 per Offer Share; and (ii) 240,390,354 Shares in issue as at the Latest Practicable Date

As shown above, the P/Bs of the ML Comparable Companies ranged from approximately 0.20 time to approximately 0.28 time with an average and median of approximately 0.22 time and 0.21 time, respectively, as at the Latest Practicable Date. The Implied P/B of approximately 0.18 time is lower than all the P/Bs of the ML Comparable Companies.

*(b) Wholesale and retail business*

Based on our search on Bloomberg and the website of the Stock Exchange, we have also identified an exhaustive list of companies (the “**WR Comparable Companies**”) listed in Hong Kong which (1) are principally engaged in and generated a majority (i.e. over 50%) of their revenue from retail and/or wholesale of grocery (including food products such as frozen meat and seafood) in Hong Kong in their respective latest financial year; (2) have their shares listed and traded on the Stock Exchange; and (3) have market capitalisation within HK\$1 billion as at the Latest Practicable Date. Based on these criteria, we identified six WR Comparable Companies, which we consider fair and representative given that they are engaged in the same sector as the Group does. We consider that the aforesaid criteria allow us to identify a sufficient number of samples with businesses comparable to that of the Group for comparison purpose.

The following table set out the details of the WR Comparable Companies:

Company name (stock code)	Principal activities	P/S <i>(Note 1)</i> <i>(times)</i>	P/B <i>(Note 2)</i> <i>(times)</i>	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>
Aeon Stores (Hong Kong) Co., Limited (“ <b>Aeon</b> ”) (984.HK)	Aeon, through its subsidiaries, operates general merchandise stores in Hong Kong and China.	0.06	0.75	577.2

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Company name (stock code)	Principal activities	P/S <i>(Note 1)</i> <i>(times)</i>	P/B <i>(Note 2)</i> <i>(times)</i>	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>
Asia Grocery Distribution Limited ("Asia Grocery") (8413.HK)	Asia Grocery wholesales and distributes food products. Asia Grocery provides food ingredients, beans, spices, canned meat products, mustards, pickles, and other food products. Asia Grocery serves customers globally.	2.17	4.44	470.6
Ocean One Holding Limited ("Ocean") (8476.HK)	Ocean operates as a holding company. Ocean, through its subsidiaries, wholesales seafood products such as octopus, cuttlefishes, scallops, oysters, surf clams, crabs, and prawns. Ocean markets its products worldwide.	0.59	1.53	196.0
Hong Kong Food Investment Holdings Limited ("HKFI") (60.HK)	HKFI, through its subsidiaries, trades frozen meat, seafood, vegetables, and other food products. HKFI also invests in real estate.	1.21	0.30	189.5
Food Idea Holdings Limited ("Food Idea") (8179.HK)	Food Idea operates as a holding company. Food Idea, through its subsidiaries, provides catering, food production and distribution, securities investment, and money lending services. Food Idea serves customers in Hong Kong.	0.37	0.14	85.3
Winning Tower Group Holdings Limited ("Winning") (8362.HK)	Winning processes and distributes meat products. Winning produces meat slices, pickled meat, and other products. Winning markets its products in air catering companies, restaurants, catering operators, and other fields.	0.33	0.32	44.8

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Company name (stock code)	Principal activities	P/S <i>(Note 1)</i> <i>(times)</i>	P/B <i>(Note 2)</i> <i>(times)</i>	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>
	<i>Maximum</i>	2.17	4.44	
	<i>Minimum</i>	0.06	0.14	
	<i>Average</i>	0.79	1.25	
	<i>Median</i>	0.48	0.54	
<b>The Share Offer</b>		0.58 <i>(Note 3)</i>	0.18	69.7

*Source: Bloomberg and the website of the Stock Exchange*

*Note:*

1. Being the market capitalisation of the respective WR Comparable Companies as at the Latest Practicable Date divided by the latest twelve-month revenue of the respective WR Comparable Companies according to their latest published financial results.
2. Being the P/Bs of the respective WR Comparable Companies as at the Latest Practicable Date as extracted from Bloomberg. The presentation of the P/Bs of the respective WR Comparable Companies in this section is for general reference only.
3. Calculated based on (i) the Share Offer Price of HK\$0.29 per Offer Share; (ii) 240,390,354 Shares in issue as at the Latest Practicable Date; and (iii) the revenue of the latest twelve months from 1 January 2019 to 31 December 2019 as extracted from the 2019 Q3 Report and the 2019 Annual Report.

As shown above, the P/Ss of the WR Comparable Companies ranged from approximately 0.06 time to approximately 2.17 times with an average and median of approximately 0.79 time and 0.48 time, respectively, as at the Latest Practicable Date. The Implied P/S of approximately 0.58 time is lower than the average of those of the WR Comparable Companies.

By excluding Aeon and Asia Grocery which we consider to be outliers due to their exceptional high or low P/Ss, the average and median of the P/Ss of the remaining WR Comparable Companies would be approximately 0.63 time and 0.48 time. In such circumstance, the Implied P/S is still lower than the average of those of the WS Comparable Companies (excluding the outliers).

We consider that the valuation methodology using P/S is more appropriate in valuing the wholesale and retail business of the Group as compared with that using P/B. However, as a general reference only, the P/Bs of the WR Comparable Companies ranged from approximately 0.14 time to approximately 4.44 times with an average and median of approximately 1.25 times and 0.54 time, respectively, as at the Latest Practicable Date. The Implied P/B of approximately 0.18 time is lower than the average and median of those of the WR Comparable Companies. The P/Bs of five (out of six) WR Comparable Companies as at the Latest Practicable Date are higher than the Implied P/B.

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### (ii) Offer Comparables

In addition to the comparable companies set out above, we have, based on our search on the website of the Stock Exchange, identified an exhaustive list of companies (the “**Offer Comparables**”) listed on the Stock Exchange which have undergone general offer exercise by an offeror since 1 January 2020 and up to the date of the Offer Announcement. We consider that the period under review, being approximately three months, is adequate to provide a fair and representative sample for analysis of recent general offer transactions in the market taking into account the effect of the recent novel coronavirus outbreak which has significantly affected the economic sentiment.

Although the Offer Comparables have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, we consider that the Offer Comparables can provide a general reference to the pricing trend of recent general offer transactions, i.e. the amount that the offerors are willing pay to the independent shareholders to accept the offers, under the current economic atmosphere, so as to determine whether the Share Offer Price is in line with those of recent general offer transactions in the market.

The table below illustrates the premiums/discounts of the offer prices offered in the Offer Comparables over/to the prevailing share prices prior to announcement of the relevant general offer transactions as well as the net asset value per share of the Offer Comparables:

Date of announcement	Company name (stock code)	Type of general offer exercise	Offer price (HK\$)	Premium/ (discount) over/(to) the closing price on the last trading day	Premium/ (discount) over/(to) the average closing price for the five consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/(to) the average closing price for the 10 consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/(to) the average closing price for the 30 consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/(to) the net asset value per share attributable to shareholders
					14.01%	19.86%	27.27%	
8 January 2020	AV Concept Holdings Limited (595.HK)	Voluntary conditional cash offer	0.35	12.90%	14.01%	19.86%	27.27%	(71.93%)
8 January 2020	Sunway International Holdings Limited (58.HK)	Mandatory conditional cash offer	0.1	25.00%	24.07%	14.03%	7.60%	(66.26%)
17 January 2020	Season Pacific Holdings Limited (1709.HK)	Mandatory unconditional cash offer	0.55	(19.12%)	(16.16%)	(17.17%)	(6.62%)	261.84%

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Date of announcement	Company name (stock code)	Type of general offer exercise	Offer price (HK\$)	Premium/ (discount) over/(to) the average closing price for the five consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/(to) the average closing price for the 10 consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/(to) the average closing price for the 30 consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/(to) the net asset value per share attributable to shareholders	
21 January 2020	Zhuhai Holdings Investment Group Limited (908.HK)	Mandatory conditional cash offer	1.21	0.83%	1.51%	2.72%	0.58%	(54.13%)
24 January 2020	Imperium Group Global Holdings Limited (776.HK)	Mandatory unconditional cash offers	1.04	(20.00%)	(20.00%)	(20.00%)	(21.60%)	420.00%
29 January 2020	Kingsley Edugroup Limited (8105.HK)	Voluntary conditional cash offer	0.54	12.50%	8.43%	7.57%	4.25%	198.34%
3 February 2020	ICO Group Limited (1460.HK)	Voluntary conditional cash offer	0.05	25.00%	17.92%	14.42%	7.30%	(15.68%)
5 February 2020	Pine Care Group Limited (1989.HK)	Mandatory unconditional cash offer	1.647	105.90%	116.70%	87.20%	55.40%	638.60%
11 February 2020	Windmill Group Limited (1850.HK)	Mandatory unconditional cash offer	0.268	(4.29%)	(5.96%)	(6.62%)	(11.26%)	59.52%
17 February 2020	Bonjour Holdings Limited (653.HK)	Mandatory unconditional cash offer	0.1147	(7.50%)	13.80%	20.90%	25.50%	(29.00%)
21 February 2020	Lai Fung Holdings Limited (1125.HK)	Voluntary conditional cash offer	8.99	(7.61%)	(8.82%)	(9.38%)	(6.74%)	(81.41%)
		<b>Maximum</b>		105.90%	116.70%	87.20%	55.40%	638.60%
		<b>Minimum</b>		(20.00%)	(20.00%)	(20.00%)	(21.60%)	(81.41%)
		<b>Average</b>		11.24%	13.23%	10.32%	7.43%	114.54%
		<b>Median</b>		0.83%	8.43%	7.57%	4.25%	(15.68%)
13 March 2020	The Company	Voluntary conditional cash offers	0.29	(27.50%)	(22.25%)	(20.11%)	(20.11%)	(81.88%)

Source: Announcements of the respective Offer Comparables

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## LETTER FROM THE IFA

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As illustrated in the table above:

- (a) the discounts as represented by the Share Offer Price to the closing price of the Shares on the Last Trading Day, the average closing prices of the Shares for the periods of 5 and 10 trading days up to and including the Last Trading Day, and the unaudited NAV per Share as at 31 December 2019 amounted to approximately 27.50%, 22.25%, 20.11%, and 81.88%, respectively, which are all higher than the highest discounts of those of the Offer Comparables; and
- (b) the discount as represented by the Share Offer Price to the average closing price of the Shares for the period of 30 trading days up to and including the Last Trading Day was approximately 20.11%, which is near the low end of those of the Offer Comparables.

*(iii) Overall comment*

Taking into account that (a) the Implied P/B is lower than all the P/Bs of the ML Comparable Companies; (ii) the Implied P/S is lower than the average of those of the WR Comparable Companies; and (iii) the discounts as represented by the Share Offer Price to the closing Share prices for various periods up to and including the Last Trading Day and the unaudited NAV per Share as at 31 December 2019 are either higher than the highest discounts, or near the low end, of those of the Offer Comparables, we consider that the Share Offer Price is not fair and reasonable so far as the Shareholders are concerned.

### 7. Options

As at the Latest Practicable Date, there was only one Optionholder holding Options to subscribe for an aggregate of 385,000 new Shares at an exercise price of HK\$0.265 per Share. Subject to the Share Offer becoming or being declared unconditional in all respects, the Option Offer will be made for the cancellation of all outstanding Options at the Option Offer Price of HK\$0.025 which is equal to the “see-through” price, being the Share Offer Price minus the exercise price of the Options. Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced.

Pursuant to the Company’s share option scheme (the “**Share Option Scheme**”) adopted on 4 January 2011, 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 Options were granted, be entitled to exercise the Options (to the extent not already exercised) to its full extent up to the close of such offer. The option period in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) will lapse thereafter. As a result, if the Share Offer becomes unconditional and any of the Options is not exercised, such Option shall automatically lapse upon the close of the Offers. In such circumstance, the Optionholder can consider either (i) accepting the Option Offer; or (ii) exercising its Options in the event that the market price of the Shares exceeds the Share Offer Price when the Option Offer is open and the sales proceeds (net of transaction costs) from disposal in the open market of the Shares newly issued after exercise of the Options exceed the amount receivable under the Share Offer.

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## LETTER FROM THE IFA

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Under the Option Offer, Kingsway Financial is offering, for and on behalf of the Offeror, the Optionholder the Option Offer Price, which is based on the “see-through” price (being the Share Offer Price minus the exercise price of the Options), for each outstanding Option for the cancellation of the Options. We consider the Option Offer price to be in line with the market practice and is in accordance with Rule 13 and Practice Note 6 of the Takeovers Code.

Taking into account that the Share Offer Price of HK\$0.29 is not fair and reasonable, we consider that the Option Offer Price is not fair and reasonable so far as the Optionholder is concerned.

However, the recent market price of the Shares has closed above the Share Offer Price since the publication of the Offer Announcement and up to and including the Latest Practicable Date at a range of HK\$0.3 to HK\$0.325 per Share. The Optionholder may consider exercising its Options and, if it wishes to realise its investment in the Company, sell these underlying Shares in the open market if the market price is above the exercise price and the net proceeds from such sale (after deducting the exercise price of the Options and all transaction costs) are higher than the net proceeds receivable under the Share Offer.

### DISCUSSION

#### (i) The Share Offer

##### *(a) The Share Offer Price compared to historical Share prices and the NAV per Share*

We have evaluated the fairness and reasonableness of the Share Offer Price by reviewing the Share prices during the Review Period. The Share price closed above the Share Offer Price over 50% of the trading days during the Review Period. The discounts of the Share Offer Price of HK\$0.29 per Offer Share to the closing Share prices for various periods in the two months before the announcement of the Offers are significant, in the range of approximately 13.43% to 27.50%.

On a longer term, the Share Offer Price of HK\$0.29 per Share represents (1) a discount of approximately 0.68% to the VWAP of the Shares of approximately HK\$0.292 per Share for the 180 trading days up to and including the Last Trading Day; and (2) a discount of approximately 12.12% to the VWAP of the Shares of approximately HK\$0.330 per Share for the period from 9 March 2018 (i.e. the beginning of the Review Period) to the Last Trading Day, and approaches the VWAP of the Shares of approximately HK\$0.289 per Share for the 360 trading days up to and including the Last Trading Day.

Since the publication of the Offer Announcement and up to and including the Latest Practicable Date, the Shares closed at a range of HK\$0.3 to HK\$0.325. As at the Latest Practicable Date, the Shares closed at HK\$0.3, representing a premium of approximately 3.4% over the Share Offer Price. Trading in the Shares was not active during the Review Period.

The Group’s assets primarily consist of loans and advances to customers and cash, being relatively liquid assets, which constituted over 85% of the Group’s total assets as at 30 September 2019. The Share Offer Price represents a deep discount of approximately 81.88% to the unaudited NAV per Share of approximately HK\$1.60 as at 31 December 2019. In other words, if the Shareholders accept the Share Offer, it would mean that the underlying value of the Company would worth not more than 20% of the net asset backing of the Group.

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## LETTER FROM THE IFA

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**(b) Peer comparison**

We have identified five ML Comparable Companies and six WR Comparable Companies which are engaged in businesses comparable to those of the Group and are listed in Hong Kong. The Implied P/B of approximately 0.18 time is lower than all the P/Bs of the ML Comparable Companies while the Implied P/S of approximately 0.58 time is lower than the average of those of the WR Comparable Companies. This indicates that the valuation of the Company as represented by the Share Offer Price is in general lower than its peers.

**(c) Comparison with recent general offer transactions**

We have considered the 11 Offer Comparables which have undergone general offer exercise since 1 January 2020 and up to the date of the Offer Announcement. We consider that these represent a general reference to the pricing trend of recent general offer transactions taking into account the impact of the recent novel coronavirus outbreak which has significantly affected the economic sentiment. In general, the Share Offer Price compares unfavorably to those of the Offer Comparables.

**(d) Financial performance and prospects of the Group**

For the year ended 31 March 2019, the Group recorded a moderate growth in revenue, but a net loss primarily attributable to the increase in impairment on loans and advances to customers, net as a result of the adoption of an expected credit loss model under HKFRS 9. In the same year, the Group streamlined its pharmacy and wholesale businesses with a view to improving its profitability. The financial performance of the Group for the nine months ended 31 December 2019 was, on the other hand, affected by the decrease in revenue resulting from the Disposal, the increase in impairment losses on loans and advances to customers, net as well as the economic downturn caused by the contraction of economic activities due to the local social incidents in the second half of 2019. The Group plans to expand its online retail business, for instance, by hiring more salespersons and delivery staff and upgrading its online platform, with a view to taking advantage of the potential opportunity arising from the recent novel coronavirus outbreak which hastens the transition to online shopping. The money lending business and the wholesale and retail business remain the principal businesses of the Group and the Group will adjust its strategies and focus among its business segments in accordance with the changing market conditions.

As discussed in the section headed “3. Prospects of the Group” above, the long-term prospects of the Group’s prospects will remain generally positive given the potential demand for loans under the current weakening economy as well as the change in shopping behavior from offline to online despite current challenges such as the novel coronavirus outbreak and the local social incidents, the impact of which, in our view, is temporary and will not persist for a long period of time.

Despite the current loss-making position, the Group is financially healthy given its net current asset and net cash position. As at 30 September 2019, the Group had net current assets of approximately HK\$270.6 million with a net cash position of approximately HK\$33.8 million.

In view of the factors summarised in this section above, we consider that the Share Offer Price is not fair and reasonable so far as the Shareholders are concerned.

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## LETTER FROM THE IFA

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### (ii) The Option Offer

As set out in the sub-section above, we consider that the Share Offer Price is not fair and reasonable. Accordingly, we consider that the terms of the Option Offer are not fair and reasonable so far as the Optionholder is concerned.

However, the recent market price of the Shares has closed above the Share Offer Price since the publication of the Offer Announcement and up to and including the Latest Practicable Date at a range of HK\$0.3 to HK\$0.325 per Share. The Optionholder may consider exercising its Options and, if it wishes to realise its investment in the Company, sell these underlying Shares in the open market if the market price is above the exercise price and the net proceeds from such sale (after deducting the exercise price of the Options and all transaction costs) are higher than the net proceeds receivable under the Share Offer.

The terms of the Share Option Scheme contain a provision to the effect that the Options shall lapse following the close of an unconditional general offer, which we consider a common practice. As a result, the Optionholder should note that if the Share Offer becomes unconditional and any of the Options is not exercised, such Option shall automatically lapse upon the close of the Offers. In such circumstance, the Optionholder can consider either (a) accepting the Option Offer; or (b) exercising its Options in the event that the market price of the Shares exceeds the Share Offer Price when the Option Offer is open and the sales proceeds (net of transaction costs) from disposal in the open market of the Shares newly issued after exercise of the Options exceed the amount receivable under the Share Offer.

### OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular those summarised in the section headed “Discussion” above, we consider that the terms of the Offers (being the Share Offer and the Option Offer) are not fair and reasonable so far as the Shareholders and the Optionholder are concerned. Accordingly, we recommend the IBC to advise the Shareholders and the Optionholder not to accept the Share Offer and Option Offer, respectively.

The market price of the Shares closed at HK\$0.3 as at the Latest Practicable Date. Those Shareholders who wish to realise their investments in the market (especially those with a significant number of Shares) should monitor the market price and the trading liquidity in the Shares closely during the Offer Period.

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## LETTER FROM THE IFA

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The Shareholders and the Optionholder should be reminded that (i) the Offers are subject to the satisfaction or waiver of the conditions as set out in the Letter from the Board and therefore may or may not become unconditional; and (ii) the beneficial ownerships of the Subject Shares (comprising the Controlling Block and the Substantial Block) are subject to disputes and legal proceedings which were still ongoing as at the Latest Practicable Date. The Shareholders and the Optionholder are advised to exercise caution when dealing in the securities of the Company and closely monitor the market price and trading volume of the Shares which may not be sustainable.

Yours faithfully,  
For and on behalf of  
**Rainbow Capital (HK) Limited**  
**Danny Leung                  Larry Choi**  
*Managing Director      Managing Director*

*Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in corporate finance.*

*Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in corporate finance.*

## 1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of FY2017, FY2018 and FY2019 as extracted from the annual reports of the Company for FY2017, FY2018 and FY2019; (ii) the unaudited financial results of the Group for 1H2019 as extracted from the Interim Report; and (iii) the unaudited financial results of the Group for 3Q2019 as extracted from the Third Quarterly Report.

	<b>3Q2019</b> <i>HK\$'000</i> <i>(unaudited)</i>	<b>1H2019</b> <i>HK\$'000</i> <i>(unaudited)</i>	<b>FY2019</b> <i>HK\$'000</i> <i>(audited)</i>	<b>FY2018</b> <i>HK\$'000</i> <i>(audited)</i>	<b>FY2017</b> <i>HK\$'000</i> <i>(audited)</i>
Revenue	78,183	51,019	206,268	191,768	181,610
(Loss)/profit before income tax	(34,628)	(4,403)	(37,256)	(6,233)	31,110
Income tax (expense)/credit	–	–	122	(255)	(4,713)
(Loss)/profit for the period/year	(34,628)	(4,403)	(37,134)	(6,488)	26,397
(Loss)/profit for the period/year attributable to owners of the Company	(34,404)	(4,255)	(37,108)	(6,756)	26,315
(Loss)/profit for the period/year attributable to non-controlling interests	(224)	(148)	(26)	268	82
Other comprehensive (loss)/income Item that may be reclassified subsequently to profit or loss:					
Change in fair value on equity instruments designated at fair value through other comprehensive income	–	–	(9,326)	(1,809)	837
Other comprehensive (loss)/income for the period/year, net of tax	–	–	(9,326)	(1,809)	837
Total comprehensive (loss)/income for the period/year attributable to the owners of the Company	(34,404)	(4,255)	(46,434)	(8,565)	27,152
Total comprehensive (loss)/income for the period/year attributable to non-controlling interests	(224)	(148)	(26)	268	82
Total comprehensive (loss)/income for the period/year	(34,628)	(4,403)	(46,460)	(8,297)	27,234
(Loss)/earnings per Share					
Basic and diluted (HK cents per Share)	(15.72)	(1.94)	(16.95)	(3.08)	12.00
Dividends per Share (HK cents per Share)	–	–	–	–	–

There were no qualifications in the auditors' report on the consolidated financial statements for each of FY2017, FY2018 and FY2019 as contained in the annual reports for these respective years.

## **2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP**

Set out below are the audited consolidated financial statements of the Group for FY2019 contained in the FY2019 Annual Report, which has been published on the websites of the Company (<http://www.ecrepay.com>) and the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/gem/2019/0626/gln20190626013.pdf>).

### **(i) Consolidated Statement of Financial Position as at 31 March 2019**

Please refer to pages 37 to 38 of the FY2019 Annual Report.

### **(ii) Consolidated Statement of Cash Flows for FY2019**

Please refer to pages 40 to 41 of the FY2019 Annual Report.

### **(iii) Other Consolidated Financial Statements for FY2019**

#### ***(a) Consolidated Statement of Profit or Loss for FY2019***

Please refer to page 35 of the FY2019 Annual Report.

#### ***(b) Consolidated Statement of Other Comprehensive Income for FY2019***

Please refer to pages 35 to 36 of the FY2019 Annual Report.

#### ***(c) Consolidated Statement of Changes in Equity for FY2019***

Please refer to page 39 of the FY2019 Annual Report.

### **(iv) Significant Accounting Policies and Notes to the Audited Consolidated Financial Statements FY2019**

Please refer to pages 42 to 106 of the FY2019 Annual Report.

## **3. UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP**

The unaudited consolidated financial statements of the Group for 1H2019 and notes thereto are set out on pages 2 to 21 of the Interim Report, which has been published on the websites of the Company (<http://www.ecrepay.com>) and the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/gem/2019/1113/2019111301109.pdf>).

**4. UNAUDITED THIRD QUARTERLY FINANCIAL INFORMATION OF THE GROUP**

The unaudited consolidated financial statements of the Group for 3Q2019 and notes thereto are set out on pages 2 to 11 of the Third Quarterly Report, which has been published on the websites of the Company (<http://www.ecrepay.com>) and the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/gem/2020/0212/2020021200820.pdf>).

**5. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES**

As at the close of business on 29 February 2020, being the latest practicable date for the purpose this statement of indebtedness and contingent liabilities, the Group had current and non-current lease liabilities of HK\$2,822,050 and HK\$963,025, respectively. Lease liabilities of the Group of HK\$3,785,075 were secured by the rental deposits paid and not guaranteed.

The Group also had contingent liabilities arising from a guarantee given in August 2016 by the Company as the guarantor of KCL (which is an associated company of the Company) in favor of the HK Government, under which the Company guaranteed to the HK Government the due and punctual performance by KCL as contractor of a tender submitted by it for the management, operation and maintenance of the New Kowloon Bay Vehicle Examination Centre. The Company agreed under the guarantee that all losses, costs and expenses incurred or suffered by the HK Government by reason of KCL's failing, neglecting or refusing to perform its obligation may be recoverable as damages from the Company on a full indemnity basis. The letter of guarantee will be expired on 31 March 2021 and set out no specific amount. Relevant information on the guarantee is set out in the annual reports of the Company for FY2017, FY2018 and FY2019.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 29 February 2020, the Group did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding.

**6. MATERIAL CHANGE**

The Directors confirm that save for the following changes in the financial position and business updates, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2019 (being the date to which the latest published audited financial statements of the Group have been made up) and up to and including the Latest Practicable Date:

- (i) As disclosed in the FY2019 Annual Report, on 2 April 2019, Perfect Catering Group Limited, a subsidiary of the Company, entered into an agreement with an independent third party to dispose of the entire issued share capital of Cool Cool Frozen Food Limited at a consideration of HK\$3 million. The said disposal was completed on 17 April 2019. Cool Cool Frozen Food Limited, which was principally engaged in wholesale of frozen food ceased to be a subsidiary of the Company since then;

- (ii) As disclosed in the first quarterly report for the three months ended 30 June 2019 and the Interim Report, 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 could improve the working capital after better manage its inventories and its accounts receivables with a view to focusing on the money lending business and other possible investments;
- (iii) As disclosed in Interim Report, the Group has applied for the first time various new and amended HKFRS since the commencement of the interim period (i.e. 1 April 2019). According to reconciliation set out in note 2(b) to the financial statements in the Interim Report, the lease liabilities recognised under HKAS 17 as at 31 March 2019 of approximately HK\$8.87 million became HK\$5.75 million as of 1 April 2019 in accordance with the newly adopted HKFRS 16 in respect of leases;
- (iv) As disclosed in the Third Quarterly Report, the Group recorded a 52.6% period-on-period decrease in revenue and loss attributable to the owners of the Company of approximately HK\$34.4 million, as compared to loss of HK\$9.0 million in the corresponding period in 2018. The significant decrease in revenue was mainly due to the disposal of a 60% equity interest in Basic Wholesale Limited (which was a wholly-owned subsidiary of the Company before the disposal) to an independent third party in FY2019 and the entire equity interest in Cool Cool Frozen Food Limited in April 2019 mentioned in (i) above. Despite the substantial decrease in revenue, the disposals of the wholesale subsidiaries also meant a substantial reduction in relevant administrative expenses such as rent and management for the warehouse for frozen food storage. The significant loss in 3Q2019 was mainly attributable to the increase in impairment on loans and advances of approximately HK\$28.4 million due to the adoption of an expected credit loss model under HKFRS 9;
- (v) As disclosed in the Third Quarterly Report, the Company acquired 100% interest in Head Captain Limited under the Head Captain Agreement at a cash consideration of HK\$2.0 million from independent third parties in December 2019. Head Captain is principally engaged in operation of a Korean cuisine restaurant in Hong Kong;
- (vi) As disclosed in the Third Quarterly Report, on 10 December 2019, in order to motivate the employee's performance, the Company has granted an aggregate of 21,850,000 Share Options at exercise price of HK\$0.265 per Share under the share option scheme adopted by the Company on 4 January 2011 to 10 grantees who all are full time employees of the Company and each grantee has 2,185,000 Share Options. The estimated fair value of the Share Options on the date of grant was approximately HK\$1.4 million; and
- (vii) As disclosed in the Acquisition Announcement, on 5 March 2020, the Company completed the acquisitions of a 20% equity interest in each of three companies from three independent third parties respectively. The target companies are principally engaged in operation of HK-style restaurants. The respective consideration of HK\$3.85 million, HK\$4.1 million and HK\$4.1 million for each acquisition have been settled in full on the same date. Together with the acquisition of the Korean cuisine restaurant stated in (v) above, the Group has started its initial trial in 2019 to step into the catering market in Hong Kong with a view to exploring the opportunities for vertical integration of its frozen food supplies with the restaurant business after years of experience in sourcing food supplies for local restaurants.

## 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Response Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading.

The information contained in this Response Document relating to the Offeror and parties acting in concert with it and the terms of the Offers has been extracted or derived from the Offer Document. The Directors jointly and severally accept full responsibility for the correctness and fairness of the reproduction and representation of such information but accept no further responsibility in respect of such information.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

	<i>HK\$</i>
<i>Authorised share capital</i>	
<u>30,000,000,000</u> Shares	<u>300,000,000.00</u>
<i>Issued and fully paid up</i>	
<u>240,359,354</u> Shares	<u>2,403,593.54</u>

All issued Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital. Since 31 March 2019, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, the Company has not issued any Shares.

Save for the Options carrying rights to subscribe for 385,000 Shares of HK\$0.265 per Share, as at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or convertible securities which may confer any right on the holder thereof to subscribe for, convert or exchange into Shares.

### 3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interest and short positions of the Directors, chief executives and their associates had in any Shares, underlying Shares of equity derivatives or debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for securities transaction by Director of Listed Issuers set out in Appendix 10 to the Listing Rules or as required to be disclosed under the Takeovers Code, were set out as follows:

Name of Director	Beneficial Owner	Interest of spouse	Interest of a controlled corporation	Total number of Shares held	Approximate % of interest
Mr. Shiu ( <i>Note 1</i> )	1,620,000	7 ( <i>Note 2</i> )	82,288,613 ( <i>Note 3</i> )	83,908,620 ( <i>Note 3</i> )	34.91% ( <i>Note 3</i> )

*Notes:*

1. Mr. Shiu is the Chairman of the Board and the executive Director.
2. The Shares are held by Ms. Hau Lai Mei, the spouse of Mr. Shiu. Mr. Shiu is therefore deemed to be interested in 7 Shares held by Ms. Hau Lai Mei.
3. The Shares are held by the Purported Receivers but the beneficial interests of which are disputed by Mr. Shiu. Details of which is set out in the section headed "Disputes over the beneficial ownerships of the Subject Shares" in the Letter from the Board.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives and their associates had any interests and short positions in any Shares, underlying Shares of equity derivatives or debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or as required to be disclosed under the Takeovers Code.

### 4. SHAREHOLDINGS AND DEALINGS IN THE OFFEROR

As at the Latest Practicable Date, neither the Company nor any of its Directors have any interest in the Relevant Securities of the Offeror, and no such person (including the Company) had dealt in the Relevant Securities of the Offeror during the Relevant Period.

### 5. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

Save as disclosed in the section headed "Directors' Interests in Securities" in this appendix, none of the Directors held any Shares, convertible securities, warrants, options or other derivatives of the Company and none of the Directors have dealt for value in any Share or any convertible securities, warrants, option or derivatives issued by the Company during the Relevant Period.

As at the Latest Practicable Date,

- (a) no Share or any convertible securities, warrants, options or derivatives of the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or by an associate to the Company as specified in class (2) of the definition of associate under the Takeovers Code or by the IFA or any of its associates (as defined in the Takeovers Code), and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Offer Period and up to the Latest Practicable Date;
- (b) no Shares or any convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by fund managers connected with the Company, and no such person had dealt in the Share or any convertible securities, warrants, options or derivatives issued by the Company during the Offer Period and up to the Latest Practicable Date;
- (c) No person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code had any dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Offer Period and up to the Latest Practicable Date;
- (d) neither the Company nor any of its Directors has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives issued by the Company; and
- (e) In respect of the intention of the Directors to accept or reject the Offers, Mr. Shiu, an executive Director has expressed his intention that he will reject the Share Offer in respect of the 1,620,000 Shares held by him.

## **6. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS**

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) had been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (b) no material contract had been entered into by the Offeror in which any Director has a material personal interest; and
- (c) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

**7. SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group or associated companies of the Group (i) which (including both continuous and fixed terms contracts) have been entered into or amended in the Relevant Period; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

**8. LITIGATION****(a) Legal action by Bai Yu (HCMP 155/2020)**

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; (ii) the resolution passed at the AGM of the Company held on 5 December 2019 which granted the General Mandate; and (iii) from interfering with Ms. Bai's purported exercise of her rights as a purported shareholder of the Company. This action has been withdrawn by Ms. Bai on 2 April 2020.

**(b) Legal action by Cheung Siu Fai (HCA 325/2020)**

On or around 16 March 2020, the Company received a writ of summons issued under the proceedings of HCA 325/2020 from Mr. Cheung who as a plaintiff seeks, 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 Company and the Board have indicated that they will contest and will file evidence opposing HCA325/2020. Up to the Latest Practicable Date, the Group has not made any provisions for the above litigations as the litigations are ongoing and are at very initial stage of the legal proceedings. The Company is of the view that they are currently unable to assess the impact of the litigations on the financial position and operation of the Group.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

**9. MATERIAL CONTRACTS**

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within the two years preceding the Offer Announcement and ending on the Latest Practicable Date and are or may be material in relation to the business of the Company as a whole:

- (a) the tenancy agreement dated 19 November 2018 entered into between Cool Cool F & B Holding Limited, a wholly-owned subsidiary of the Company (“**Cool Cool F&B**”) as tenant and Mr. Chow Yick Wah as landlord, in respect of the lease of the premises located at Unit B, 16/F, Roxy Industrial Centre, Nos. 41-49 Kwai Cheong Road, Nos. 58-66 Tai Lin Pai Road, Kwai Chung, New Territories (the “**Premises**”) from 23 November 2018 to 22 November 2019 at a monthly rent of HK\$132,000;
- (b) the sale and purchase agreement dated 22 February 2019 entered into among Top Euro Limited, a wholly-owned subsidiary of the Company (“**Top Euro**”), Mr. Cheung Siu Tong and Smart Investment Development Limited (“**Smart Investment**”), pursuant to which Top Euro has conditionally agreed to sell and Mr. Cheung Siu Tong has conditionally agreed to acquire, 6,300 ordinary shares of Smart Investment at the consideration of approximately HK\$2.05 million;
- (c) the sale and purchase agreement dated 29 March 2019 entered into between Rainbow Cosmetic (BVI) Limited, a wholly-owned subsidiary of the Company (“**Rainbow Cosmetic**”), and Mr. Chau Hiu Ki (“**Mr. Chau**”), pursuant to which Rainbow Cosmetic has conditionally agreed to sell and Mr. Chau has conditionally agreed to acquire, 9,000 ordinary shares of Basic Wholesale Limited, at the consideration of approximately HK\$1.74 million;
- (d) the tenancy agreement dated 22 November 2019 entered into between Cool Cool F & B as tenant and Mr. Chow Yick Wah as landlord, in respect of the lease of the Premises from 23 November 2019 to 22 November 2020 at a monthly rent of HK\$132,000;
- (e) the placing agreement dated 6 December 2019 (the “**Head & Shoulders Placing Agreement**”) entered into between the Company and Head & Shoulders Securities Limited (“**Head & Shoulders**”), pursuant to which the Company has conditionally agreed to place through Head & Shoulders, on a best efforts basis, a maximum of 43,500,000 placing shares at the placing price of HK\$0.169 per placing share to not less than six places;
- (f) the side letter dated 11 December 2019 entered into between the Company and Head & Shoulders to shorten the long stop date of the Head & Shoulders Placing Agreement;
- (g) the Head Captain Agreement;
- (h) the Placing Agreement;

- (i) the sale and purchase agreement dated 2 March 2020 entered into between Ms. Poon Oi King (“**Ms. Poon**”) and Perfect Catering Group Limited, a wholly-owned subsidiary of the Company (“**Perfect Catering**”), pursuant to which Ms. Poon agreed to sell and Perfect Catering agreed to acquire, 20 ordinary shares of Big Max Limited at the consideration of HK\$3,850,000. The consideration was fully settled in cash on 5 March 2020 and completion took place on the same date;
- (j) the sale and purchase agreement dated 2 March 2020 entered into between Ms. Yeung Hang Yu (“**Ms. Yeung**”) and Perfect Catering, pursuant to which Ms. Yeung agreed to sell and Perfect Catering agreed to acquire, 20 ordinary shares of Diamond Brave Limited at the consideration of HK\$4,100,000. The consideration was fully settled in cash on 5 March 2020 and completion took place on the same date;
- (k) the sale and purchase agreement dated 2 March 2020 entered into between Ms. Yuen Ming Yan (“**Ms. Yuen**”) and Perfect Catering, pursuant to which Ms. Yuen agreed to sell and Perfect Catering agreed to acquire, 20 ordinary shares of Wing Way Limited at the consideration of HK\$4,100,000. The consideration was fully settled in cash on 5 March 2020 and completion took place on the same date;
- (l) the side letter dated 13 March 2020 entered into between the Company and the Placing Agent to extend the long stop date of the Placing Agreement; and
- (m) the Supplemental Placing Agreement.

## 10. EXPERT AND CONSENT

The following are the qualifications of the expert contained in this Response Document:

<b>Name</b>	<b>Qualification</b>
Rainbow Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The IFA has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion of the text of its letter and/or report and/or the reference to its name in the form and context in which they appear herein.

As at the Latest Practicable Date, the IFA did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the IFA did not have any direct or indirect interest in any assets which have been, since 31 March 2019 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**11. MISCELLANEOUS**

The English text of this Response Document shall prevail over their respective Chinese text in case of inconsistency.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) on the website of the Company ([www.ecrepay.com](http://www.ecrepay.com)) and the website of the SFC ([www.sfc.com.hk](http://www.sfc.com.hk)); and (ii) at the principal office and place of business of the Company in Hong Kong at Unit A, 8/F, D2 Place Two, 15 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong during normal business hours on any Business Day from 17 April 2020, being the date of this Response Document up to and including the Closing Date:

- (a) the Bye-laws of the Company;
- (b) the annual reports of the Company for each of the FY2018 and FY2019;
- (c) the interim report of the Company for IH2019;
- (d) the third quarter report of the Company for 3Q2019;
- (e) the letter from the Board, the text of which is set out on pages 8 to 23 of this Response Document;
- (f) the letter from the IBC, the text of which is set out on pages 24 to 25 of this Response Document;
- (g) the letter from the IFA, the text of which is set out on pages 26 to 54 of this Response Document;
- (h) the material contracts as referred to under the section headed “Material Contracts” in this appendix;
- (i) the written consent referred to under the section headed “Expert and Consent” in this appendix; and
- (j) this Response Document.