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If you have sold or transferred all your shares in Celestial Asia Securities Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

時富投資集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

- (1) PROPOSED OPEN OFFER ON THE BASIS OF TWO (2) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) CLOSURE OF REGISTER OF MEMBERS; AND
(4) NOTICE OF THE SGM

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



Vinco Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

Pursuant to Rule 7.23 of the Listing Rules, the Open Offer will be combined with the Unsubscribed Arrangement followed by the Clawback Mechanism, both of which will be in place in the event that the Open Offer is not fully subscribed. The number of Offer Shares to be issued is subject to the level of acceptance of the provisionally allotted Offer Shares by the Qualifying Shareholders and the number of Unsubscribed Shares to be taken up by the Placee(s) under the Unsubscribed Arrangement followed by the Clawback Mechanism. The Open Offer will proceed on a non-underwritten basis and the Placing will be made by the Placing Agent on a best effort basis. In the event the Open Offer is not fully subscribed and/or any Unsubscribed Shares are not successfully placed by the Placing Agent under the Unsubscribed Arrangement, any Offer Shares not taken up will not be issued by the Company and the size of the Open Offer will be reduced accordingly. The Bermuda legal adviser of the Company (namely Conyers Dill & Pearman) has advised that there is no minimum subscription amount required to be raised by the Open Offer under Bermuda law.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 33 to 34 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 61 of this circular.

A notice convening the SGM to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 2 June 2020 (Tuesday) at 9:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Please see page iv of this circular for various measures that might be implemented by the Company at the SGM in consideration of the outbreak of the Novel Coronavirus (COVID-19). Possible precautionary measures include but are not limited to:

- Compulsory body temperature check
- Mandatory wearing of surgical face mask and maintaining a safe distance between seats
- Mandatory health declaration
- Appropriate seating arrangement in line with the guidance from the Hong Kong Government will be made

Any person who does not comply with the precautionary measures or is subject to any compulsory quarantine by the Hong Kong Government on the date of the meeting will be denied entry into the meeting venue.

The Company suggests that Shareholders appoint the Chairman of the meeting as his/her proxy to vote on the relevant resolutions at the SGM as an alternative to attending the meeting in person.

8 May 2020

* For identification purpose only

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EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

Event	(Hong Kong dates and time)
Despatch date of the circular, proxy form and notice of the SGM	Friday, 8 May 2020
Latest time for registration of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Wednesday, 27 May 2020
Closure of register of members of the Company to determine the qualification for attendance and voting at the SGM	From Thursday, 28 May 2020 to Tuesday, 2 June 2020 (both dates inclusive)
Latest time for lodging proxy forms for the SGM	9:30 a.m. on Sunday, 31 May 2020
Record date for attending and voting at the SGM	Tuesday, 2 June 2020
Time and date of the SGM	9:30 a.m. on Tuesday, 2 June 2020
Announcement of poll results of the SGM	Tuesday, 2 June 2020
Re-opening of the register of members of the Company	Wednesday, 3 June 2020
Last day of dealings in the Shares on a cum-entitlements basis	Wednesday, 3 June 2020
First day of dealings in the Shares on an ex-entitlements basis	Thursday, 4 June 2020
Latest time for lodging transfers of the Shares in order for the transferees to qualify for the Open Offer	4:30 p.m. on Friday, 5 June 2020
Closure of register of members to determine the entitlements to the Open Offer	From Monday, 8 June 2020 to Wednesday, 10 June 2020 (both dates inclusive)
Record Date for the Open Offer	Wednesday, 10 June 2020
Re-opening of the register of members of the Company	Thursday, 11 June 2020
Despatch of Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only)	Thursday, 11 June 2020
Latest Time for Application and payment for the Offer Shares	4:00 p.m. on Tuesday, 30 June 2020

EXPECTED TIMETABLE

Announcement of the number of the Unsubscribed Shares subject to the Unsubscribed Arrangement	Thursday, 2 July 2020
Commencement of placing of the Unsubscribed Shares by the Placing Agent, on best effort basis	Friday, 3 July 2020
Placing End Date for placing the Unsubscribed Shares	4:00 p.m. on Monday, 6 July 2020
Announcement of the results of the Open Offer (including the results of placing of the Unsubscribed Shares)	Tuesday, 7 July 2020
Despatch of certificates for the fully-paid Offer Shares	Thursday, 9 July 2020
First day of dealings in the fully-paid Offer Shares	9:00 a.m. on Friday, 10 July 2020

All times in this circular refer to Hong Kong time.

The expected timetable set out above is indicative only and is subject to change, and any change will be announced by the Company by separate announcement(s) as and when appropriate.

Effect of bad weather on the Latest Time for Application

The Latest Time for Application will not take place if a tropical cyclone signal no.8 or above, or “extreme conditions” caused by super typhoons or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 30 June 2020, being the date of the Latest Time for Application. Instead the Latest Time for Application will be extended to 5:00 p.m. on the same Business Day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 30 June 2020, being the date of the Latest Time for Application. Instead the Latest Time for Application 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.

If the Latest Time for Application does not take place on Tuesday, 30 June 2020, the dates mentioned in this section headed “Expected Timetable” may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

PRECAUTIONARY MEASURES FOR THE SGM

In view of the Novel Coronavirus (COVID-19) pandemic, to safeguard the health and safety of Shareholders and other attendees of the SGM, the Company might implement the following precautionary measures at the SGM to prevent and control the spread of COVID-19:

1. There will be compulsory body temperature checks for all persons at the entrance of the SGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the SGM venue and be requested to leave the SGM venue.
2. Each attendee is required to wear a surgical face mask inside the SGM venue throughout the entire meeting. Please note that no mask will be provided at the meeting venue and attendees should bring and wear their own masks.
3. No refreshment will be served, and there will be no corporate gift.
4. Each attendee will be asked (i) if he/she has travelled outside of Hong Kong within 14 days immediately before the SGM; and (ii) if he/she is subject to any Hong Kong Government prescribed quarantine requirement. Any person who responds positively to any of these questions will be denied entry in the SGM venue.
5. Appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained to avoid over-crowding.
6. In the interests of protecting Shareholders from possible exposure to the COVID-19 pandemic, the Company strongly encourages Shareholders NOT to attend the SGM in person and advises Shareholders to appoint the Chairman of the SGM as his/her proxy to vote according to their indicated voting instructions instead of attending in person.
7. Attendees are requested to observe and practise good personal hygiene at all times at the meeting venue. The Company reserves the right to deny entry into the meeting venue or require any person to leave the meeting venue so as to ensure the health and safety of the attendees at the SGM.

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate. Shareholders are advised to check the Company's website (www.cash.com.hk) for further announcements and updates on the SGM arrangements that may be issued.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement made by the Company on 27 March 2020 in respect of, among other things, the Open Offer and the Whitewash Waiver
“Application Form(s)”	the application form(s) to be used by the Qualifying Shareholders to apply for the Offer Shares provisionally allotted to him/her/it/them
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Branch Share Registrar”	Tricor Standard Limited, the branch registrar of the Company, and whose principle place of business is situated at 54/F Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Business Day(s)”	a day on which banks are open for business in Hong Kong other than a Saturday, Sunday, public holiday and a day on which a tropical typhoon signal no. 8 or above or a “black rainstorm” warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“CASH Algo Finance Group”	CASH Algo Finance Group International Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in algorithmic trading business
“Cash Guardian”	Cash Guardian Limited, being a company 100% beneficially owned and controlled by Dr Kwan Pak Hoo Bankee (Chairman of the Board, the Director and chief executive officer of the Company)
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“CFSG”	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda, whose shares are listed on the main board of the Stock Exchange. It is currently beneficially owned as to 33.65% equity interests by the Company and is an associated company of the Company

DEFINITIONS

“CIGL”	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
“Clawback Mechanism”	the mechanism to be in place, in the event that the Open Offer is undersubscribed, to scale down the total number of Offer Shares to be subscribed by the Controlling Shareholders to a level such that the total number of Shares held by the Controlling Shareholders, upon the Open Offer Completion, shall be 49.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares as detailed in the section headed “Proposed Open Offer” under the sub-heading of “The Clawback Mechanism” of this circular
“Company”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and which Shares are listed on the main board of the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	Cash Guardian and Dr Kwan Pak Hoo Bankee (Chairman of the Board, a Director and chief executive officer of the Company) which/who, as at the Latest Practicable Date, were interested in an aggregate of 286,027,807 Shares, representing approximately 34.41% of the existing issued share capital of the Company
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or of his any delegate(s)
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, all being the independent non-executive Directors, established to give recommendations to the Independent Shareholders on the Open Offer and the Whitewash Waiver

DEFINITIONS

“Independent Financial Adviser” or “Vinco Capital”	Vinco Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer and the Whitewash Waiver
“Independent Shareholder(s)”	the Shareholders other than the Controlling Shareholders and persons acting in concert with any of them, and those who are involved in or interested in the Open Offer and the Whitewash Waiver and required under the Listing Rules and/or Takeovers Code (as the case may be) to abstain from voting at the SGM
“Independent Third Party(ies)”	third parties independent of and not connected with the Company and its connected persons and independent of and not acting in concert with the Controlling Shareholders and parties acting in concert with any of them
“Last Trading Day”	27 March 2020, being the last trading day for the Shares on the Stock Exchange on the date of the Announcement
“Latest Practicable Date”	5 May 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Latest Time for Application”	4:00 p.m. on Tuesday, 30 June 2020, being the latest time for application of and payment for the Open Offer Shares as set out in the section headed “Expected Timetable” of this circular
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2020 or such later date as the Board may determine and resolve
“Model Code”	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude from the Open Offer

DEFINITIONS

“Offer Share(s)”	a maximum of 1,662,443,354 Shares and a minimum of 255,687,122 Shares proposed to be allotted and issued by the Company at the Subscription Price under the Open Offer subject to the terms and conditions as set out in this circular and to be set out in the Prospectus
“Open Offer”	the proposed offer for subscription of the Offer Shares at the Subscription Price on the basis of two (2) Offer Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date subject to the terms and conditions as set out in this circular and to be set out in the Prospectus
“Open Offer Completion”	completion of the Open Offer
“Overseas Shareholder(s)”	shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong
“Placee(s)”	the placee(s) of the Unsubscribed Shares to be placed by the Placing Agent under the Unsubscribed Arrangement pursuant to the Placing Agreement, who will be Independent Third Parties before the Placing
“Placing”	the placing of the Unsubscribed Shares to the Placee(s) by the Placing Agent, on a best effort basis, under the Unsubscribed Arrangement pursuant to the Placing Agreement
“Placing Agent”	Celestial Securities Limited, being a corporation licensed to conduct type 1 regulated activity under SFO, which will place the Unsubscribed Shares on a best effort basis to investor(s) who are Independent Third Parties under the Unsubscribed Arrangement. The Placing Agent is a wholly-owned subsidiary of CFSG, an associated company of the Company, which is not a connected person of the Company (as defined under the Listing Rules)
“Placing Agreement”	the agreement dated 27 March 2020 entered into between the Company and the Placing Agent in respect of the Unsubscribed Arrangement
“Placing End Date”	Monday, 6 July 2020, being the third Business Day following and excluding the day on which the Latest Time for Application falls
“Placing Period”	the period from Friday, 3 July 2020 up to 4:00 p.m. on Monday, 6 July 2020, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangement

DEFINITIONS

“Placing Price”	HK\$0.06 per Unsubscribed Share, being the same as the Subscription Price
“PRC”	the People’s Republic of China, which for the purpose of this circular only, exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Pricerite Group”	Pricerite Group Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect 91.09%-owned subsidiary of the Company as at the Latest Practicable Date, and its subsidiaries (including Pricerite Home Limited, TMF Company Limited and SECO Living Company Limited), which mainly conduct the retail management business in Hong Kong under multi-brand name including “Pricerite”, “TMF” and “SECO”
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form in respect of the Offer Shares to be issued by the Company in relation to the Open Offer
“Prospectus Posting Date”	Thursday, 11 June 2020 or such later date as may be agreed between the Controlling Shareholders and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company on the Record Date
“Record Date”	Wednesday, 10 June 2020, the record date for ascertaining entitlements to the Open Offer
“Relevant Period”	the period beginning six months immediately prior to the date of the Announcement (i.e. 27 September 2019) and ending on the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 2 June 2020 (Tuesday) at 9:30 a.m. for considering and, if thought fit, approving, among others, the Open Offer, the Whitewash Waiver and the transactions contemplated thereunder

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.06 per Offer Share at which the Offer Shares are proposed to be offered for subscription
“substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC
“Undertakings”	undertakings from the Controlling Shareholders to take up or procure the taking up of Offer Shares as detailed in the section headed “Undertakings by the Controlling Shareholders” of this circular
“Unsubscribed Arrangement”	arrangement to place the Unsubscribed Shares by the Placing Agent on a best effort basis to the Placee(s) as detailed in the section headed “Proposed Open Offer” under the sub-heading of “The Unsubscribed Arrangement” of this circular
“Unsubscribed Shares”	Offer Shares that are not subscribed by the Qualifying Shareholders, aggregated fractional Offer Shares, and the Offer Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be)
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Controlling Shareholders to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Controlling Shareholders and the parties acting in concert with any of them as a result of the issue of the Offer Shares subject to the terms and conditions as set out in this circular
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

時富投資集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

Board of Directors:

Executive:

KWAN Pak Hoo Bankee

LEUNG Siu Pong James

KWAN Teng Hin Jeffrey

NG Hin Sing Derek

Independent non-executive:

LEUNG Ka Kui Johnny

WONG Chuk Yan

CHAN Hak Sin

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

***Head office and principal place
of business:***

28/F Manhattan Place

23 Wang Tai Road

Kowloon Bay

Hong Kong

8 May 2020

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED OPEN OFFER ON THE BASIS OF TWO (2) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) CLOSURE OF REGISTER OF MEMBERS; AND
(4) NOTICE OF THE SGM**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Open Offer and the Whitewash Waiver.

This circular is to provide you with, among other things, (i) details of the Open Offer and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver; (iv) other information required pursuant to the Listing Rules and the Takeovers Code in relation to the Open Offer and the Whitewash Waiver; and (v) a notice of the SGM.

* For identification purpose only

LETTER FROM THE BOARD

The Open Offer and the Whitewash Waiver will be subject to the approval by the Independent Shareholders at the SGM by way of poll.

PROPOSED OPEN OFFER

Details of the terms of the Open Offer are set out as follows:

Issue statistics

Basis of the Open Offer	:	Two (2) Offer Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date
Subscription Price of the Offer Share	:	HK\$0.06 per Offer Share
Number of Shares in issue as at the Latest Practicable Date	:	831,221,677 Shares
Number of Offer Shares	:	Not more than 1,662,443,354 Offer Shares (assuming that the Open Offer is fully subscribed by the Qualifying Shareholders) and not less than 255,687,122 Offer Shares (assuming no acceptance by the Qualifying Shareholders, other than the Controlling Shareholders and the parties acting in concert with any of them, under the Open Offer, no placement of Unsubscribed Shares under the Unsubscribed Arrangement and the Clawback Mechanism having taken place) (in both cases assuming no Share will be issued or repurchased by the Company from the Latest Practicable Date up to and including the Record Date)
Aggregate nominal value of the Offer Shares	:	Not more than HK\$16,624,433.54 and not less than HK\$2,556,871.22
Number of Shares in issue immediately upon the Open Offer Completion	:	Not more than 2,493,665,031 Shares (assuming no Share will be issued or repurchased by the Company from the Latest Practicable Date up to and including the Record Date and the provisionally allotted Offer Shares have been fully subscribed)
Amount to be raised	:	Not more than approximately HK\$99.7 million, before deducting related expenses (assuming the provisionally allotted Offer Shares have been fully subscribed)

As at the Latest Practicable Date, the Company has no outstanding options, convertible securities or warrants which confer the rights to subscribe for the Shares.

LETTER FROM THE BOARD

The maximum number of Offer Shares to be issued pursuant to the terms of the Open Offer represent more than 100% of the existing issued share capital of the Company and more than 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of issue of the Offer Shares).

The Clawback Mechanism and the Unsubscribed Arrangement

Pursuant to Rule 7.23 of the Listing Rules, the Open Offer will be combined with the Unsubscribed Arrangement followed by the Clawback Mechanism, both of which will be in place in the event that the Open Offer is not fully subscribed. The number of Offer Shares to be issued is subject to the level of acceptance of the provisionally allotted Offer Shares by the existing Qualifying Shareholders and the number of Unsubscribed Shares to be taken up by the Placee(s) under the Unsubscribed Arrangement followed by the Clawback Mechanism.

In the event of full acceptance of the Offer Shares by the Qualifying Shareholders, the Unsubscribed Arrangement and the Clawback Mechanism will not take place.

The details of the Clawback Mechanism and the Unsubscribed Arrangement are set out below.

The Clawback Mechanism

In the event that the Open Offer is not fully subscribed and based on a maximum of 572,055,614 Offer Shares provisionally allotted to the Controlling Shareholders under the Open Offer, the shareholding interests in the Company held by the Controlling Shareholders will be increased from the existing 34.41% to a maximum of 61.12% (assuming no acceptance of any Offer Share by the Qualifying Shareholders (other than the Controlling Shareholders and the parties acting in concert with them) and no Unsubscribed Share is placed to any Placee pursuant to the Unsubscribed Arrangement), in which case the Offer Shares to be subscribed by the Controlling Shareholders will be subject to the Clawback Mechanism.

Pursuant to the Clawback Mechanism, the total number of Offer Shares to be subscribed by the Controlling Shareholders under Open Offer will be scaled down to a level such that the total number of Shares held by the Controlling Shareholders, upon the Open Offer Completion (after taking into account the level of acceptance of the Offer Shares by the Qualifying Shareholders and the number of Unsubscribed Shares successfully placed under the Unsubscribed Arrangement), shall be 49.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon the Open Offer Completion, provided that the Whitewash Waiver having been granted by the Executive prior to the Prospectus Posting Date and not having been revoked if granted.

The Unsubscribed Arrangement

In the event that the Open Offer is not fully subscribed, the Unsubscribed Arrangement will take place followed by the Clawback Mechanism as the case may be.

LETTER FROM THE BOARD

In the event of undersubscription of the Open Offer, the Unsubscribed Shares will be placed by the Placing Agent, on a best effort basis, under the Unsubscribed Arrangement and the Clawback Mechanism will also take place. The total number of the Offer Shares to be allotted and issued pursuant to the Open Offer will depend on the number of Offer Shares being validly accepted by the Qualifying Shareholders, the number of the Unsubscribed Shares to be placed to the Placee(s) (if any) under the Unsubscribed Arrangement and the number of Offer Shares finally subscribed by the Controlling Shareholders upon the Clawback Mechanism having taken place.

If (i) there is no acceptance of the Offer Shares by the Qualifying Shareholders other than the Controlling Shareholders and the parties acting in concert with any of them; and (ii) a maximum number of 320,000,000 Unsubscribed Shares are successfully placed by the Placing Agent to the Placee(s) under the Unsubscribed Arrangement, the number of Offer Shares to be subscribed by the Controlling Shareholders will be all of the 572,055,614 Offer Shares provisionally allotted to the Controlling Shareholders, such that the total number of Shares held by the Controlling Shareholders upon the Open Offer Completion will be 858,083,421 Shares in total, representing approximately 49.78% of the total issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon the Open Offer Completion, and a maximum number of 892,687,122 Offer Shares (including 572,055,614 Offer Shares provisionally allotted to the Controlling Shareholders, 631,508 Offer Shares provisionally allotted to the parties acting in concert with any of the Controlling Shareholders and 320,000,000 Unsubscribed Shares placed to the Placee(s)) will be issued under the Open Offer.

If (i) there is no acceptance of the Offer Shares by the Qualifying Shareholders other than the Controlling Shareholders and the parties acting in concert with any of them; and (ii) no Unsubscribed Share is successfully placed under the Unsubscribed Arrangement, the number of Offer Shares to be subscribed by the Controlling Shareholders will be scaled down to 255,055,614 Offer Shares, such that the total number of Shares held by the Controlling Shareholders upon the Open Offer Completion will be 541,083,421 Shares in total, representing approximately 49.78% of the total issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon the Open Offer Completion.

Depending on the level of acceptance of the Offer Shares by the Qualifying Shareholders and/or the number of Unsubscribed Shares to be taken up by the Placee(s) under the Unsubscribed Arrangement, the Company will issue a maximum of 1,662,443,354 Offer Shares (assuming that the Open Offer is fully subscribed by the Qualifying Shareholders, in which case the Controlling Shareholders and the parties acting in concert with any of them will subscribe for 572,055,614 Offer Shares and 631,508 Offer Shares (or 572,687,122 Offer Shares on an aggregate basis) respectively, representing approximately 34.41% and 0.04% (or 34.45% on an aggregate basis) of the total of 1,662,443,354 Offer Shares) and a minimum of 255,687,122 Offer Shares (assuming that (i) no acceptance of the Offer Shares by the Qualifying Shareholders other than the Controlling Shareholders and parties acting in concert with any of them; (ii) no Unsubscribed Share is placed under the Unsubscribed Arrangement; and (iii) after the Clawback Mechanism having taken place, in which case the Controlling Shareholders and the parties acting in concert with them will subscribe for 255,055,614 Offer Shares and 631,508 Offer Shares (or 255,687,122 Offer Shares on an aggregate basis) respectively, representing approximately 99.75% and 0.25% (or 100% on an aggregate basis) of the total of 255,687,122 Offer Shares).

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Mr Leung Siu Pong James, a Director and a party acting in concert with the Controlling Shareholders by virtue of his capacity as a Director, has indicated that he will accept all of the 501,900 Offer Shares provisionally allotted to him under the Open Offer (such 501,900 Offer Shares will not be subject to the Clawback Mechanism).

Save for the Undertakings and indication abovementioned, the Company has not received any other irrevocable commitments or indication to accept or reject the Offer Shares.

The procedure of the Unsubscribed Arrangement

The Company has made an arrangement to dispose of any Unsubscribed Shares through the Placing Agent by offering such Unsubscribed Shares to the Placee(s) for the benefit of those Shareholders in compliance with Rule 7.26A(1)(b) of the Listing Rules (however, as the Placing Price is the same as the Subscription Price, it is expected that there will be no premium over the Subscription Price and no monetary benefits will be payable to Shareholders upon placing of the Unsubscribed Shares, if any).

The Company considers that the Placing Price, being the same as the Subscription Price, will be fair to all Shareholders particularly for those Qualifying Shareholders who have subscribed the Offer Shares at the Subscription Price. The Company has discussed with the Placing Agent that in view of the recent downturn of stock prices of stock market globally and locally and low investors sentiment, it is necessary to set the Placing Price at most the same (and not at a premium) as the Subscription Price so as to enhance the chance of successful placing of the Unsubscribed Shares. Although the placing arrangement will not offer any monetary benefits to the Qualifying Shareholders who do not take up any Offer Shares provisionally allotted to them and the Non-Qualifying Shareholders, the Company considers that it still provides an appropriate arrangement and benefits to them, protect the interest of the Company's independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole as (i) the placing arrangement facilitates the implementation of the Open Offer and will increase the amount of funds being raised if any Unsubscribed Shares are placed under the Placing, in which case it will benefit the Company and the Shareholders as a whole as the Open Offer (together with the Placing, if takes place) will satisfy the funding needs of the Company without incurring additional finance costs and interest burden (save for the placing commission which will be paid on a success basis) for the Company by carrying out the Placing; and (ii) the placing arrangement also allows the Offer Shares to be placed to independent placees with proceeds accrued to the Company which could potentially increase the shareholder base of the Company and may enhance the liquidity of the Shares which will be beneficial to the Shareholders, including the Qualifying Shareholders who do not take up any Offer Shares provisionally allotted to them and the Non-Qualifying Shareholders, as a whole.

There will be no excess application arrangements in relation to the Open Offer as stipulated under Rule 7.26A(1)(a) of the Listing Rules.

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The procedure of the Unsubscribed Arrangement is set out below:

The Unsubscribed Shares (which comprise (i) the fractional Offer Shares aggregated as mentioned below; (ii) the Offer Shares that are not subscribed by the Qualifying Shareholders; and/or (iii) Offer Shares which would otherwise have been in the assured allotments of the Non-Qualifying Shareholders) will be placed by the Placing Agent, on a best effort basis, under the Unsubscribed Arrangement to the Placee(s) who (or as the case may be, their ultimate beneficial owner(s)) are Independent Third Parties before the Placing, and any Unsubscribed Shares not being successfully placed out will not be issued by the Company.

In order to comply with the Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent to place the Unsubscribed Shares, on a best effort basis, at the Placing Price. Any unplaced Unsubscribed Shares will not be issued by the Company.

Principal terms of the Placing Agreement are summarized below:

Placing Agent	:	Celestial Securities Limited
Placing commission	:	1.0% of the gross proceeds from the subscription of the Unsubscribed Shares successfully placed by the Placing Agent at the date of Open Offer Completion.
Placing Price	:	HK\$0.06 per Unsubscribed Share, being the same as the Subscription Price.
The Placing Period	:	The Placing Period shall commence on the second Business Day after the day on which the latest time for acceptance for the Offer Shares falls (i.e. 30 June 2020 under the current timetable), and end on the Placing End Date (i.e. 6 July 2020 under the current timetable) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangement.
The Placee(s)	:	The Unsubscribed Shares are expected to be placed to investors who (or as the case may be, their ultimate beneficial owner(s)) are Independent Third Parties before the Placing.

Depending on the number of the Unsubscribed Shares to be placed to the Placee(s), if any, pursuant to the Placing, it might be possible that any of the Placee(s) will become a substantial Shareholder of the Company (as defined under the Listing Rules) upon the Open Offer Completion.

In the event that the Placing is oversubscribed, the Placing Agent will allocate the Unsubscribed Shares to the Placee(s) to be determined at its discretion on a fair and equitable basis as far as practicable.

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The Placing Agent shall, on a best efforts basis during the Placing Period, seek to procure subscribers of the Unsubscribed Shares who (or as the case may be, their ultimate beneficial owner(s)) are Independent Third Parties before the Placing.

The Placing Agent is a wholly-owned subsidiary of CFSG, an associated company of the Company, and it is not a connected person of the Company as defined under the Listing Rules. Save as disclosed, there is no other arrangement, agreement, understanding or undertaking with the Placing Agent in relation to the Shares. The terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.

The Company considers that the Unsubscribed Arrangement and the Clawback Mechanism, in which the Placing is made subject to the rights of the Qualifying Shareholders to subscribe part or all of the Offer Shares provisionally allotted to them in proportion to their existing holdings, as well as the Placing Price which is the same as the Subscription Price, are fair and reasonable and in the interests of the Shareholders as a whole.

Non-underwritten basis

The Open Offer will proceed on a non-underwritten basis irrespective of the level of acceptances of the Open Offer and the Placing will be made by the Placing Agent on a best effort basis. In the event the Open Offer is not fully subscribed and/or the Unsubscribed Shares are not successfully placed by the Placing Agent under the Unsubscribed Arrangement, any Offer Shares not taken up by the Qualifying Shareholders will not be issued by the Company and the size of the Open Offer will be reduced accordingly.

The Bermuda legal adviser of the Company has confirmed that there are no applicable statutory requirements under the laws of Bermuda regarding minimum subscription levels in respect of the Open Offer.

The Controlling Shareholders' obligation to make a general offer under the Takeovers Code may be triggered as a result of the acceptance by the Controlling Shareholders and/or the parties acting in concert with any of them of the Offer Shares provisionally allotted to them under the Open Offer when there is an undersubscription of the Open Offer. The Controlling Shareholders has applied to the Executive for the Whitewash Waiver. As disclosed in the paragraph headed "Conditions of the Open Offer" under this section headed "Proposed Open Offer", it is a condition of the Open Offer to have the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to the Controlling Shareholders.

The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code.

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Subscription Price

The Subscription Price of the Offer Shares is HK\$0.06 per Offer Share, payable in full upon application of the relevant assured allotment of the Offer Shares. The Subscription Price represents:

- (i) a discount of approximately 32.58% to the closing price of HK\$0.089 per Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 27.71% to the average of the closing prices of approximately HK\$0.083 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 28.57% to the average of the closing prices of approximately HK\$0.084 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 14.29% to the theoretical ex-rights price of approximately HK\$0.070 per Share calculated based on the closing price of HK\$0.089 per Share as quoted on the Stock Exchange on the Last Trading Day and on the basis of two Offer Shares for one existing Share held on the Record Date;
- (v) a discount of approximately 11.76% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 21.35% represented by the theoretical diluted price of HK\$0.070 to the benchmarked price of approximately HK\$0.089 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Date of HK\$0.089 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of HK\$0.083 per Share), and calculated on the basis that the Open Offer will be fully subscribed by the Qualifying Shareholders; and
- (vii) a discount of approximately 75% to the audited consolidated equity attributable to owners of the Company per Share of approximately HK\$0.24 (based on the latest published audited equity attributable to owners of the Company of HK\$199,238,000 as at 31 December 2019 and 831,221,677 Shares in issue as at the Latest Practicable Date).

The Subscription Price was determined on an arm's length basis by the Company with references to, among other things, the prevailing market price of the Shares, the financial market conditions and the financial position of the Group and having considered the reasons as detailed under the section headed "Reasons for the Open Offer and use of proceeds" in this circular. Given that (i) the Group intends to reduce its debt level and provide additional working capital for its business, in particular its retail management business; (ii) the Subscription Price was determined by the Directors with reference to the prevailing market price of the Shares prior to and on the Last Trading Day; and (iii) under the Open Offer, each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company, the Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a

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whole. The view of the Independent Board Committee (comprising Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, all being independent non-executive Directors) has also been set out in the “Letter from the Independent Board Committee” in this circular.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only. No Application Form will be sent to the Non-Qualifying Shareholders.

To qualify for the Open Offer, a Shareholder must at the close of business on the Record Date:

- (i) be registered as a member of the Company; and
- (ii) not be an Non-Qualifying Shareholder.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company on the Record Date, any transfer of the Shares (with the relevant Share certificates) must be lodged with the Branch Share Registrar for registration by 4:30 p.m. on Friday, 5 June 2020. The address of the Branch Share Registrar, Tricor Standard Limited, is Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than that in Hong Kong (to the extent required under the applicable law).

The Directors will make enquiries pursuant to Rule 13.36(2) of the Listing Rules as to the applicable securities legislation of the relevant overseas jurisdictions or the requirements of any relevant regulatory body or stock exchange in respect of the issue of the Offer Shares to Overseas Shareholders whose address on the register of members of the Company is in a place outside Hong Kong on the Record Date. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant jurisdiction or any requirement of the relevant regulatory body or stock exchange in that jurisdiction, not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be extended to such Overseas Shareholders.

The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus. The Company will send copies of the Prospectus for information only, but will not send any Application Form, to the Non-Qualifying Shareholders.

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Overseas Shareholders should note that they may or may not be entitled to the Open Offer, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Basis of allotment

The basis of the provisional allotment shall be two (2) Offer Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date at the Subscription Price. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being applied for.

Status of the Offer Shares

The Offer Shares, when being allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

None of the Offer Shares acquired by the Controlling Shareholders in pursuance of the Open Offer will be transferred, charged or pledged to any other persons.

Closure of register of members of the Company

The register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020, both dates inclusive, to determine the qualification for attendance and voting at the SGM.

The register of members of the Company will be closed from Monday, 8 June 2020 to Wednesday, 10 June 2020, both dates inclusive, to determine the eligibility of the Open Offer.

No transfer of Shares will be registered during the closure of register of members of the Company.

Certificates of the Offer Shares

Subject to fulfillment of the conditions of the Open Offer, certificates for the fully-paid Offer Shares are expected to be despatched on or before Thursday, 9 July 2020 to those entitled thereto by ordinary post at their own risk.

Fractional entitlements

Entitlement to Offer Shares will be rounded down to the nearest whole number and no fractional entitlements or allotments are expected to arise as a result of the Open Offer.

Application for listing

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Offer Shares.

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No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Offer Shares will be admitted into CCASS.

Stamp duty

Dealings in the Offer Shares in board lots of 6,000 Shares, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

No disqualifying transaction

During the period beginning on the date which is six months prior to the date of the Announcement and up to and including the Latest Practicable Date, the Controlling Shareholders or parties acting in concert with any of them, have not dealt in the relevant securities (as defined under Note 4 to Rule 22 under Takeovers Code) of the Company.

Conditions of the Open Offer

The Open Offer is conditional on each of the following conditions being fulfilled:

- (a) the approval by Independent Shareholders of the Open Offer and the Whitewash Waiver at the SGM;
- (b) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (c) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (d) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus stamped "For Information Only" to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Prospectus Posting Date;

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- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Shares and the Offer Shares;
- (f) the compliance with and performance of all the undertakings and obligations of all the Controlling Shareholders not to change the number of Shares they are interested in from the date of the Announcement and up to and including the Record Date and to take up or procure the taking up of Offer Shares in accordance to the Undertakings; and
- (g) (if necessary) compliance with any other requirements under the applicable laws and regulations of Hong Kong and Bermuda.

Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the SGM.

In respect of condition (g) above, as at the Latest Practicable Date, the Directors are not aware of any other requirements under the applicable laws and regulations of Hong Kong and Bermuda in relation to the Open Offer which have to be complied with.

The Company shall use all reasonable endeavours to procure the fulfilment of the conditions set out above and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary.

All of the conditions are incapable of being waived. If all of the conditions above are not satisfied on or before the Long Stop Date, the Open Offer shall be terminated.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The principal activity of the Company is investment holding. The principal activities of the Group consist of (a) retail management business including sales of furniture and household goods and electrical appliances through the chain stores under multi-brand names including “Pricerite”, “TMF” and “SECO” in Hong Kong; (b) provision of asset management services to the fund investors; and (c) general investment holding. For additional information, please visit www.cash.com.hk.

The Board believes that, taking into account the prevailing financial market conditions, economic outlook and the funding requirement of the Group, it would be in the interest of the Company to raise equity funding via the Open Offer to reduce the debt level of, and as additional working capital of, the Group in particular for retail management business. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders (other than the Non-Qualifying Shareholders) to participate in the growth of the Company in proportion to their shareholdings.

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In light of the uncertainties casted by the outstanding next phase of China-US trade negotiation, the aftermath of the social unrest and lingering protests in Hong Kong, the pandemic of the COVID-19 coronavirus and the unstable of financial market situation, the retail management business of the Group has been adversely affected. The Company has conducted thorough cost rationalisation measures and business re-engineering recently to cope with the adversity. The Group will continue to streamline the business operations and enhance operational efficiency, while continue to develop our retail business by integrating online and offline channels to serve our customers better. The Directors remain cautiously optimistic about the long-term prospects of the retail management business in Hong Kong. With the additional capital from the Open Offer, the Group can strengthen its financial position and be better equipped for the unfavourable market conditions.

The Company has considered the following fund raising alternatives in comparison to the Open Offer:

Fund raising alternatives	Reason(s) for not adopting the fund raising alternatives
(i) Placing of new Shares	The Board is of the view that placing of new Shares may only raise funds in a relatively small amount and dilute the shareholding of the existing Shareholders which the existing Shareholders do not have right to participate in the development of the Group.
(ii) Debt financing	The Company considers that favourable terms in relation to debt financing on a timely basis may not be achievable and it will result in additional interest burden, higher gearing ratio of the Group and the Group will be subject to repayment obligations. Before we have decided to use Open Offer as the fund raising alternative, we have approached three banks for debt and bank financing and their interest rate range is from HIBOR plus 2% per annum to prime rate per annum. The debt financing will incur additional finance cost and increase the interest burden of the Company.
(iii) Rights issue	The Company is of the view that rights issue will involve extra administrative work and cost for the trading arrangements in relation to the nil-paid rights sold in rights issue.

After considering the fund raising alternatives mentioned above and taking into account the benefits and cost of each of the alternatives, the Board is of the view that the Open Offer is more cost effective and efficient and beneficial to the Company and the Shareholders as a whole.

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However, those Qualifying Shareholders who do not take up all of the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted. The maximum dilution impact on shareholding interest of those public Shareholders who do not participate in the Open Offer will be approximately 51.78% based on the assumption that (a) no acceptance by the Qualifying Shareholders (other than the Controlling Shareholders and the parties acting in concert with any of them) under the Open Offer; and (b) the maximum number of 320,000,000 Unsubscribed Shares are fully placed under the Unsubscribed Arrangement, the shareholding of the public shareholders will be decreased from 65.55% as at the Latest Practicable Date to approximately 31.61% immediately upon the Open Offer Completion as shown in the table in the section headed “Effect on the Shareholding Structure of the Company” below. The net tangible assets per Share will decrease from approximately HK\$0.14 to approximately HK\$0.085 as at 31 December 2019 as shown in the unaudited pro forma financial information of the Group in Appendix II of this circular. The Board is of the view that the potential dilution impact to the Shareholders who do not participate fully or partly in the Open Offer is justifiable after taking into account that (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer in that the Qualifying Shareholders have their choice of whether to accept the Open Offer or not; (ii) the Open Offer offers the Qualifying Shareholders a chance to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the Subscription Price; (iii) those Qualifying Shareholders who choose to accept the Open Offer in full can maintain their respective existing shareholding interests in the Company after the Open Offer; (iv) the inherent dilutive nature of open offers in general if an Qualifying Shareholder does not subscribe in full for his/her/its assured entitlement; and (v) the Open Offer is expected to have an overall positive effect on the financial position of the Group in terms of working capital, except for the consolidated net asset value per Share, upon Open Offer Completion.

Although the Subscription represents a significant discount of approximately 75% to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019, it represents an appropriate discount as compared to the recent market price of Shares (being a discount of approximately 32.58%, 27.71%, 28.57% and 11.76% to the closing price of the Last Trading Day, the preceding 5 days average up to and including the Last Trading Day, the preceding 10 days average up to and including the Last Trading Day and the Latest Practicable Date respectively as shown in the section headed “Proposed Open Offer” under the sub-heading of “Subscription Price” in this “Letter from the Board”). The Directors are of the view that the prevailing market prices of the Shares is a better reflection of the fair market value of the Shares traded on the Stock Exchange and a key factor in determining the issue price of any new Shares pursuant to any equity fund raising activities, and it would be more appropriate to compare the Subscription Price against such benchmark prices, rather than referencing to the consolidated net asset value per Share attributable to the Shareholders. The Shares had been traded at a significant discount to the consolidated net asset value per Share in the past year. The closing price of the Shares during the Relevant Period from 27 September 2019 (i.e. six months prior to the Last Trading Day) up to the Latest Practicable Date ranged from a maximum of HK\$0.128 per Share on 1 November 2019 and 4 November 2019 to a minimum of HK\$0.063 per Share on 1 April 2020, which was trading at a discount of approximately 46.67% and 73.75%, respectively, to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019 of HK\$0.24. Taking into consideration the fact that the Shares have been consistently traded at prices lower than the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019 during the Relevant Period and thereafter up to the Latest Practicable Date, and the fact that the prevailing market prices of the Shares is a better reflection of their fair market value and a key factor in determining the issue price

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of any new Shares pursuant to any equity fund raising activities, the Company is of the view that it is inevitable to set the Subscription Price, which offers a significant discount to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019, in order to encourage Qualifying Shareholders to participate in the Open Offer by taking up their respective entitlements and to maintain their shareholding in the Company.

Having taken into account the terms of the Open Offer as detailed in the section headed “Proposed Open Offer” above and the fact that the Open Offer offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so, the Directors consider the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The view of the Independent Board Committee (comprising Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, all being independent non-executive Directors) in relation to the above view of the Board has also been set out in the “Letter from the Independent Board Committee” in this circular.

Assuming a maximum of 1,662,443,354 Offer Shares and a minimum of 255,687,122 Offer Shares will be issued, the estimated gross proceeds of the Open Offer will range from approximately HK\$99.7 million (assuming the provisionally allotted Offer Shares have been fully subscribed) to approximately HK\$15.3 million (assuming only the Controlling Shareholders and the parties acting in concert with them take up the Offer Shares). The estimated expenses in relation to the Open Offer will amount to approximately HK\$3.0 million and the estimated net proceeds of the Open Offer will range from approximately HK\$96.7 million (assuming the provisionally allotted Offer Shares have been fully subscribed) and a minimum of approximately HK\$12.3 million (assuming only the Controlling Shareholders and the parties acting in concert with them take up the Offer Shares). The net subscription price per Offer Share is expected to be a maximum of HK\$0.058 (assuming the provisionally allotted Offer Shares have been fully subscribed) and a minimum of approximately HK\$0.048 (assuming only the Controlling Shareholders and the parties acting in concert with them take up the Offer Shares). Although it is possible that only a minimum of approximately HK\$12.3 million will be raised, the Directors, after considering that (i) the trading volume of the Shares was generally thin and hence it may be difficult for the Company to conduct other equity fund raising activities in the market with similar size to that of the Open Offer and the Open Offer combined with the Unsubscribed Arrangement will increase the chance of success, and (ii) the Open Offer offers the Qualifying Shareholders a chance to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the Subscription Price, are of the view that the Open Offer is the best available option for the time being.

As shown in the annual report of the Company for the year ended 31 December 2019, the Company has pledged bank deposits, bank balances and cash of approximately HK\$206.9 million in total. However, the pledged bank deposits of HK\$74.4 million can only be released if the underlying bank loans have been fully repaid. In addition, on the liabilities side, the Company has an accounts payable of approximately HK\$219.8 million, of which HK\$207.1 million was due within 90 days. Therefore, the Company has a genuine funding needs and it is an appropriate timing to conduct the Open Offer.

LETTER FROM THE BOARD

The Group intends to use the net proceeds from the Open Offer up to approximately HK\$96.7 million as to approximately HK\$46.7 million for partial repayment of borrowings in relation to the retail management business and as to approximately HK\$50 million for additional working capital for running the retail management business. The use of working capital of the Group will vary from time to time depending on funding needs of business operation and changes of operating environment and local economy from time to time. Based on budgeted figures from August 2020 to June 2021 of retail management operation, the approximate allocation percentage of use of proceeds was as follows:

	Approximate allocation percentage
Repayment the long term bank loan	48%
Brand building and expansion and development of online retailing business	24%
Removal and renovation cost for closure and/or opening of new stores	20%
Restructure of product mix and product development	4%
Enhancement of logistics facilities	4%
	<hr/>
Total:	<u>100%</u>

As at 31 December 2019, the Group had total outstanding borrowings (due within one year) of approximately HK\$254.9 million and total outstanding borrowings (due after one year) of approximately HK\$92.7 million. In the event that only a minimum net proceeds of HK\$12 million is raised, all the proceeds will be applied for partial repayment of borrowings. The net proceeds from the Open Offer will be utilised in the above priority order and allow the Group to reduce its gearing level and interest burden.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS IMMEDIATELY BEFORE THE LATEST PRACTICABLE DATE

The Company had no fund raising activity in the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below depicts the possible shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon the Open Offer Completion (assuming there is no other change in the shareholding structure of the Company between the Latest Practicable Date and the Open Offer Completion) before and after the Unsubscribed Arrangement and the Clawback Mechanism:

Before the Unsubscribed Arrangement and the Clawback Mechanism

Shareholders	As at the Latest Practicable Date		(i) Immediately upon the Open Offer Completion (assuming full acceptance by Qualifying Shareholders under the Open Offer)		(ii) Immediately upon the Open Offer Completion (assuming no acceptance by the Qualifying Shareholders (other than the Controlling Shareholders and the parties acting in concert with any of them) under the Open Offer)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Controlling Shareholders (Notes 1 & 2)	286,027,807	34.41	858,083,421	34.41	858,083,421	61.12
The Director – Mr Leung Siu Pong James (Note 3)	250,950	0.03	752,850	0.03	752,850	0.05
Other parties acting in concert with the Controlling Shareholder (Note 4)	<u>64,804</u>	<u>0.01</u>	<u>194,412</u>	<u>0.01</u>	<u>194,412</u>	<u>0.02</u>
The Controlling Shareholders and parties acting in concert with any of them (Notes 1 to 4)	286,343,561	34.45	859,030,683	34.45	859,030,683	61.19
Public Shareholders	<u>544,878,116</u>	<u>65.55</u>	<u>1,634,634,348</u>	<u>65.55</u>	<u>544,878,116</u>	<u>38.81</u>
Total:	<u><u>831,221,677</u></u>	<u><u>100.00</u></u>	<u><u>2,493,665,031</u></u>	<u><u>100.00</u></u>	<u><u>1,403,908,799</u></u>	<u><u>100.00</u></u>

LETTER FROM THE BOARD

After the Unsubscribed Arrangement and the Clawback Mechanism

Shareholders	As at the Latest Practicable Date		(iii) Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than the Controlling Shareholders and the parties acting in concert with any of them) under the Open Offer; and (b) the maximum number of 320,000,000 Unsubscribed Shares are fully placed under the Unsubscribed Arrangement		(iv) Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than the Controlling Shareholders and the parties acting in concert with any of them) under the Open Offer; (b) no Unsubscribed Share is placed under the Unsubscribed Arrangement; and (c) after the Clawback Mechanism having taken place	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Controlling Shareholders (Notes 1 & 2)	286,027,807	34.41	858,083,421	49.78	541,083,421	49.78
The Director – Mr Leung Siu Pong James (Note 3)	250,950	0.03	752,850	0.04	752,850	0.07
Other parties acting in concert with the Controlling Shareholders (Note 4)	<u>64,804</u>	<u>0.01</u>	<u>194,412</u>	<u>0.01</u>	<u>194,412</u>	<u>0.02</u>
The Controlling Shareholders and parties acting in concert with any of them (Notes 1 to 4)	286,343,561	34.45	859,030,683	49.83	542,030,683	49.87
Placee(s)	–	–	320,000,000 (Note 6)	18.56	–	–
Public Shareholders	<u>544,878,116</u>	<u>65.55</u>	<u>544,878,116</u>	<u>31.61</u>	<u>544,878,116</u>	<u>50.13</u>
Total:	<u><u>831,221,677</u></u>	<u><u>100.00</u></u>	<u><u>1,723,908,799</u></u>	<u><u>100.00</u></u>	<u><u>1,086,908,799</u></u>	<u><u>100.00</u></u>

Notes:

- The shareholding of the Controlling Shareholders includes the shareholding interests in the Company held by Cash Guardian as to 281,767,807 Shares and Dr Kwan Pak Hoo Bankee in his personal name as to 4,260,000 Shares.

LETTER FROM THE BOARD

2. The total number of Offer Shares to be subscribed by the Controlling Shareholders under Open Offer will be scaled down to a level such that the total number of Shares held by the Controlling Shareholders, upon the Open Offer Completion, shall be 49.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. Accordingly, the Controlling Shareholders will subscribe for a maximum of 572,055,614 Offer Shares (under the above scenario (iii) in the above table) and a minimum of 255,055,614 Offer Shares (under the above scenario (iv) in the above table) provisionally allotted to them under the Open Offer.
3. Mr Leung Siu Pong James, the Director, is a party acting in concert with the Controlling Shareholders by virtue of his capacity as the Director, has indicated that he will accept all of the 501,900 Offer Shares provisionally allotted to him under the Open Offer (such 501,900 Offer Shares will not be subject to the Clawback Mechanism).
4. The other parties acting in concert with the Controlling Shareholders (namely Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna) are the close relatives of Dr Kwan Pak Hoo Bankee, who have not indicated that they will accept the Offer Shares provisionally allotted to them or not. The above table is prepared assuming the close relatives will accept all of the 129,608 Offer Shares provisionally allotted to them under the Open Offer (such 129,608 Offer Shares will not be subject to the Clawback Mechanism).
5. As at the Latest Practicable Date, save as disclosed above, none of the Directors hold any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company.
6. The Shares will be held as to a total number of 320,000,000 Unsubscribed Shares (representing around 18.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon the Open Offer Completion) by the Placee(s), if any, to be procured by the Placing Agent under the Unsubscribed Arrangement on a best effort basis and a total number of 544,878,116 Shares (representing around 31.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon the Open Offer Completion) by other public Shareholders. Depending on the number of the Unsubscribed Shares to be placed to the Placee(s), if any, pursuant to the Placing, it might be possible that any of the Placee(s) will become a substantial Shareholder of the Company (as defined under the Listing Rules) upon the Open Offer Completion.

The Company will take all appropriate steps to ensure that sufficient public float be maintained upon the Open Offer Completion in compliance with Rule 8.08(1)(a) of the Listing Rules.

UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders have irrevocably undertaken to the Company that, *inter alia*, they will accept or procure the acceptance of the Offer Shares to be provisionally allotted to them under the Open Offer up to a maximum of 572,055,614 Offer Shares (being all of the assured entitlement of the Controlling Shareholders under the Open Offer based on the existing shareholding structure of the Company, assuming that there will not be any change to the shareholding structure from the date of the Announcement up to and including the Record Date), provided that (a) the Whitewash Waiver having been granted by the Executive prior to the Prospectus Posting Date and not having been revoked if granted; and (b) the total number of Offer Shares to be subscribed under Open Offer will be scaled down to a level such that total number of Shares held by the Controlling Shareholders, upon the Open Offer Completion, shall be 49.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. Accordingly, pursuant to the Undertakings, the Controlling Shareholders will subscribe for a maximum of 572,055,614 Offer Shares (assuming full acceptance by Qualifying Shareholders) and a minimum of 255,055,614 Offer Shares (assuming no acceptance of the Open Offer by the Qualifying Shareholder (other than the Controlling Shareholders and parties acting with any of them) and no Unsubscribed Share is placed to any Placee pursuant to the Unsubscribed Arrangement, and after the Clawback Mechanism having taken place) under the Open Offer in total provided that the Whitewash Waiver having been granted by the Executive prior to the Prospectus Posting Date and not having been revoked if granted.

LETTER FROM THE BOARD

Mr Leung Siu Pong James, a Director, is a party acting in concert with the Controlling Shareholders by virtue of his capacity as a Director, has indicated that he will accept all of the 501,900 Offer Shares provisionally allotted to him under the Open Offer (such 501,900 Offer Shares are not subject to the Clawback Mechanism).

Save for the Undertakings and indication abovementioned, the Company has not received any other irrevocable commitments or indication to accept or reject the Offer Shares.

IMPLICATIONS UNDER THE LISTING RULES

The Offer Shares will not be issued under the authority of currently available general mandate granted by the Shareholders to the Directors. According to Rules 7.24A(1) and 7.27A of the Listing Rules, the Open Offer will be made conditional on approval by Independent Shareholders in the SGM by a resolution on which the Controlling Shareholders and their associates shall abstain from voting in favour.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR THE WHITEWASH WAIVER

As at the Latest Practicable Date, the Controlling Shareholders and parties acting in concert with any of them are the legal and beneficial owners of a total of 286,343,561 Shares, representing approximately 34.45% of the entire issued share capital of the Company. Assuming (i) there is no change of the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Open Offer; and (ii) none of the Qualifying Shareholders other than the Controlling Shareholders and parties acting in concert with any of them have taken up their entitlements under the Open Offer, subject to the condition of the Undertakings that the total number of Offer Shares to be subscribed by the Controlling Shareholders under Open Offer will be scaled down to a level such that total number of Shares held by the Controlling Shareholders, upon the Open Offer Completion, shall be 49.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares, the shareholding interests in the Company held by the Controlling Shareholders and parties acting in concert with any of them upon the Open Offer Completion will increase from the current level of approximately 34.45% to a maximum of 49.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. The Controlling Shareholders and the parties acting in concert with any of them will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code.

An application has been made by the Controlling Shareholders to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the SGM. Save for the Controlling Shareholders and the parties acting in concert with any of them and those who are involved in and/or interested in the Open Offer and the Whitewash Waiver, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Whitewash Waiver at the SGM. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company believes that the Open Offer does not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company and the Controlling Shareholders note that the Executive may not grant the Whitewash Waiver if the Open Offer does not comply with other applicable rules and regulations.

INFORMATION ON THE CONTROLLING SHAREHOLDERS

Cash Guardian, being one of the Controlling Shareholders, is a private company incorporated in the British Virgin Islands with limited liability on 18 February 1999. The entire issued share capital of Cash Guardian is beneficially owned by Hobart Assets Limited (a private company incorporated in the British Virgin Islands with limited liability on 2 February 1999), which in turn is 100% beneficially owned by Dr Kwan Pak Hoo Bankee. Dr Kwan Pak Hoo Bankee is the sole director of both Cash Guardian and Hobart Assets Limited. The principal business activity of Cash Guardian is investment holding, which is only holding the share investments in the Company as at the Latest Practicable Date.

Dr Kwan Pak Hoo Bankee is an executive Director, chairman, chief executive officer and substantial Shareholder of the Company. He is also an executive director, chairman and acting chief executive officer of CFSG.

CONTROLLING SHAREHOLDERS' INTENTIONS IN RELATION TO THE GROUP

The Board is pleased to learn that the Controlling Shareholders intend to continue the principal businesses of the Group and that the Controlling Shareholders have no intention to discontinue the employment of any employees of the Group or introduce major changes in the business including redepoly the fixed assets of the Group other than those in its ordinary and usual course of business.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activities of the Group consist of (i) retail management business; and (ii) provision of asset management services to the fund investors.

Retail management business – Pricerite Group

Responding to the challenging external environment and economic downturn, Pricerite adopted a prudent approach from early 2019 – focused on reining-in operating costs and capital expenditure while enhancing operating efficiency through simplification, standardisation, systemisation and automation of the business workflow.

As Hong Kong's leading "New Retail" home furnishing specialist, Pricerite continued its multi-brand strategy for innovative home solutions and space management leader for quality home furnishing and lifestyle products. Through in-depth understanding of customer needs with diminishing living space in Hong Kong, our products deliver practical and localised, value-for-money solutions that redefine and rationalise space to help our customers redefine their home spaces.

LETTER FROM THE BOARD

Pricerite Home

Pricerite Home (PHL) is our principal retailing operating arm that has 25 stores well-distributed in Hong Kong. To capture additional market opportunities and expand customer base, PHL adopted “hero category” differentiated positioning, building brand and customer loyalty. Our product design team continues designing multi-functional and transformable furniture to enhance product uniqueness, and revamping product mix to enrich product diversification.

In the second half of 2019, we launched our third New Retail Concept Store at Kowloon Bay Mega Box. This store implements the “O2O” retail model – further integrating new retail technology with online and offline resources for an unprecedented high-tech, seamless, convenient and intimate customer shopping experience.

Continuing to pioneer this “New Retail” business model in Hong Kong, PHL not only provides the widest range of mobile payment methods, but has also become the first local retail chain to accept Hong Kong dollar-equivalent payments in crypto currencies, including Bitcoin (BTC), Ethereum (ETH) and Litecoin (LTC) across all stores. With the integration of new financial and retail technologies, PHL provides added payment convenience, bringing more secure and free “New Retail” experiences to customers.

TMF

In 2019, TMF was successfully transformed into a stand-alone brand as a professional, reliable and caring service provider in the tailor-made furniture market, dedicated to delivering best “value-for-money” and personal space management solutions to customers.

Looking ahead, more housing supply is destined for the market, both imminently and in the foreseeable future. Implementation of idle tax should provide a further boost to the rising number of inhabited units. Given the growing popularity of micro-apartments, as smaller units are developed and rented or sold demand for tailor-made furniture is anticipated to increase for TMF’s smart furniture and micro-space management solutions that help customers manage shrinking living space in Hong Kong.

SECO

In response to the increasing awareness of personal and home hygiene, SECO continues its positioning and commitment to assemble convenient family well-being and health-essential products for home, environment and personal care, improving customer lifestyles.

Both TMF and SECO are still in the development and investment stage. We are dedicated to gradually building their market awareness and customer bases. We are confident that they will be positively contributing to the Group in the medium term.

LETTER FROM THE BOARD

Outlook

Ongoing social unrest and continuing subdued consumption sentiment in particular due to the unprecedented global outbreak of COVID-19 coronavirus dampened retail sales in 2019, with contraction in the Hong Kong economy expected to continue through early 2020, as the government forecast stagnant growth between -1.5% to 0.5%. With more upward pressure on unemployment, the retail sector is among those particularly hard hit. Externally, the China-US trade war, Brexit, and geopolitical tensions bring considerable uncertainties and downward pressures to global growth, potentially filtering through onto the Hong Kong economy. National lockdowns across the world imply that all traffic have been shut down, casting unprecedented uncertainties on global and local political and economic development.

In the face of these challenges, Pricerite will leverage its well-established corporate brand, strong supplier networks and talented product development team to enrich product diversification and enhance the proportion of house-brand products for margin improvement. Our ultimate goal is to maintain our market share and strengthen our leadership in Hong Kong's furniture and household market.

Despite both internal and external headwinds, Pricerite is cautiously optimistic for its business as strong and resilient demand for home furniture and houseware should continue. Being well-recognised for being a space management solution provider, Pricerite is well-positioned to capture business opportunities when the economy swings back to a growth trend from current sluggish environment. We anticipate that new home owners will seek smart and innovative space management solutions, increasing overall demand for our market-leading home furnishing products and services.

Riding on our quality brands, award-winning service and advanced technologies, we believe Pricerite is well-positioned to capture market opportunities ahead while expanding our touch points for latest convenient digital sales. We remain dedicated to providing enjoyable shopping experiences, helping Hong Kong people create their dream homes and enhancing lifestyles.

Algorithmic trading business – CASH Algo Finance Group

In 2019, the Group launched seven funds across various asset classes. The investment strategies covers a wide array of instruments, including futures and forward contracts, index ETF and options, based on integrated algorithmic trading strategies such as statistical arbitrage of relative values, signals tracking trends and anticipating reversals. We also introduce equity strategies utilising value investing approach to generate long-term capital growth. In 2019, our Multi-Strategy Fund implementing a quant-based CTA (Commodity Trading Advisors) strategy topped China's Sundtime Private Equity Funds Chart, ranking second among 500 selected quant-based CTA hedge funds. We will continue to strengthen the research and development capability of our core investment strategies, enrich our product offerings, and expand our distribution network via our team and institutional channels. We dedicate to provide excellent asset management services to create long-term and stable investment capital growth for our clients.

LETTER FROM THE BOARD

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors of the Company should note that the Open Offer is conditional, among others, conditions precedent as set out in section headed “Conditions of the Open Offer” in this circular above. Accordingly, the Open Offer may or may not proceed.

Any dealings in the Shares from the date of this circular up to the date on which all the conditions of the Open Offer are fulfilled will bear the risk that the Open Offer may not become unconditional or may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Open Offer and the Whitewash Waiver. The Independent Financial Adviser has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Open Offer and the Whitewash Waiver, and an announcement has been made upon its appointment.

The Prospectus Documents setting out details of the Open Offer are expected to be despatched to the Qualifying Shareholders on or about Thursday, 11 June 2020. The Company will send the Prospectus to the Non-Qualifying Shareholders for information only.

THE SGM

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong at 9:30 a.m. on 2 June 2020 (Tuesday).

At the SGM, two resolutions for approving the Open Offer and the Whitewash Waiver will be proposed for the Independent Shareholders’ approval. The resolution for the approval of the Open Offer requires simple majority of the independent votes whereas the resolution for the approval of the Whitewash Waiver requires at least 75% the independent votes that are casted either in person or by proxy by the Independent Shareholders at the SGM. The resolutions will be voted by way of poll at the SGM.

LETTER FROM THE BOARD

All Directors with shareholding interest in the Company (Dr Kwan Pak Hoo Bankee held 4,260,000 Shares in personal interest and 281,767,807 Shares in corporate interest held by Cash Guardian (100% owned and controlled by Dr Kwan Pak Hoo Bankee), representing approximately 34.41% of the entire issued share capital of the Company, and Mr Leung Siu Pong James held 250,950 Shares, representing approximately 0.03% of the entire issued share capital of the Company) will abstain from voting at the SGM in respect of the resolutions for the Open Offer and the Whitewash Waiver. As at the Latest Practicable Date, the Controlling Shareholders, together with the parties acting in concert with any of them, were interested in a total of 286,343,561 Shares, representing approximately 34.45% of the entire issued share capital of the Company. The Controlling Shareholders and parties acting in concert with any of them, as well as those who are involved in and/or interested in the Open Offer and the Whitewash Waiver will abstain from voting at the SGM in respect of the resolutions for the Open Offer and the Whitewash Waiver. As at the Latest Practicable Date, Ms Luke Wing Sheung Suzanne (a company secretary of the Company) held 390,000 Shares, representing approximately 0.05% of the entire issued share capital of the Company, who is involved in the Open Offer and the Whitewash Waiver will abstain from voting at the SGM in respect of the resolutions for the Open Offer and the Whitewash Waiver.

Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the SGM.

Subject to, among others, the Open Offer and the Whitewash Waiver being approved at the SGM and the Whitewash Waiver being granted by the Executive, the Prospectus Documents or the Prospectus, whichever is appropriate, will be dispatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” containing its recommendations to the Independent Shareholders set out on pages 33 to 34 of this circular and the “Letter from the Independent Financial Adviser” containing its advice to the Independent Shareholders and the Independent Board Committee and the principal factors which it has considered in arriving at its advice with regard to the Open Offer and the Whitewash Waiver as set out on pages 35 to 61 of this circular.

LETTER FROM THE BOARD

Shareholders are advised to read carefully the “Letter from the Independent Board Committee” regarding the Open Offer and the Whitewash Waiver on pages 33 to 34 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 35 to 61 of this circular, considers that the terms of the Open Offer and the Whitewash Waiver are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Open Offer and the Whitewash Waiver at the SGM.

The Directors (excluding the independent non-executive Directors whose view have been set out in the “Letter from the Independent Board Committee” of this circular) are of the opinion that the terms of the Open Offer and the Whitewash Waiver are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding the independent non-executive Directors whose view have been set out in the “Letter from the Independent Board Committee” of this circular) recommend the Independent Shareholders to vote in favour of the resolutions to approve the Open Offer and the Whitewash Waiver to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the further information set out in the appendices to this circular.

On behalf of the Board
Bankee P. Kwan
Chairman & CEO

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver.



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

時富投資集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

8 May 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED OPEN OFFER ON THE BASIS OF TWO (2) OFFER SHARES
FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE; AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular of the Company to the Shareholders dated 8 May 2020 (“Circular”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to provide recommendations to the Independent Shareholders in respect of the Open Offer, the Whitewash Waiver and the transactions contemplated thereunder. Details of the Open Offer, the Whitewash Waiver and the transactions contemplated thereunder are set out in the “Letter from the Board” contained in the Circular.

Vinco Capital Limited has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer and the Whitewash Waiver are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders how to vote at the SGM. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent Financial Adviser” contained in the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is also drawn to the “Letter from the Board” set out on pages 7 to 32 of the Circular.

Having considered the factors and reasons considered by, and the opinion of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we are of the opinion that the terms of the Open Offer, the Whitewash Waiver and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Open Offer, the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully
Independent Board Committee
Leung Ka Kui Johnny
Wong Chuk Yan
Chan Hak Sin
Independent non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the full text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the Open Offer and the Whitewash Waiver which has been prepared for the purpose of incorporation in this circular:



Vinco Capital Limited
Unit 2610, 26/F., The Center
99 Queen's Road Central, Hong Kong

8 May 2020

*To the Independent Board Committee and the Independent Shareholders of
Celestial Asia Securities Holdings Limited*

Dear Sirs,

**(1) PROPOSED OPEN OFFER ON THE BASIS OF TWO (2) OFFER SHARES
FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE; AND
(2) APPLICATION FOR WHITEWASH WAIVER**

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) fairness and reasonableness of the terms of the proposed Open Offer and the Whitewash Waiver; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions at the SGM, details of which are set out in the "Letter from the Board" in the circular (the "**Circular**") issued by the Company to the Shareholders dated 8 May 2020 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Announcement, in relation to (i) the proposed Open Offer on the basis of two (2) Offer Shares for every one (1) existing Share on the Record Date; and (ii) application for Whitewash Waiver.

1. The Open Offer

On 27 March 2020, the Company announced that it proposes to carry out the Open Offer on the basis of two (2) Offer Shares for every one (1) existing Share held on the Record Date. The Open Offer involves the allotment and issue of a maximum of 1,662,443,354 Offer Shares and a minimum of 255,687,122 Offer Shares at a price of HK\$0.06 per Offer Share. The Company proposes to raise up to approximately HK\$99.7 million under the Open Offer (assuming the provisionally allotted Offer Shares have been fully subscribed). The net proceeds from the Open Offer after deducting related expenses will be not more than approximately HK\$96.7 million. The Company plans to use the net proceeds from the Open Offer to reduce the debt level of, and as additional working capital of, the Group in particular for retail management business.

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Under Rule 7.24A and 7.27A of the Listing Rules, the Open Offer must be made conditional on Independent Shareholders' approval. The Open Offer is conditional, among others, the approval of the Open Offer and the Whitewash Waiver by Independent Shareholders at the SGM and the Whitewash Waiver being granted by the Executive.

2. The application for Whitewash Waiver

As at the Latest Practicable Date, the Controlling Shareholders and parties acting in concert with any of them, are the legal and beneficial owners of a total of 286,343,561 Shares, representing approximately 34.45% of the entire issued share capital of the Company. Assuming (i) there is no change of the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Open Offer; and (ii) none of the Qualifying Shareholders other than the Controlling Shareholders and parties acting in concert with any of them have taken up their entitlements under the Open Offer, subject to the condition of the Undertakings that the total number of Offer Shares to be subscribed by the Controlling Shareholders under Open Offer will be scaled down to a level such that total number of Shares held by the Controlling Shareholders, upon the Open Offer Completion, shall be 49.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares, the shareholding interests in the Company held by the Controlling Shareholders and parties acting in concert with any of them upon the Open Offer Completion will increase from the current level of approximately 34.45% to a maximum of 49.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares.

The Controlling Shareholders, together with the parties acting in concert with any of them will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code.

An application has been made by the Controlling Shareholders to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the SGM. Save for the Controlling Shareholders and the parties acting in concert with any of them and those who are involved in and/or interested in the Open Offer and the Whitewash Waiver, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Whitewash Waiver at the SGM. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Leung Ka Kui Johnny, Mr. Wong Chuk Yan and Dr. Chan Hak Sin has been established to make recommendations to the Independent Shareholders as to whether the Open Offer is, or is not, on normal commercial terms, fair and reasonable, is in the interest of the Company and the Shareholders as a whole and whether to vote in favour of the resolutions to be proposed at the SGM to approve the Open Offer and the Whitewash Waiver. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Open Offer and the Whitewash Waiver. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Open Offer and the Whitewash Waiver are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a

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whole and whether to vote in the favour of the resolutions to be proposed at the SGM to approve the Open Offer and the Whitewash Waiver so far as the Independent Shareholders are concerned and such appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we are not connected with the directors, chief executive, the Controlling Shareholders and parties acting in concert with them and substantial shareholders of the Company or their respective associates or any party acting, or presumed to be acting, in concert with any of them and as at the Latest Practicable Date, we did not have shareholding, directly or indirectly, in any of them (if applicable) and any of their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any entities within the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any entities within the Group. We are not aware of any relationships or interest between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code to act as the Independent Financial Adviser to the Independent Board Committee in respect of the Open Offer and the Whitewash Waiver. We are eligible to give independent advice and recommendations on the terms of the Open Offer and the Whitewash Waiver and as to whether to vote in favour of the resolutions to be proposed at the SGM to approve the Open Offer and the Whitewash Waiver. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

During the past two years, we were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of a proposed open offer on the basis of one offer Share for every one existing Share and application for whitewash waiver issued by the Company on 29 November 2018, of which the transactions had been terminated on 1 February 2019 (the “**Past Appointment**”). The professional fees in connection with the Past Appointment have been fully settled and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice and recommendations on the terms of the Offer and as to acceptance.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information and representations contained or referred to in the Circular were true, accurate and complete at the time when they were made and continue to be true, accurate, complete at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed, amongst other things, (i) the annual reports of the Company for the year ended 31 December 2018 and year ended 31 December 2019; (ii) the unaudited management accounts for the three months ended 31 March 2020; (iii) the Placing

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Agreement; and (iv) other information as set out in the Circular, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinions and recommendations. All Directors have declared in a responsibility statement set out in the Appendix III to the Circular that they jointly and severally accept full responsibility for the accuracy of the information contained in the Circular. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group.

In formulating our opinions, we have not considered the tax implications on the Qualifying Shareholders arising from acceptances or non-acceptances of the Offer Shares as these are particular to their own circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from the subscription for, holding of or dealing in of the Offer Shares. In particular, the Qualifying Shareholders subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date. Should there be any subsequent material changes in such statements, information, opinions, and/or representations, the Company will inform the Independent Shareholders as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to Open Offer, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Open Offer and the Whitewash Waiver and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Open Offer and the Whitewash Waiver, we have considered the principal factors and reasons set out below:

1. Information on the Group

According to the management of the Company, the principal activities of the Group consist of (a) retail management business including sales of furniture and household items and electrical appliances through the chain stores under multi-brand names including “Pricerite”, “TMF” and “SECO” in Hong Kong; (b) provision of asset management services to the fund investors; and (c) general investment holding.

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2. Business and financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the three years ended 31 December 2019 extracted from the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) and the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”):

	For the year ended 31 December		
	2019	2018	2017
	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>
Revenue			
– Retailing	1,385,147	1,420,264	1,332,015
– Asset management	2,622	–	–
– Online game services	–	–	1,026
	<u>1,387,769</u>	<u>1,420,264</u>	<u>1,333,041</u>
Total Revenue			
	<u>1,387,769</u>	<u>1,420,264</u>	<u>1,333,041</u>
(Loss)/profit for the year	<u>(100,352)</u>	<u>(204,939)</u>	<u>23,888</u>
 <i>Consolidated statement of financial position</i>			
	As at 31 December		
	2019	2018	2017
	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>
Cash and cash equivalents	206,884	256,829	251,005
Total assets	1,121,049	861,005	1,004,768
Total liabilities	<u>950,541</u>	<u>580,694</u>	<u>521,207</u>
 Total Equity	<u>170,508</u>	<u>280,311</u>	<u>483,561</u>

Audited consolidated results for the two years ended 31 December 2018

As disclosed in the 2018 Annual Report, during the year ended 31 December 2018, the Group recorded revenue from retailing of approximately HK\$1,420.3 million or 100% of its total revenue, representing an increase of approximately HK\$87.3 million or 6.5%, from approximately HK\$1,333.0 million for the year ended 31 December 2017 to approximately HK\$1,420.3 million for the year ended 31 December 2018. With the absence of revenue from online game services, the increase in revenue was primarily due to the increase in revenue from retailing which was due to measures taken by the Group such as opening of new retail concept stores which integrated mobile payment, artificial intelligence, improving big-data analytics technologies and engaging sales campaign to stimulate sales growth and to offset the negative effect brought by the US and Mainland China trade tension.

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The Group has recorded a net profit of approximately HK\$23.9 million for the year ended 31 December 2017, turning into a net loss of approximately HK\$204.9 million for the year ended 31 December 2018. The loss for the year ended 31 December 2018 was mainly due to an impairment loss recognized on interest in an associate of approximately HK\$65.0 million and share of loss of associates of approximately HK\$48.5 million, offset by the increase of revenue as mentioned above.

As at 31 December 2018, the Group recorded cash and cash equivalents, total assets, total liabilities and total equity of approximately HK\$256.8 million, HK\$861.0 million, HK\$580.7 million and HK\$280.3 million, respectively. The gearing ratio was approximately 83.2% as at 31 December 2018 as compared to approximately 40.4% as at 31 December 2017.

Audited consolidated results for the two years ended 31 December 2019

As disclosed in the 2019 Annual Report, during the year ended 31 December 2019, the Group commenced asset management business in the PRC, but the revenue from asset management was approximately HK\$2.6 million or 0.2% of its total revenue. The remaining was contributed by retailing which was approximately HK\$1,385.1 million or 99.8% of its total revenue. The Group recorded a slight decrease in total revenue of approximately HK\$32.5 million or 2.3%, from approximately HK\$1,420.3 million for the year ended 31 December 2018 to approximately HK\$1,387.8 million for the year ended 31 December 2019. The decrease in revenue was primarily due to the decrease in revenue from retailing which was caused by US and Mainland China trade tension and social unrest in Hong Kong.

The Group has recorded a net loss of approximately HK\$100.4 million for the year ended 31 December 2019, narrowing by approximately HK\$104.6 million or 51.0% year-on-year, which was mainly due to an impairment loss recognised on interest of an associate of approximately HK\$20.6 million and share of loss of associates of approximately HK\$40.8 million.

As at 31 December 2019, the Group recorded cash and cash equivalents, total assets, total liabilities and total equity of approximately HK\$206.9 million, HK\$1,121.0 million, HK\$950.5 million and HK\$170.5 million, respectively. The gearing ratio was approximately 149.5% as at 31 December 2019 as compared to approximately 83.2% as at 31 December 2018.

COVID-19

The coronavirus disease (“**COVID-19**”) which broke out before the Chinese New Year has since spread rapidly throughout China and other countries. It is believed that the COVID-19 has a negative effect on the retail market in Hong Kong. According to the Report on Monthly Survey of Retail Sales issued on February 2020 by Census and Statistics Department of Hong Kong Special Administrative Region (the “**Report**”), the value of sales made by all retail outlets decreased from approximately HK\$37,735 million in January 2020 to approximately HK\$22,735 million in February 2020, representing a decrease of approximately HK\$15,000 million or 39.75%. It also represents an approximately 44.0% year-on-year decrease. In view of the outbreak of COVID-19, as disclosed in 2019 Annual Report, the Group had carried out measures to deal with the adverse effect of COVID-19 such as (i) salary saving scheme, and (ii) changing product mix to focus on household products to counteract the drop in revenue of furniture products. In light of the above, we are of the view that the outlook of retail business remains uncertain in 2020.

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3. Background of and Reasons for the Open Offer

Reasons for the Open Offer and use of proceeds

With reference to the 2019 Annual Report, the Group's revenue generated from the retail management business accounted for of approximately 99.8% of the total revenue for the year ended 31 December 2019.

The Board believes that, taking into account the prevailing financial market conditions, economic outlook and the funding requirement of the Group, it would be in the interest of the Company to raise equity funding via the Open Offer to reduce the debt level of, and as additional working capital of, the Group in particular for retail management business. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders (other than the Non-Qualifying Shareholders) to participate in the growth of the Company in proportion to their shareholdings.

In light of the uncertainties casted by the outstanding next phase of China-US trade negotiation, the aftermath of the social unrest and lingering protests in Hong Kong, the pandemic of the COVID-19 coronavirus and the unstable of financial market situation, the retail management business of the Group has been adversely affected. The Company has conducted thorough cost rationalisation measures and business re-engineering recently to cope with the adversity. The Group will continue to streamline the business operations and enhance operational efficiency, while continue to develop our retail business by integrating online and offline channels to serve our customers better. The Directors remain cautiously optimistic about the long-term prospects of the retail management business in Hong Kong. With the additional capital from the Open Offer, the Group can strengthen its financial position and be better equipped for the unfavourable market conditions.

Assuming a maximum of 1,662,443,354 Offer Shares and a minimum of 255,687,122 Offer Shares will be issued, the estimated gross proceeds of the Open Offer will range from approximately HK\$99.7 million (assuming the provisionally allotted Offer Shares have been fully subscribed) to approximately HK\$15.3 million (assuming only the Controlling Shareholders and the parties acting in concert with them take up the Offer Shares). The estimated expenses in relation to the Open Offer will amount to approximately HK\$3.0 million and the estimated net proceeds of the Open Offer will range from approximately HK\$96.7 million (assuming the provisionally allotted Offer Shares have been fully subscribed) and a minimum of approximately HK\$12.3 million (assuming only the Controlling Shareholders and the parties acting in concert with them take up the Offer Shares). Although it is possible that only a minimum of approximately HK\$12.3 million will be raised, we note that the Directors after considering that (i) the trading volume of the Shares was generally thin and hence it may be difficult for the Company to conduct other equity fund raising activities in the market with similar size to that of the Open Offer and the Open Offer combined with the Unsubscribed Arrangement will increase the chance of success, and (ii) the Open Offer offers the Qualifying Shareholders a chance to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the Subscription Price, are of the view that the Open Offer is the best available option for the time being.

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As refer to the 2019 Annual Report, the Company has pledged bank deposits, bank balances and cash of approximately HK\$206.9 million in total. As confirmed by the Company, the pledged bank deposits of HK\$74.4 million can only be released if the underlying bank loans have been fully repaid. In addition, on the liabilities side, the Company has an accounts payable of approximately HK\$219.8 million, of which HK\$207.1 million was due within 90 days. Therefore, the Company has a genuine funding needs and it is an appropriate timing to conduct the Open Offer.

It is intended that out of the net proceeds, (i) up to approximately HK\$46.7 million for partial repayment of borrowings in relation to the retail management business; and (ii) up to approximately HK\$50 million for additional working capital of the Group for running the retail management business. As confirmed by the Directors, the use of working capital of the Group will vary from time to time depending on funding needs of business operation and changes of operating environment and local economy from time to time. Based on budgeted figures from August 2020 to June 2021 of retail management operation, the approximate allocation percentage of use of proceeds was as follows:

	Approximate allocation percentage
Repayment the long term bank loan	48%
Brand building and expansion and development of online retailing business	24%
Removal and renovation cost for closure and/or opening of new stores	20%
Restructure of product mix and product development	4%
Enhancement of logistics facilities	<u>4%</u>
Total:	<u><u>100%</u></u>

Based on the news released by the Census & Statistics Department, the value of total retail sales in February, provisionally estimated at HK\$22.7 billion, fell 44% compared with the same month in 2019. Consumer spending has now more than halved from the start of 2019 through 13 consecutive months of decline, highlighting the worsening outlook for a sector already suffering from the impact of the anti-government protests that broke out last summer. Since January 2020, the ongoing COVID-19 pandemic and its local resurgence has caused major disruptions for Hong Kong's retailers, the Group has to ensure business continuity with sufficient working capital in case there will be a prolonged restricted measures imposed by the HKSAR government. As mentioned in the "Business and financial performance of the Group" in this letter, the retail market in Hong Kong has been adversely affected by the outbreak of COVID-19 and therefore the Group has taken steps to reduce the negative effect brought by the COVID-19. However, these negative effect including temporary drop of revenue and increase of switching cost due to the change of product mix may cause additional working capital. As discussed with the management of the Group, the Company is expected that the retail sector will stay weak due to subdued local demand. Having reviewed the 2019 Annual Report, the aging analysis of accounts payable of the Group as at 31 December 2019 and the working capital required for the Group's monthly retail business and taking into account (i) the Group's cash and cash equivalent of approximately HK\$206.9 million as at 31 December 2019, including the pledged bank deposits of HK\$74.4 million, was insufficient to repay the accounts payable which will be due in three months; and (ii) the Group may require additional

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working capital to ensure business continuity under the ongoing COVID-19 pandemic, we are of the view that the allocation of the HK\$50 million for the additional working capital of the Group for running the retail management business is fair and reasonable.

As stated above, the cash level of the Group as at 31 December 2019 was approximately HK\$206.9 million. According to the management of the Group, although the cash level is enough to maintain the estimated general working capital of the Group for the next 12 months, as at 31 December 2019, the Group had total outstanding borrowings (due within one year) of approximately HK\$254.9 million and total outstanding borrowings (due after one year) of approximately HK\$91.4 million. In the event that only a minimum net proceeds of approximately HK\$12.3 million is raised, all the proceeds will be applied for partial repayment of borrowings. The net proceeds from the Open Offer will be utilised in the above priority order and allow the Group to reduce its gearing level and interest burden.

Fund raising alternatives

As advised by the Directors, the Board has considered alternative means of fund raising before resolving to the Open Offer, including (i) placing of new Shares; (ii) debt financing; and (iii) rights issue. To our best effort, we do not identify any other alternative options, other than the alternatives which have been mentioned above. Regarding placing of new Shares, the Directors are of the view that placing of new Shares may only raise funds in a relatively small amount and dilute the shareholding of the existing Shareholders which the existing Shareholders do not have right to participate in the development of the Group. Regarding debt financing, the Directors consider that favourable terms in relation to debt financing on a timely basis may not be achievable and it will result in additional interest burden, higher gearing ratio of the Group and the Group will be subject to repayment obligations. As mentioned in the “Business and financial performance of the Group”, the gearing ratio has been increasing from approximately 40.4% in 2017 to approximately 149.5% in 2019. Given the purpose of the fund-raising exercise as described in the section headed “Reasons for the Open Offer and the Use of Proceeds” in the Letter from the Board, we concur with the Directors that it would not be appropriate to raise fund through debt financing.

Pursuant to Rule 7.18 of the Listing Rules, a rights issue is an offer by way of rights to the existing Shareholders in proportion to their existing shareholding. Regarding rights issue, the Directors are of the view that rights issue will involve extra administrative work, time and cost for the trading arrangements in relation to the nil-paid rights sold in rights issue. As discussed with the management of the Group, we noted additional time and cost for the Company, primarily additional fee for other professional parties such as share registrar and legal advisers, estimated to be at least HK\$57,800, will be incurred in trading of the rights during the subscription period should the Company choose to raise fund by a rights issue when compared to the Open Offer. We also noted that the Company has approached independent securities brokers to act as underwriter and reviewed various correspondences made between the Company and the brokers in relation to negotiations made but none of them is willing to undertake a rights issue of such a scale given the thin trading volume of the Shares.

After considering the fund raising alternatives mentioned above and taking into account the pros and cons as well as costs of each of the alternatives, the fact that the placing commission for the Unsubscribed Arrangement will only be incurred if (i) there are any Unsubscribed Shares to be placed by the Placing Agent; and (ii) such Unsubscribed Shares are placed successfully, the Board is of the view that a rights issue would not be in the overall interest of the Company and the Shareholders and the Open Offer is more cost effective and efficient and beneficial to the Company and the Shareholders as a whole. With reference to the fund raising alternatives considered by the Board, we took into account that although placing of new Shares may raise a similar net proceed as the proposed Open Offer, the Open

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Offer allows all existing Shareholders being Qualifying Shareholders to have the opportunity to subscribe for the Shares without potentially diluting the shareholding of the existing Shareholders. In addition, having reviewed various correspondences made between the Company and the banks in relation to negotiations in debt financing, we noted the potential cost indicated by the respective interest rates proposed by each of the banks which range from HIBOR plus 2% per annum to prime rate per annum and the additional finance costs that would be incurred when compared to the Open Offer. Having reviewed the expense breakdown of the Company in the scenario of a rights issue, we noted the additional time and cost will be incurred in trading of the rights during the offer period should the Company choose to raise fund by a rights issue when compared to the Open Offer.

After taking into account the benefits and potential cost of each of the alternatives, we are of the view and concur with the view of the Directors that placing of new Shares would only be available to certain placees who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders. We are of the view and concur with the view of the management of the Company that the Open Offer allows the Group to reduce its gearing level and interest burden at a more cost effective and beneficial method and is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Open Offer

The Company proposes to raise up to approximately HK\$99.7 million under the Open Offer. The net proceeds from the Open Offer after deducting related expenses will be not more than approximately HK\$96.7 million at the Subscription Price of HK\$0.06 per Offer Share on the basis of two (2) Offer Shares for every one (1) existing Share held on the Record Date. The details are set out as follows:

Basis of the Open Offer	:	Two (2) Offer Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date
Subscription Price of the Offer Share	:	HK\$0.06 per Offer Share
Number of Shares in issue as at the Latest Practicable Date	:	831,221,677 Shares
Number of Offer Shares	:	Not more than 1,662,443,354 Offer Shares (assuming that the Open Offer is fully subscribed by the Qualifying Shareholders) and not less than 255,687,122 Offer Shares (assuming no acceptance by the Qualifying Shareholders, other than the Controlling Shareholders and the parties acting in concert with any of them, under the Open Offer, no placement of Undersubscribed Shares under the Undersubscribed Arrangement and the Clawback Mechanism having taken place) (in both cases assuming no Share will be issued or repurchased by the Company from the Latest Practicable Date up to and including the Record Date)
Aggregate nominal value of the Offer Shares	:	Not more than HK\$16,624,433.54 and not less than HK\$2,556,871.22

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Number of Shares in issue : Not more than 2,493,665,031 Shares (assuming no Share will immediately upon the be issued or repurchased by the Company from the Latest Open Offer Completion Practicable Date up to and including the Record Date and the provisionally allotted Offer Shares have been fully subscribed)

As at the Latest Practicable Date, the Company has no outstanding options, convertible securities or warrants which confer the rights to subscribe for the Shares.

The maximum number of Offer Shares to be issued pursuant to the terms of the Open Offer represent more than 100% of the existing issued share capital of the Company and more than 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of issue of the Offer Shares).

The Clawback Mechanism and the Unsubscribed Arrangement

Pursuant to Rule 7.23 of the Listing Rules, the Open Offer will be combined with the Unsubscribed Arrangement followed by the Clawback Mechanism, both of which will be in place in the event that the Open Offer is not fully subscribed. The number of Offer Shares to be issued is subject to the level of acceptance of the provisionally allotted Offer Shares by the existing Qualifying Shareholders and the number of Unsubscribed Shares to be taken up by the Placee(s) under the Unsubscribed Arrangement followed by the Clawback Mechanism.

In the event of full acceptance of the Offer Shares by the Qualifying Shareholders, the Unsubscribed Arrangement and the Clawback Mechanism will not take place.

The details of the Clawback Mechanism and the Unsubscribed Arrangement are set out below.

The Clawback Mechanism

In the event that the Open Offer is not fully subscribed and based on a maximum of 572,055,614 Offer Shares provisionally allotted to the Controlling Shareholders under the Open Offer, the shareholding interests in the Company held by the Controlling Shareholders will be increased from the existing 34.41% to a maximum of 61.12% (assuming no acceptance of any Offer Share by the Qualifying Shareholders (other than the Controlling Shareholders and the parties acting in concert with them) and no Unsubscribed Share is placed to any Placee pursuant to the Unsubscribed Arrangement), in which case the Offer Shares to be subscribed by the Controlling Shareholders will be subject to the Clawback Mechanism.

Pursuant to the Clawback Mechanism, the total number of Offer Shares to be subscribed by the Controlling Shareholders under Open Offer will be scaled down to a level such that the total number of Shares held by the Controlling Shareholders, upon the Open Offer Completion (after taking into account the level of acceptance of the Offer Shares by the Qualifying Shareholders and the number of Unsubscribed Shares successfully placed under the Unsubscribed Arrangement), shall be 49.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon the Open Offer Completion, provided that the Whitewash Waiver having been granted by the Executive prior to the Prospectus Posting Date and not having been revoked if granted.

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The Unsubscribed Arrangement

In the event that the Open Offer is not fully subscribed, the Unsubscribed Arrangement will take place followed by the Clawback Mechanism as the case may be.

In the event of undersubscription of the Open Offer, the Unsubscribed Shares will be placed by the Placing Agent, on a best effort basis, under the Unsubscribed Arrangement and the Clawback Mechanism will also take place. The total number of the Offer Shares to be allotted and issued pursuant to the Open Offer will depend on the number of Offer Shares being validly accepted by the Qualifying Shareholders, the number of the Unsubscribed Shares to be placed to the Placee(s) (if any) under the Unsubscribed Arrangement and the number of Offer Shares finally subscribed by the Controlling Shareholders upon the Clawback Mechanism having taken place.

If (i) there is no acceptance of the Offer Shares by the Qualifying Shareholders other than the Controlling Shareholders and the parties acting in concert with any of them; and (ii) a maximum number of 320,000,000 Unsubscribed Shares are successfully placed by the Placing Agent to the Placee(s) under the Unsubscribed Arrangement, the number of Offer Shares to be subscribed by the Controlling Shareholders will be all of the 572,055,614 Offer Shares provisionally allotted to the Controlling Shareholders, such that the total number of Shares held by the Controlling Shareholders upon the Open Offer Completion will be 858,083,421 Shares in total, representing approximately 49.78% of the total issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon the Open Offer Completion, and a maximum number of 892,687,122 Offer Shares (including 572,055,614 Offer Shares provisionally allotted to the Controlling Shareholders, 631,508 Offer Shares provisionally allotted to the parties acting in concert with any of the Controlling Shareholders and 320,000,000 Unsubscribed Shares placed to the Placee(s)) will be issued under the Open Offer.

If (i) there is no acceptance of the Offer Shares by the Qualifying Shareholders other than the Controlling Shareholders and the parties acting in concert with any of them; and (ii) no Unsubscribed Share is successfully placed under the Unsubscribed Arrangement, the number of Offer Shares to be subscribed by the Controlling Shareholders will be scaled down to 255,055,614 Offer Shares, such that the total number of Shares held by the Controlling Shareholders upon the Open Offer Completion will be 541,083,421 Shares in total, representing approximately 49.78% of the total issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon the Open Offer Completion.

Depending on the level of acceptance of the Offer Shares by the Qualifying Shareholders and/or the number of Unsubscribed Shares to be taken up by the Placee(s) under the Unsubscribed Arrangement, the Company will issue a maximum of 1,662,443,354 Offer Shares (assuming that the Open Offer is fully subscribed by the Qualifying Shareholders, in which case the Controlling Shareholders and the parties acting in concert with any of them will subscribe for 572,055,614 Offer Shares and 631,508 Offer Shares (or 572,687,122 Offer Shares on an aggregate basis) respectively, representing approximately 34.41% and 0.04% (or 34.45% on an aggregate basis) of the total of 1,662,443,354 Offer Shares) and a minimum of 255,687,122 Offer Shares (assuming that (i) no acceptance of the Offer Shares by the Qualifying Shareholders other than the Controlling Shareholders and parties acting in concert with any of them; (ii) no Unsubscribed Share is placed under the Unsubscribed Arrangement; and (iii) after the Clawback Mechanism having taken place, in which case the Controlling Shareholders and the parties acting in

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concert with them will subscribe for 255,055,614 Offer Shares and 631,508 Offer Shares (or 255,687,122 Offer Shares on an aggregate basis) respectively, representing approximately 99.75% and 0.25% (or 100% on an aggregate basis) of the total of 255,687,122 Offer Shares).

Mr Leung Siu Pong James, a Director and a party acting in concert with the Controlling Shareholder by virtue of his capacity as a Director, has indicated that he will accept all of the 501,900 Offer Shares provisionally allotted to him under the Open Offer (such 501,900 Offer Shares will not be subject to the Clawback Mechanism).

Save for the Undertakings and indication abovementioned, the Company has not received any other irrevocable commitments or indication to accept or reject the Offer Shares.

The Company has made an arrangement to dispose of any Unsubscribed Shares through the Placing Agent by offering such Unsubscribed Shares to the Placee(s) for the benefit of those Shareholders in compliance with Rule 7.26A(1)(b) of the Listing Rules (however, as the Placing Price is the same as the Subscription Price, it is expected that there will be no premium over the Subscription Price and no monetary benefits will be payable to Shareholders upon placing of the Unsubscribed Shares, if any). There will be no excess application arrangements in relation to the Open Offer as stipulated under Rule 7.26A(1)(a) of the Listing Rules.

We consider that the Unsubscribed Arrangements is a compensatory arrangement at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Open Offer. The placing of Unsubscribed Shares may be placed to independent placees under the Unsubscribed Arrangements which will expand the shareholders' base. As there will be no excess application arrangements in relation to the Open Offer as stipulated under Rule 7.26A(1)(a) of the Listing Rules, the Company has put in place the Unsubscribed Arrangement as required by Rule 7.26A(1)(b) of the Listing Rules. Given that the Unsubscribed Arrangements would (i) provide a distribution channel of the Unsubscribed Shares for the Company; (ii) broaden the shareholders' base of the Company; and (iii) although the placing arrangement will not offer any monetary benefits to the Qualifying Shareholders who do not take up any Offer Shares provisionally allotted to them and the Non-Qualifying Shareholders, (a) the placing arrangement facilitates the implementation of the Open Offer and will increase the amount of funds being raised if any Unsubscribed Shares are placed under the Placing, in which case it will benefit the Company and the Shareholders as a whole as the Open Offer will satisfy the funding needs of the Company; and (b) the placing arrangement also allows the Offer Shares to be placed to independent placees with proceeds accrued to the Company which could potentially increase the shareholder base of the Company. We are of the view that the Unsubscribed Arrangements are fair and reasonable, in the interest of the Company and the Shareholders as a whole, and are intended to protect the interests of the Independent Shareholders.

Non-underwritten basis

The Open Offer will proceed on a non-underwritten basis irrespective of the level of acceptances of the Open Offer and the Placing will be made by the Placing Agent on a best effort basis. In the event the Open Offer is not fully subscribed and/or the Unsubscribed Shares are not successfully placed by the Placing Agent under the Unsubscribed Arrangement, any Offer Shares not taken up by the Qualifying Shareholders will not be issued by the Company and the size of the Open Offer will be reduced accordingly.

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The Bermuda legal adviser of the Company has confirmed that there are no applicable statutory requirements under the laws of Bermuda regarding minimum subscription levels in respect of the Open Offer.

The Controlling Shareholders' obligation to make a general offer under the Takeovers Code may be triggered as a result of the acceptance by the Controlling Shareholders and/or the parties acting in concert with any of them of the Offer Shares provisionally allotted to them under the Open Offer when there is an undersubscription of the Open Offer. The Controlling Shareholders has applied to the Executive for the Whitewash Waiver. As disclosed in the paragraph headed "Conditions of the Open Offer" under the section headed "Proposed Open Offer" in the Letter from the Board, it is a condition of the Open Offer to have the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to the Controlling Shareholders.

To assess the fairness of the placing commission, we exhaustively conducted a search of recent non-underwritten placing of new shares (excluding H-shares) by companies listed on the Stock Exchange (the '**Placing Comparables**') announced from 27 March 2019, being approximately 12 months prior to the Last Trading Day, up to the Last Trading Day so as to reflect the general trend of placing transactions in the market and have identified a total of four Placing Comparables. We consider the Placing Comparables to be suitable and comparable for assessing the fairness and reasonableness of the placing commission because (i) the Placing Comparables involved the placing of shares of companies which is listed on the Main Board in Hong Kong; (ii) the Placing Comparables involved a fixed rate of placing commission; and (iii) the Placing Comparables were conducted within 12 months before the date of the Announcement, a period which we consider is reasonable and which reflects the latest market conditions of the Placing Agreement. We noted that the placing commissions of the Placing Comparables ranged from approximately 0.5% to 3%, with an average of approximately 2%. Accordingly, the placing commission under Placing Agreement of 1.0% is in line with the market practice. Having also considered that: (i) the placing commission under the Placing Agreement is lower than the average of placing commissions of the Placing Comparables; and (ii) the terms of the Unsubscribed Arrangements, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company, we consider the 1.0% placing commission to be fair and reasonable.

Having considered that the Open Offer will proceed on a non-underwritten basis and no underwritten commission will be payable by the Company, the absence of such cost of the Open Offer would be in the interests of the Company and the Independent Shareholders.

Subscription Price

The Subscription Price of the Offer Shares is HK\$0.06 per Offer Share, payable in full upon application of the relevant assured allotment of the Offer Shares. The Subscription Price represents:

- (i) a discount of approximately 32.58% to the closing price of HK\$0.089 per Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 27.71% to the average of the closing prices of approximately HK\$0.083 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

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- (iii) a discount of approximately 28.57% to the average of the closing prices of approximately HK\$0.084 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 14.29% to the theoretical ex-rights price of approximately HK\$0.070 per Share calculated based on the closing price of HK\$0.089 per Share as quoted on the Stock Exchange on the Last Trading Day and on the basis of two Offer Shares for one existing Share held on the Record Date;
- (v) a discount of approximately 11.76% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 21.35% represented by the theoretical diluted price of HK\$0.070 to the benchmarked price of HK\$0.089 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Date of HK\$0.089 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of HK\$0.083 per Share), and calculated on the basis that the Open Offer will be fully subscribed by the Qualifying Shareholders; and
- (vii) a discount of approximately 75% to the audited consolidated equity attributable to owners of the Company per Share of approximately HK\$0.24 (based on the latest published audited equity attributable to owners of the Company of HK\$199,238,000 as at 31 December 2019 and 831,221,677 Shares in issue as at the Latest Practicable Date).

As stated in the Letter from the Board, the Subscription Price was determined on an arm's length basis by the Company with references to, among other things, the prevailing market price of the Shares, the financial market conditions and the financial position of the Group and having considered the reasons as detailed under the section headed "Reasons for the Open Offer and use of proceeds" in the Circular.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the closing prices and the trading liquidity of the Shares for the period from 28 March 2019, being the 12-month period prior to the date of the Announcement, up to and including the Last Trading Day ("**Review Period**"), being approximately one year prior to the date of the Announcement. We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Open Offer which may distort the analysis. The chart low illustrates the daily closing price of the Shares ("**Closing Price**") versus the Subscription Price of HK\$0.06 per Offer Share during the Review Period:

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	Total trading volume (Note 2)	Number of trading days	Average daily trading volume (Note 1)	Approximate % of average daily trading volume to total number of issued Shares (Note 3)	Approximate % of average daily trading volume to total number of Shares held by public Shareholders (Note 4)
2019					
March (commencing from 28 March 2019)	–	2	–	0.00%	0.00%
April	1,812,036	17	95,370	0.01%	0.02%
May	1,702,002	21	81,048	0.01%	0.01%
June	58,467,702	19	3,077,247	0.37%	0.56%
July	2,667,169	22	121,235	0.01%	0.02%
August	764,562	22	34,753	0.00%	0.01%
September	1,881,721	21	142,647	0.02%	0.03%
October	1,881,721	21	89,606	0.01%	0.02%
November	4,009,931	21	190,949	0.02%	0.04%
December	12,219,651	20	610,983	0.07%	0.11%
2020					
January	15,538,041	20	776,902	0.09%	0.14%
February	2,697,819	20	134,891	0.02%	0.02%
March (up to the Last Trading Day)	7,919,271	22	359,967	0.04%	0.07%

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

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Notes:

- (1) 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 in the Shares on the Stock Exchange was suspended for the whole trading day.
- (2) Total trading volume for the month/period is sourced from the website of the Stock Exchange.
- (3) The calculation is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period.
- (4) The calculation is calculated by dividing the average daily trading volume for the month/period by the total number of Shares held by public Shareholders in the relevant month/period.

As shown in the above chart, we note that the Closing Price shows a general downward trend throughout the Review Period. During the Review Period, the highest Closing Price was HK\$0.19 recorded on 3 June 2019 and the lowest HK\$0.077 recorded on 23 March 2020. The Subscription Price of HK\$0.06 represents a discount of approximately 68.42% to the highest Closing Price during the Review Period and a discount of approximately 22.08% to the lowest Closing Price during the Review Period. The average Closing Price of the Review Period was approximately HK\$0.119, which means the Subscription Price has a discount of approximately 49.70% over the average Closing Price during the Review Period.

In order to determine whether the Subscription Price at a discount would be attractive to the Qualifying Shareholders to participate in the Open Offer, we noted as shown in the table above, the highest average daily volume was approximately 3.1 million Shares in June 2019, representing approximately 0.37% of the total number of Shares as at Latest Practicable Date. We notice that the trading liquidity of the Shares were very thin during the Review Period, with all months less than 0.1% to the then total number of issued Shares as at the end of their respective month, except June 2019. With reference to the thin trading liquidity of the Shares during the Review Period and the basis of two Offer Shares for every existing share of the Open Offer, Qualifying Shareholders who select to take up in full the respective assured entitlements under the Open Offer would increase its number of Shares. We anticipate that the Qualifying Shareholders may have difficulties in selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Open Offer without exerting a downward pressure on the market price of the Shares. We are therefore of the view that the Subscription Price at a discount would provide greater opportunity for the Qualifying Shareholders to recoup the investment costs should they choose to realise them in due course. Therefore, the Subscription Price at a discount would be attractive to the Qualifying Shareholders to participate in the Open Offer.

Comparison to other open offers

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed open offers, but excluding the proposed open offers conducted during a reverse takeover exercise, by the companies listed on the Stock Exchange announced within approximately twenty-four months prior to the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. Based on our research, we have identified a total of five open offer comparables (the “**Comparables**”) during the Comparison Period.

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Among the five comparable companies we have identified, only one of the Comparables, namely Rich Goldman Holdings Limited (“**Rich Goldman**”), involved an application for whitewash waiver. We noted that the business activities of the Comparables may not be directly comparable to the business activities carried out by the Group. We also noted that the terms of the open offers announced by the Comparables may not be directly comparable to the terms of the Open Offer announced by the Group due to the differences in business activities and performances. Although the Comparables included open offers on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Comparables and the Company are listed on the Main Board of the Stock Exchange; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, theoretical ex-rights price and net asset value, and maximum dilution on the shareholding; (iii) a twenty-four months period for the selection of the Comparables has resulted in the generation of a reasonable sample size; (iv) the Comparables were included without any artificial selection or filtering on our part thus they represented a true and fair view of the recent market trends for open offers.

Table A

Date of announcement	Company (stock code)	Principal business	Basis of entitlement	Premium/(discount)	Premium/	Premium/	Maximum
				of the subscription price over/to the closing price on the Last Trading Day (Approximate %)	(discount) of the subscription price over/to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective open offer (Approximate %)		
24 May 2018	GR Properties Limited (108.hk)	Provision of property management services in the PRC; and property development and investment in the UK, the US and the PRC	1 for 2	-4.76%	-3.61%	11.11%	33.33%
27 June 2018	Grand Field Group Holdings Limited (115.hk)	Investment holding, property development, property investment and general trading	1 for 2	-33.70%	-25.60%	-89.93%	33.33%
29 June 2018	Mexan Limited (22.hk)	Hotel operations	1 for 2	-1.96%	-1.19%	-22.12%	33.33%
20 July 2018	Mayer Holdings Limited (1116.hk)	Processing and Manufacturing of steel sheets and steel pipes	4 for 1	-18.70%	-4.36%	-69.70%	80.00%

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Date of announcement	Company (stock code)	Principal business	Basis of entitlement	Premium/(discount)	Premium/(discount)	Premium/(discount)	Maximum dilution on the shareholding (Approximate %)
				of the subscription price over/to the closing price on the Last Trading Day (Approximate %)	per share on the last trading day prior to announcement in relation to the respective open offer (Approximate %)	of the subscription price over/to the consolidated NAV per share (Approximate %)	
18 October 2019	Rich Goldman Holdings Limited (70.hk)	Introducing customers to respective casino's VIP rooms through independent junket operators in Macau; money lending business; hotel operation business; and property leasing business	9 for 5	-28.57%	-12.50%	-93.02%	64.29%
	Maximum			-33.70%	-25.60%	-93.02%	80.00%
	Minimum			-1.96%	-1.19%	11.11%	33.33%
	Average			-17.54%	-9.45%	-52.73%	48.86%
	The Company		2 for 1	-32.58%	-14.29%	-75.00%	66.67%

Based on the above table, we noted that (i) the subscription prices to the closing price on the Last Trading Day prior to the announcement of the Comparables ranged from a discount of approximately 1.96% to a discount of approximately 33.70%, with an average discount of approximately 17.54%; (ii) the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective Comparables ranged from a discount of approximately 1.19% to a discount of approximately 25.60%, with an average discount of approximately 9.45%; and (iii) the subscription price to the consolidated net assets value per share ranged from a premium of approximately 11.11% to a discount of approximately 93.02%, with an average discount of approximately 52.73%. We noted that the Subscription Price is at a discount of approximately 32.58% to the closing price of the Shares as at the Last Trading Day and at a discount of approximately 14.29% to the theoretical ex-rights price per Share based on the closing price of the Shares on the Last Trading Day. The discounts are higher than the corresponding average discounts of the Comparables and it falls within the range of the Comparables. We also noted that the Subscription Price is at a discount of approximately 75.00% to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019 of approximately HK\$0.24, which is lower than the maximum discount range of the Comparables at approximately 93.02%. As discussed with the Directors, in setting the Subscription Price, the Directors are mindful of the fact that the Subscription Price represents a discount of approximately 75.00% to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019 of approximately HK\$0.24. However, given that the Company requires funding, the Directors consider this is unavoidable. In view of the current uncertainties and market sentiment in the financial market in Hong Kong, the deep discount to the net asset value was determined with a view to encouraging the Qualifying Shareholders to participate in the Open Offer and maintain their shareholdings in the Company and

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benefiting from the future growth of the Company and as a way to induce the places to enter into the Placing Agreement. Despite that a significant discount of approximately 75% to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019, we consider the significant discount to be acceptable as the closing prices per Share for all the trading days during the Review Period were below the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2019 of approximately HK\$0.24. The Open Offer will offer the Qualifying Shareholders an opportunity to subscribe for their Offer Shares to maintain their respective pro-rata shareholding interests in the Company at a deep discount as compared to the net asset value and historical and prevailing market price of the Offer Shares. In view of the above, we are of the view that the deep discount to the net asset value of approximately 75.00% is in the interests of the Company and the Shareholders as a whole.

As set out in Table A, we note that the maximum dilution on the shareholding of the Comparables ranged from approximately 33.33% to approximately 80.00%, with an average of approximately 48.86%. We note that the maximum dilution on the shareholding of the Open Offer is approximately 66.67%, which is slightly higher than the corresponding average maximum dilution on the shareholding of the Comparables but nonetheless falls within the range of the Comparables. Taking into consideration of the maximum dilution on the shareholding of the Open Offer falls within the range of the Comparables, we are of the view that the proposed offer basis is in the interest of the Company and the Shareholders as a whole and as far as the Independent Shareholders are concerned.

Given that Rich Goldman was the only one of the Comparables which involved an application for whitewash waiver, we have also separately compared Rich Goldman and the Company and noted that the subscription price of both companies was at discount to the closing price, the theoretical ex-rights price and consolidated net asset value, and the discounts under the Open Offer were slightly higher but not significantly higher than the corresponding discounts of Rich Goldman proposed open offer.

Taking into consideration that, (i) the Subscription Price of the Open Offer has a discount of 49.70% to the average Closing Price during the Review Period; (ii) the trading liquidity of the Shares were very thin during the Review Period and the Subscription Price at a discount may enhance the attractiveness of the Shares among the thin trading liquidity; (iii) the Subscription Price is within range of the Comparables, but higher than the average discount of the Comparables; (iv) a review period of approximately twenty-four months prior to the Announcement to be exhaustive for a representation of proposed open offers in the recent market; (v) the discounts of Rich Goldman and the Company, both of which involved an application for whitewash waiver, were close to each other; and (vi) the Directors are of the view that the discount of the Subscription Price to the recent market price of the Share is necessary to encourage the Qualifying Shareholders to participate the Open Offer under recent market uncertainties, we are of the view that the setting of the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Potential dilution effect on the interests of the Independent Shareholders

The table below depicts the possible shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon the Open Offer Completion (assuming there is no other change in the shareholding structure of the Company between the Latest Practicable Date and the Open Offer Completion) before and after the Unsubscribed Arrangement and the Clawback Mechanism:

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Before the Unsubscribed Arrangement and the Clawback Mechanism

Shareholders	As at the Latest Practicable Date		(i) Immediately upon the Open Offer Completion (assuming full acceptance by Qualifying Shareholders under the Open Offer)		(ii) Immediately upon the Open Offer Completion (assuming no acceptance by the Qualifying Shareholders (other than the Controlling Shareholders and the parties acting in concert with any of them) under the Open Offer)	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Controlling Shareholders <i>(Notes 1 & 2)</i>	286,027,807	34.41	858,083,421	34.41	858,083,421	61.12
The Director – Mr Leung Siu Pong James <i>(Note 3)</i>	250,950	0.03	752,850	0.03	752,850	0.05
Other parties acting in concert with the Controlling Shareholder <i>(Note 4)</i>	<u>64,804</u>	<u>0.01</u>	<u>194,412</u>	<u>0.01</u>	<u>194,412</u>	<u>0.02</u>
The Controlling Shareholders and parties acting in concert with any of them <i>(Notes 1 to 4)</i>	286,343,561	34.45	859,030,683	34.45	859,030,683	61.19
Public Shareholders	<u>544,878,116</u>	<u>65.55</u>	<u>1,634,634,348</u>	<u>65.55</u>	<u>544,878,116</u>	<u>38.81</u>
Total:	<u><u>831,221,677</u></u>	<u><u>100.00</u></u>	<u><u>2,493,665,031</u></u>	<u><u>100.00</u></u>	<u><u>1,403,908,799</u></u>	<u><u>100.00</u></u>

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After the Unsubscribed Arrangement and the Clawback Mechanism

Shareholders	As at the Latest Practicable Date		(iii) Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than the Controlling Shareholders and the parties acting in concert with any of them) under the Open Offer; and (b) the maximum number of 320,000,000 Unsubscribed Shares are fully placed under the Unsubscribed Arrangement		(iv) Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than the Controlling Shareholders and the parties acting in concert with any of them) under the Open Offer; (b) no Unsubscribed Share is placed under the Unsubscribed Arrangement; and (c) after the Clawback Mechanism having taken place	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Controlling Shareholders (Notes 1 & 2)	286,027,807	34.41	858,083,421	49.78	858,083,421	49.78
The Director – Mr Leung Siu Pong James (Note 3)	250,950	0.03	752,850	0.04	752,850	0.07
Other parties acting in concert with the Controlling Shareholder (Note 4)	64,804	0.01	194,412	0.01	194,412	0.02
The Controlling Shareholders and parties acting in concert with any of them (Notes 1 to 4)	286,343,561	34.45	859,030,683	49.83	542,030,683	49.87
Placee(s)	–	–	320,000,000 (Note 6)	18.56	–	–
Public Shareholders	544,878,116	65.55	544,878,116	31.61	544,878,116	50.13
Total:	831,221,677	100.00	1,723,908,799	100.00	1,086,908,799	100.00

Notes:

- The shareholding of the Controlling Shareholders includes the shareholding interests in the Company held by Cash Guardian as to 281,767,807 Shares and Dr Kwan Pak Hoo Bankee in his personal name as to 4,260,000 Shares.
- The total number of Offer Shares to be subscribed by the Controlling Shareholders under Open Offer will be scaled down to a level such that the total number of Shares held by the Controlling Shareholders, upon the Open Offer Completion, shall be 49.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. Accordingly, the Controlling Shareholders will subscribe for a maximum of 572,055,614 Offer Shares (under the above scenario (iii) in the above table) and a minimum of 255,055,614 Offer Shares (under the above scenario (iv) in the above table) provisionally allotted to them under the Open Offer.

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3. Mr Leung Siu Pong James, the Director, is a party acting in concert with the Controlling Shareholder by virtue of his capacity as the Director, has indicated that he will accept all of the 501,900 Offer Shares provisionally allotted to him under the Open Offer (such 501,900 Offer Shares will not be subject to the Clawback Mechanism).
4. The other parties acting in concert with the Controlling Shareholders (namely Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna) are the close relatives of Dr Kwan Pak Hoo Bankee, who have not indicated that they will accept the Offer Shares provisionally allotted to them or not. The above table is prepared assuming the close relatives will accept all of the 129,608 Offer Shares provisionally allotted to them under the Open Offer (such 129,608 Offer Shares will not be subject to the Clawback Mechanism).
5. As at the Latest Practicable Date, save as disclosed above, none of the Directors hold any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company.
6. The Shares will be held as to a total number of 320,000,000 Unsubscribed Shares (representing around 18.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon the Open Offer Completion) by the Place(s), if any, to be procured by the Placing Agent under the Unsubscribed Arrangement on a best effort basis and a total number of 544,878,116 Shares (representing around 31.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares upon the Open Offer Completion) by other public Shareholders. Depending on the number of the Unsubscribed Shares to be placed to the Placee(s), if any, pursuant to the Placing, it might be possible that any of the Placee(s) will become a substantial Shareholder of the Company (as defined under the Listing Rules) upon the Open Offer Completion.

Upon completion of the Open Offer, Qualifying Shareholders who elect to subscribe for their assured entitlements in full under the Open Offer will retain their current proportionate shareholding in the Company. Qualifying Shareholders who do not elect to subscribe for their assured entitlements in full under the Open Offer will be diluted after the Open Offer Completion.

In the case that none of the Qualifying Shareholders have taken up their respective entitlements under the Open Offer, the maximum dilution impact on shareholding interest of those public Shareholders who do not participate in the Open Offer will be approximately 51.78% based on the assumption that (a) no acceptance by the Qualifying Shareholders (other than the Controlling Shareholders and the parties acting in concert with any of them) under the Open Offer; and (b) the maximum number of 320,000,000 Unsubscribed Shares are fully placed under the Unsubscribed Arrangement, the shareholding of the public shareholders will be decreased from 65.55% as at the Latest Practicable Date to approximately 31.61% immediately upon the Open Offer Completion as shown in the above table in the section headed “Potential dilution effect on the interests of the Independent Shareholders” in the our letter. As discussed with the Directors, the potential dilution impact to the Shareholders who do not participate fully or partly in the Open Offer is justifiable after taking into account that (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer in that the Qualifying Shareholders have their choice of whether to accept the Open Offer or not; (ii) the Open Offer offers the Qualifying Shareholders a chance to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the prevailing market prices of the Shares; (iii) those Qualifying Shareholders who choose to accept the Open Offer in full can maintain their respective existing shareholding interests in the Company after the Open Offer; (iv) the inherent dilutive nature of open offers in general if the existing Shareholders do not subscribe in full for their assured entitlements; and (v) the Open Offer is expected to have an overall positive effect on the financial position of the Group in terms of working capital, except for the consolidated net asset value per Share, upon Open Offer Completion. In view of the above, we concur with the Directors and we are of the view that the dilution impact of the Open Offer is justifiable and is fair and reasonable.

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5. Financial effects of the Open offer

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets, before any adjustments, of the Group attributable to owners of the Company was approximately HK\$199.2 million as at 31 December 2019.

Net tangible assets

Assuming no other issue of Shares on or before the Record Date, (i) the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately HK\$96.7 million as at 31 December 2019 upon the Open Offer Completion; and (ii) the unaudited pro forma adjusted consolidated net tangible assets per Share would decrease from approximately HK\$0.14 to approximately HK\$0.085 as at 31 December 2019.

Liquidity

According to the 2019 Annual Report, as at 31 December 2019, the cash and cash equivalents of the Group was approximately HK\$206.9 million and the Group had current assets of approximately HK\$408.1 million, current liabilities of approximately HK\$668.8 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 31 December 2019 was approximately 0.61. Immediately upon completion of the Open Offer, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Open Offer of approximately HK\$96.7 million.

The current ratio of the Group will be decreased from approximately 0.93 to approximately 0.75. As such, the current ratio and the liquidity of the Group will be improved upon the completion of the Open Offer.

Gearing Ratio

According to the 2019 Annual Report, as at 31 December 2019, the gearing ratio of the Group (being the ratio of interest-bearing borrowings of the Group divided by the total equity) was approximately 149.5%. Upon the Open Offer Completion, the equity attributable to owners of Company would be enlarged by the expected net proceeds from the Open Offer of approximately HK\$96.7 million.

The gearing ratio of the Group will be improved from approximately 149.5% to approximately 95.4%. As such the gearing ratio of the Group is expected to improve upon the Open Offer Completion.

Although the unaudited pro forma adjusted consolidated net tangible assets value per Share will decrease, the Open Offer will improve (i) the liquidity position of the Group represented by current ratio; and (ii) the gearing ratio of the Group. Hence, we are of the view that the Open Offer are in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Open Offer and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in

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the future and may not be indicative of (i) the financial position of the Company as at 31 December 2019 or any future date; or (ii) the net tangible assets per Share of the Company as at 31 December 2019 or any future date.

6. Whitewash Waiver

As at the Latest Practicable Date, the Controlling Shareholders and parties acting in concert with any of them are the legal and beneficial owners of a total of 286,343,561 Shares, representing approximately 34.45% of the entire issued share capital of the Company. Assuming (i) there is no change of the number of issued Shares from the date of this letter up to and including the date of close of the Open Offer; and (ii) none of the Qualifying Shareholders other than the Controlling Shareholders and parties acting in concert with any of them have taken up their entitlements under the Open Offer, subject to the condition of the Undertakings that the total number of Offer Shares to be subscribed by the Controlling Shareholders under Open Offer will be scaled down to a level such that total number of Shares held by the Controlling Shareholders, upon the Open Offer Completion, shall be 49.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares, the shareholding interests in the Company held by the Controlling Shareholders and parties acting in concert with any of them upon the Open Offer Completion will increase from the current level of approximately 34.45% to a maximum of 49.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. The Controlling Shareholders and the parties acting in concert with any of them will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code.

An application has been made by the Controlling Shareholders to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the SGM. Save for the Controlling Shareholders and the parties acting in concert with any of them and those who are involved in and/or interested in the Open Offer and the Whitewash Waiver, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Whitewash Waiver at the SGM. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

Based on our analysis of the benefits and terms of the Open Offer in this letter, we consider that the Open Offer is in the interests of the Company and the Independent Shareholders. If the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Open Offer will not proceed and the Company will lose all the benefits that are expected to be brought by the Open Offer Completion, i.e. to improve the net current liabilities position of the Group and support the general working capital of the Group. Accordingly, we are of the view that for the purposes of implementing the Open Offer, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Independent Shareholders.

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C. RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Open Offer and the Whitewash Waiver including:

- (i) the proceeds from the Open Offer for partial repayments of borrowings in relation to the retail management business, being partial repayment of the outstanding loans may reduce the liabilities of the Group and the Directors believe the possibility of able to turnaround the net current liabilities of the Group as stated under section headed “Reasons for the Open Offer and use of proceeds” above in this letter;
- (ii) taking into account the benefits and cost of each of the alternatives, the Open Offer represents an appropriate means for fund raising to strengthen its balance sheet without facing the increasing interest expense and minimise the cost of fund raising as stated under the paragraph headed “Fund raising alternatives” above in this letter;
- (iii) the Qualifying Shareholders who intend to participate in the Open Offer might have difficulty to realise their investment after the Open Offer if the same trading pattern, that is thin trading liquidity, persists without exerting a downward pressure on the market price of the Shares, therefore investment cost of Shares is a relevant factor in assessing whether the Open Offer would be attractive to the Qualifying Shareholders, and the Subscription Price at a discount would be attractive to the Qualifying Shareholders to participate in the Open Offer as stated under the paragraph headed “Subscription Price” above in this letter;
- (iv) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier sections headed “Subscription Price” and “Comparison to other open offers” in this letter;
- (v) the Open Offer will proceed on a non-underwritten basis and no underwritten commission will be payable by the Company, lowering additional costs of the Open Offer; and
- (vi) Open Offer is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Offer Shares,

we are of the view that the terms of the Open Offer and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Open offer.

The Open Offer is conditional upon the approval of the Whitewash Waiver. If the Whitewash Waiver is not approved, the Open Offer will not proceed. Having taken into account our recommendation on the Open Offer above, we consider the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent

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Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to approve the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in and completed various advisory transactions involving companies listed in Hong Kong in respect of the Takeovers Code for over 10 years.

1. FINANCIAL INFORMATION

Details of the published financial information of the Group (including the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of change in equity and consolidated statement of cash flows) for each of the three years ended 31 December 2017, 2018 and 2019 were disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cash.com.hk).

- Annual report of the Company for the year ended 31 December 2017 (pages 74 to 168) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn20180426529.pdf>);
- Annual report of the Company for the year ended 31 December 2018 (pages 72 to 164) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292645.pdf>);
- Annual report of the Company for the year ended 31 December 2019 (pages 60 to 144) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042800928.pdf>).

During 2017, there was a deemed disposal while CFSG ceased as a subsidiary of the Group and became an associated company of the Group. Due to this deemed disposal of CFSG, the Group recorded a gain of approximately HK\$262.6 million. Impairment loss recognised on interests in CFSG amounted to HK\$125.8 million, HK\$65.0 million and HK\$20.6 million were recorded for the three years ended 31 December 2017, 2018 and 2019 respectively. The Company's auditor, Deloitte Touche Tohmatsu, has not issued any qualified opinion on the Group's financial statements for the three years ended 31 December 2017, 2018 and 2019 respectively.

The Company did not declare any dividend for each of the year ended 31 December 2017, 2018 and 2019.

The following is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019, as extracted from the relevant annual reports of the Company respectively:

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Revenue	1,333,041	1,420,264	1,387,769
Cost of inventories	(748,200)	(824,943)	(791,369)
Other income	10,503	13,177	12,983
Other gains and losses	14,459	15,490	8,953
Salaries allowances and related benefits	(243,648)	(248,330)	(207,401)
Other operating, administrative and selling expenses	(403,573)	(418,454)	(219,927)
Depreciation of property and equipment	(22,841)	(26,190)	(22,644)
Depreciation of right-of-use assets	–	–	(167,232)
Impairment loss recognised	–	(8,537)	(5,788)
Finance costs	(7,085)	(9,666)	(26,680)
Loss before loss arising from associates and taxation	(67,344)	(87,189)	(31,336)
Share of loss of associates	(2,938)	(48,459)	(40,819)
Impairment loss recognised on interests in an associate	(125,760)	(64,966)	(20,565)
Loss before taxation	(196,042)	(200,614)	(92,720)
Income tax expense	(3,715)	(4,325)	(7,632)
Loss for the year	(199,757)	(204,939)	(100,352)
Discontinued operation			
Profit for the year from discontinued operation	223,645	–	–
Profit (loss) for the year	23,888	(204,939)	(100,352)

	Year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (expense) income for the year, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(941)	1,598	(506)
Reclassification of translation reserve upon loss of control of a subsidiary	552	–	–
Share of other comprehensive income (expense) of an associate	<u>276</u>	<u>94</u>	<u>(844)</u>
	<u>(113)</u>	<u>1,692</u>	<u>(1,350)</u>
Total comprehensive income (expense) for the year	<u><u>23,775</u></u>	<u><u>(203,247)</u></u>	<u><u>(101,702)</u></u>
Profit (loss) for the year attributable to:			
Owners of the Company	45,482	(202,415)	(99,392)
Non-controlling interests	<u>(21,594)</u>	<u>(2,524)</u>	<u>(960)</u>
	<u><u>23,888</u></u>	<u><u>(204,939)</u></u>	<u><u>(100,352)</u></u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company	45,369	(200,723)	(100,742)
Non-controlling interests	<u>(21,594)</u>	<u>(2,524)</u>	<u>(960)</u>
	<u><u>23,775</u></u>	<u><u>(203,247)</u></u>	<u><u>(101,702)</u></u>
Earnings (loss) per share			
Basic (HK cents)	5.47	(24.35)	(11.96)
Diluted (HK cents)	<u>5.47</u>	<u>(24.35)</u>	<u>(11.96)</u>

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the Company's auditor's reports for the financial year ended 31 December 2017, 2018 and 2019.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

Bank and other borrowings

The Group had total outstanding borrowings of approximately HK\$274.2 million, comprising of (i) secured and guaranteed bank borrowings of approximately HK\$73.8 million; (ii) secured and guaranteed trust receipt loans of approximately HK\$42.3 million; (iii) unsecured and guaranteed bank borrowings of approximately HK\$2.9 million; (iv) unsecured and guaranteed trust receipt loans of approximately HK\$104.5 million; and (v) unsecured and unguaranteed other borrowings of approximately HK\$50.7 million. The aforesaid guarantees were granted by the Company and/or its subsidiary.

Pledge of assets

Trust receipts loan in aggregate of approximately HK\$42.3 million and bank borrowings of approximately HK\$73.8 million were secured by pledged bank deposits of the Group.

As at 31 March 2020, bank deposits of the Group of approximately HK\$6.8 million were pledged to a bank for facilities which have not been drawn.

Lease obligations

As at 31 March 2020, the Group had outstanding lease payments in respect of motor vehicle, office premises, warehouses and retail shops of approximately HK\$357.6 million, which were unguaranteed and secured by motor vehicle of the Group or rental deposits paid by the Group.

Contingent liabilities

As at 31 March 2020, the Group had no litigations/claims of material importance as stated in the paragraph headed "Litigation" in Appendix III to this circular. Accordingly, the Group had no contingent liabilities as at 31 March 2020.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases commitments, other recognised lease liabilities, guarantees or contingent liabilities, at the close of business on 31 March 2020.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Group since 31 March 2020.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources, including banking facilities and other borrowings available to the Group and its internally generated funds, and the net proceeds from the Open Offer, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of publication of this circular.

4. MATERIAL CHANGES

Since early 2020, the outbreak of Novel Coronavirus disease (“COVID-19”) in mainland China has spread across the PRC and other countries. A series of precautionary and control measures have been implemented globally. The supply chain of furniture products for retail management business has been affected by the temporarily delayed resumption of factory production after the Chinese New Year holiday, which caused a temporary shortage of furniture available to customers. Combining with the effect of drop of customer flow rate in retail stores, the Group recorded a drop in revenue of furniture products.

As the situation remains fluid as at the Latest Practicable Date, the Directors considered that the financial effects of the COVID-19 on the Group’s consolidated financial statements cannot be reasonably estimated. Nevertheless, the management will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group. The actual financial effects, if any, will be reflected in the Group’s future financial statements.

The Directors has confirmed that, at the Latest Practicable Date, save and except as disclosed above, there was no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (“Unaudited Pro Forma Financial Information”) has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Open Offer on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Open Offer had taken place on 31 December 2019.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019, as extracted from the published annual report of the Company for the year ended 31 December 2019, and is adjusted for the effect of the Open Offer as if the Open Offer had taken place on 31 December 2019.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 or at any future dates immediately after the completion of the Open Offer.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Open Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Open Offer as at 31 December 2019 <i>HK\$'000</i> <i>(Note 3)</i>
Based on minimum number of 255,687,122 Offer Shares to be issued	<u>116,335</u>	<u>12,341</u>	<u>128,676</u>
Based on 892,687,122 Offer Shares to be issued	<u>116,335</u>	<u>50,561</u>	<u>166,896</u>
Based on maximum number of 1,662,443,354 Offer Shares to be issued	<u>116,335</u>	<u>96,747</u>	<u>213,082</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

HK\$

Audited consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 31 December 2019 before the completion of the Open Offer (<i>Note 4</i>)	<u><u>0.140</u></u>
Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company immediately after completion of the Open Offer (<i>Note 5</i>)	
Based on 255,687,122 Offer Shares to be issued	<u><u>0.118</u></u>
Based on 892,687,122 Offer Shares to be issued	<u><u>0.097</u></u>
Based on 1,662,443,354 Offer Shares to be issued	<u><u>0.085</u></u>

Notes:

- (1) The amount of approximately HK\$116,335,000 is determined based on the audited consolidated net assets of the Group attributable to owners of the Company of HK\$199,238,000 as at 31 December 2019, with adjustments to exclude goodwill and intangible assets of approximately HK\$39,443,000 and HK\$43,460,000 respectively as at 31 December 2019, extracted from the audited condensed consolidated statement of financial position of the Group as at 31 December 2019 included in the annual report of the Company for the year ended 31 December 2019 published on 29 April 2020.
- (2) The Controlling Shareholders, as at the date of this circular, are interested in an aggregate of 286,027,807 Shares and the Controlling Shareholders have undertaken to accept up to the maximum of 286,027,807 Offer Shares. The total number of Offer Shares to be subscribed by the Controlling Shareholders will be scaled down to a level such that total number of Shares held by the Controlling Shareholders shall not be more than 49.78% of the enlarged issued share capital of the Company upon the completion of the Open Offer. The Controlling Shareholders, together with the parties acting in concert with any of them, will subscribe for a minimum of 255,687,122 Offer Shares.

The estimated net proceeds from the Open Offer of approximately HK\$12,341,000 are based on 255,687,122 Offer Shares to be issued, assuming only the Controlling Shareholders together with the parties acting in concert with any of them take up the Offer Shares at the Subscription Price of HK\$0.06 per Offer Share, and after deduction of the estimated related expenses, including among others, financial advisory fee and other professional fees, which are directly attributable to the Open Offer, of approximately HK\$3,000,000, without taking into account of any Shares which may be issued pursuant to the share option scheme or general mandate, or any Shares which may be repurchased pursuant to the general mandate.

The estimated net proceeds from the Open Offer of approximately HK\$50,561,000 are based on 892,687,122 Offer Shares to be issued, assuming only the Controlling Shareholders and the parties acting in concert with any of them take up the Offer Shares pursuant to the Open Offer and maximum number of 320,000,000 Unsubscribed Shares are fully placed under the Unsubscribed Arrangement, at the Subscription Price of HK\$0.06 per Offer Share and after deduction of the estimated related expenses, including among others, financial advisory fee and other professional fees, which are directly attributable to the Open Offer, of approximately HK\$3,000,000, without taking into account of any Shares which may be issued pursuant to the share option scheme or general mandate, or any Shares which may be repurchased pursuant to the general mandate.

The estimated net proceeds from the Open Offer of approximately HK\$96,747,000 are based on 1,662,443,354 Offer Shares to be issued, assuming the Offer Shares are fully subscribed, at the Subscription Price of HK\$0.06 per Offer Share and after deduction of the estimated related expenses, including among others, financial advisory fee and other professional fees, which are directly attributable to the Open Offer, of approximately HK\$3,000,000, without taking into account of any Shares which may be issued pursuant to the share option scheme or general mandate, or any Shares which may be repurchased pursuant to the general mandate.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Open Offer represents the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 plus the estimated net proceeds from the Open Offer as set out in Note 2 above.
- (4) The calculation of the audited consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 31 December 2019 before the completion of the Open Offer is based on the audited consolidated net tangible assets of the HK\$116,335,000 as set out in Note 1 above divided by 831,221,677 Shares as at 31 December 2019.
- (5) Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 31 December 2019 immediately after completion of the Open Offer is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Open Offer of approximately HK\$128,676,000, HK\$166,896,000 or HK\$213,082,000 set out in Note 3 above, divided by 1,086,908,799 Shares, 1,723,908,799 Shares or 2,493,665,031 Shares which represents:
- (i) 831,221,677 Shares in issue as at 31 December 2019; and
 - (ii) 255,687,122 Offer Shares to be issued, assuming only the Controlling Shareholders and the parties acting in concert with any of them take up the Offer Shares pursuant to the Open Offer, no Unsubscribed Share is placed under the Unsubscribed Arrangement and after the Clawback Mechanism having taken place; 892,687,122 Offer Shares to be issued, assuming only the Controlling Shareholders and the parties acting in concert with any of them take up the Offer Shares pursuant to the Open Offer and maximum number of 320,000,000 Unsubscribed Shares are fully placed under the Unsubscribed Arrangement; or 1,662,443,354 Offer Shares to be issued, assuming the Offer Shares are fully subscribed pursuant to the Open Offer, without taking into account of any shares which may be issued pursuant to the share option scheme or general mandate, or any shares which may be repurchased pursuant to the general mandate.
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2019.

The following is the text of the independent reporting accountants' assurance report, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Unaudited Pro Forma Financial Information of the Group, prepared for the purpose of inclusion in this circular.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Celestial Asia Securities Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Celestial Asia Securities Holdings Limited (“Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (“Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 and related notes as set out on pages II-1 to II-3 of Appendix II to the circular issued by the Company dated 8 May 2020 (“Circular”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed open offer on the basis of two Offer Shares (as defined in the Circular) for one existing share held on Record Date (as defined in the Circular) (“Open Offer”) at a subscription price of HK\$0.06 per Open Offer Share on the Group’s financial position as at 31 December 2019 as if the proposed Open Offer had taken place at 31 December 2019. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 December 2019, on which an independent auditor’s report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information of the Group has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 May 2020

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to Cash Guardian and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

The sole director of Cash Guardian and the ultimate beneficial owner of Cash Guardian, namely Dr Kwan Pak Hoo Bankee, accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Open Offer Completion (assuming no further issue of Shares from the Latest Practicable Date up to the Open Offer Completion) was and will be as follows:

As at the Latest Practicable Date

	<i>HK\$</i>
<i>Authorised:</i>	
<u>3,000,000,000</u> Shares of HK\$0.01 each	<u>30,000,000.00</u>
<i>Issued and fully paid:</i>	
<u>831,221,677</u> Shares of HK\$0.01 each	<u>8,312,216.77</u>

Immediately following the Open Offer Completion

		<i>HK\$</i>
<i>Authorised:</i>		
<u>3,000,000,000</u>	Shares of HK\$0.01 each	<u>30,000,000.00</u>

		<i>HK\$</i>
<i>Maximum number of Offer Shares to be issued:</i>		
<u>1,662,443,354</u>	Shares of HK\$0.01 each	<u>16,624,433.54</u>

<i>Issued and fully paid:</i>		
<u>831,221,677</u>	Shares of HK\$0.01 each	<u>8,312,216.77</u>

<i>Maximum number of Shares in issue immediately upon the Open Offer Completion:</i>		
<u>2,493,665,031</u>	Shares of HK\$0.01 each	<u>24,936,650.31</u>

All of the Offer Shares to be issued will rank *pari passu* in all respects with all the Shares in issue as at the date of allotment and issue of the Offer Shares including rights to dividends, voting and return of capital. The Offer Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had no outstanding options, convertible securities, warrants or derivatives in issue which confer any right to subscribe for, convert or exchange into Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

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

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

The number of Shares in issue as at 31 December 2019, being the date to which the latest audited financial statements of the Company were made up, was 831,221,677. No Shares had been issued since 31 December 2019 until the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the last Business Day immediately preceding the date of the Announcement; and (iii) the Latest Practicable Date:

Date	Closing price of Shares (HK\$)
30 September 2019	0.112
31 October 2019	0.119
29 November 2019	0.105
31 December 2019	0.100
31 January 2020	0.099
28 February 2020	0.090
26 March 2020 (last Business Day immediately preceding the date of the Announcement)	0.093
31 March 2020	0.065
29 April 2020	0.068
5 May 2020 (Latest Practicable Date)	0.068

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.128 on 1 November 2019 and 4 November 2019 and HK\$0.063 on 1 April 2020 respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests of the Directors and chief executive in the Shares or securities of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) required to be disclosed under the Takeovers Code:

A. The Company

Long positions in the ordinary Shares of HK\$0.01 each

Name of Director	Capacity/nature of interest	Number of Shares interested		Approximate percentage of the existing issued share capital of the Company (%)
		Personal	Corporate interest	
Kwan Pak Hoo Bankee	Beneficial owner and interested in a controlled corporation	4,260,000	281,767,807*	34.41
Leung Siu Pong James	Beneficial owner	250,950	–	0.03

* The Shares were held by Cash Guardian (which was 100% beneficially owned by Dr Kwan Pak Hoo Bankee). Dr Kwan Pak Hoo Bankee was deemed to be interested in all these Shares as a result of his interests in Cash Guardian as disclosed in item (c) below.

B. Associated corporation (within the meaning of SFO)*CFSG*

- (i) Long positions in the ordinary shares of HK\$0.02 each

Name of Director	Capacity/nature of interest	Number of shares interested	Corporate interest	Approximate percentage of the existing issued share capital of CFSG (%)
Kwan Pak Hoo Bankee	Interest in a controlled corporation	1,667,821,069*		33.65

* *The shares were held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company). The Company was beneficially owned as to approximately 34.41% by Dr Kwan Pak Hoo Bankee, details of which were disclosed in the item (c) below. Pursuant to the SFO, Dr Kwan Pak Hoo Bankee was deemed to be interested in all the shares held by CIGL in CFSG.*

- (ii) Long positions in the underlying shares

Name of Director	Date of grant	Exercise period	HK\$	Number of options held as at the Latest Practicable Date	Percentage to issued shares as at the Latest Practicable Date (%)
Kwan Pak Hoo Bankee	31/8/2017	1/1/2018 – 31/12/2020	0.253	49,000,000	0.98
	29/3/2019	1/5/2019 – 30/4/2022	0.071	48,000,000	0.96
	29/4/2020	1/5/2020 – 30/4/2022	0.024	49,500,000	1.00
Leung Siu Pong James	29/4/2020	1/5/2020 – 30/4/2022	0.024	49,500,000	1.00
Kwan Teng Hin Jeffrey	31/8/2017	1/1/2018 – 31/12/2020	0.253	24,000,000	0.48
	29/3/2019	1/5/2019 – 30/4/2022	0.071	48,000,000	0.96
	29/4/2020	1/5/2020 – 30/4/2022	0.024	49,500,000	1.00
Ng Hin Sing Derek	29/4/2020	1/5/2020 – 30/4/2022	0.024	49,500,000	1.00

As at the Latest Practicable Date,

- (i) Pursuant to the Undertakings given by the Controlling Shareholders, details of which as set out in the section headed “Undertakings by the Controlling Shareholders”, the Controlling Shareholders has undertaken to accept the Offer Shares, in respect of their own beneficial shareholdings in the Company; and
- (ii) Mr Leung Siu Pong James, being executive Director, intended to accept the Offer Shares, in respect of his own beneficial shareholdings in the Company.

(b) Dealings of Directors and chief executive in the Shares or securities of the Company

There were no dealings of Shares by the Directors during the Relevant Period.

(c) Interests of the substantial Shareholders in the Shares or securities of the Company

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the persons/companies (other than the Directors or chief executive of the Company) who had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares (i) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Capacity/nature of interest	Number of Shares interested	Approximate percentage of the existing issued share capital of the Company (%)
Hobart Assets Limited (Notes (1) and (2))	Interest in a controlled corporation	281,767,807	33.89
Cash Guardian (Notes (1) and (2))	Interest in a controlled corporation	281,767,807	33.89
Mr Wang Shui Ming (Note (3))	Beneficial owner, interest in a controlled corporation and other interest	77,404,926	9.31

Notes:

- (1) This refers to the same number of Shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan Pak Hoo Bankee. Pursuant to the SFO, Dr Kwan Pak Hoo Bankee and Hobart Assets Limited were deemed to be interested in the Shares held by Cash Guardian.
- (2) Dr Kwan Pak Hoo Bankee (a Director whose interests is not shown in the above table) was interested and/or deemed be interested in a total of 286,027,807 Shares (34.41%), which were held as to 281,767,807 Shares by Cash Guardian and as to 4,260,000 Shares in his personal name. Detail of his interest is set out in item 4(a) above.
- (3) The Shares were held as to 19,631,226 in his personal name, as to 42,114,150 held by Mingtak Holdings Limited (a 100%-owned controlled corporation of Mr Wang Shui Ming), and 15,659,550 held by him as nominee under a power of attorney. Pursuant to the SFO, Mr Wang Shui Ming was deemed to be interested in all these Shares. Mr Wang Shui Ming is not a party acting in concert with the Controlling Shareholders under the Takeovers Code and was not involved in the negotiation of the Open offer and Whitewash Waiver.

(d) Interests in Cash Guardian

As at the Latest Practicable Date, save as Dr Kwan Pak Hoo Bankee's 100%-owned beneficial interest in Cash Guardian as disclosed in the above paragraph headed "4(a) Interests of the Directors and chief executive in the Shares or securities of the Company" in this Appendix:

- (i) none of the Company or any of the Directors was interested in any shares, convertible securities, warrants, options or derivatives in respect of the shares of Cash Guardian; and
- (ii) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any convertible securities, warrants, options or derivatives in respect of the shares of Cash Guardian during the Relevant Period.

(e) Dealings and interest of the Controlling Shareholders and parties acting in concert with any of them in the Shares or securities of the Company

As at the Latest Practicable Date, neither the Controlling Shareholders nor any parties acting in concert with any of them:

- (a) save for the Shares as set out in the above paragraph headed "4(a) Interests of the Directors and chief executive in the Shares or securities of the Company" in this Appendix, owns, controls or has direction over any Shares and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) has received any irrevocable commitment to vote for or against the Open Offer and/or the Whitewash Waiver;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) save for the Undertakings given by the Controlling Shareholders, details of which as set out in the paragraph headed "Undertakings by the Controlling Shareholders" in the Letter from the Board in this circular, has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Open Offer and/or the Whitewash Waiver, with any other persons;
- (e) save that the Open Offer is conditional upon obtaining of the Whitewash Waiver by the Controlling Shareholders as set out in the paragraph headed "Undertakings by the Controlling Shareholders" in the Letter from the Board in this circular, has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer and/or the Whitewash Waiver;

- (f) has any understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) the Controlling Shareholders and the parties acting in concert with any of them on one hand and any Shareholder or the Company, its subsidiaries or associated companies on the other hand; or (ii) the Company, its subsidiaries or associated companies on one hand and any Shareholder on the other hand;
- (g) has any agreement, arrangement or understanding (including any compensation arrangement) exists with any of the directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Open Offer and/or the Whitewash Waiver;
- (h) has dealt in any securities of the Company (excluding then outstanding options previously granted by the Company which became lapsed and expired upon the end of the exercise period thereto on 31 December 2019) during the Relevant Period; or
- (i) has entered into any derivative in respect of the securities in the Company which are outstanding.

5. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

- (a) Save as disclosed in the paragraph headed “4. DISCLOSURE OF INTERESTS” in this Appendix, during the Relevant Period, none of the Directors had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company (excluding then outstanding options previously granted by the Company which became lapsed and expired upon the end of the exercise period thereto on 31 December 2019).
- (b) During the Relevant Period,
 - (i) none of the subsidiaries of the Company, pension funds of the Company or 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 who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
 - (ii) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

- (iii) none of the Company nor any Directors had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company, save for any borrowed shares which have been either on-lent or sold.

6. OTHER ARRANGEMENTS RELATING TO THE OPEN OFFER

As at the Latest Practicable Date, save for the Undertakings given by the Controlling Shareholders, details of which as set out in the paragraph headed “Undertakings by the Controlling Shareholders” in the Letter from the Board in this circular, there was no 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” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate”, and any other person.

7. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Open Offer and the Whitewash Waiver;
- (b) save that the Open Offer is conditional upon obtaining of the Whitewash Waiver by the Controlling Shareholders as set out in the paragraph headed “Undertakings by the Controlling Shareholders” in the Letter from the Board in this circular, there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Open Offer and the Whitewash Waiver or otherwise connected with the Open Offer and the Whitewash Waiver; and
- (c) save for the Undertakings given by the Controlling Shareholders, details of which as set out in the section headed “Undertakings by the Controlling Shareholders” in the Letter from the Board in this circular, there was no material contract entered into by Cash Guardian in which any Director had a material personal interest.

8. SERVICE CONTRACTS OF DIRECTORS

Mr Ng Hin Sing Derek, an executive Director, has entered into a service agreement with the Company for a term of two years with effect from 5 August 2013 and shall be terminated by three months’ prior notice in writing served by either party on the other. The service agreement would be renewable automatically for successive terms of two years upon expiry of the then current term of the appointment. The service agreement has since been renewed three times. Mr Ng is subject to the retirement by rotation and re-election pursuant to the bye-laws of the Company. He is currently entitled to receive a monthly salary of HK\$30,000 and is subject to payment of variable pay as may be determined by, and at the discretion of, the Board from time to time.

Mr Ng Hin Sing Derek, an executive director of CFSG (being the associated company of the Company), has entered into a service agreement with the Company for a term of three years with effect from 27 March 2020 and shall be terminated by three months' prior notice in writing served by either party on the other. The service agreement would be renewable automatically for successive terms of three years upon expiry of the then current term of the appointment. Mr Ng is subject to the retirement by rotation and re-election pursuant to the bye-laws of CFSG. He is currently entitled to receive a monthly salary of HK\$50,000 and is subject to payment of variable pay as may be determined by, and at the discretion of, the Board from time to time.

Mr Leung Siu Pong James, an executive Director, has entered into a service agreement with the Company for a term of three years with effect from 2 September 2019 and shall be terminated by three months' prior notice in writing served by either party on the other. The service agreement would be renewable automatically for successive terms of three years upon expiry of the current term of the appointment. Mr Leung is subject to the retirement by rotation and re-election pursuant to the bye-laws of the Company. He is currently entitled to receive a monthly salary of HK\$30,000 and is subject to payment of variable pay as may be determined by, and at the discretion of, the Board from time to time.

Mr Kwan Teng Hin Jeffrey, an executive Director, has entered into a service agreement with the Company for a term of three years with effect from 2 September 2019 and shall be terminated by three months' prior notice in writing served by either party on the other. The service agreement would be renewable automatically for successive terms of three years upon expiry of the current term of the appointment. Mr Kwan is subject to the retirement by rotation and re-election pursuant to the bye-laws of the Company. He is currently entitled to receive a monthly salary of HK\$30,000 and is subject to payment of variable pay as may be determined by, and at the discretion of, the Board from time to time.

Mr Kwan Teng Hin Jeffrey, an executive director of CFSG (being the associated company of the Company), has entered into a service agreement with the Company for a term of two years with effect from 12 June 2017 and shall be terminated by three months' prior notice in writing served by either party on the other. The service agreement would be renewable automatically for successive terms of two years upon expiry of the current term of the appointment. The service agreement has since been renewed once. Mr Kwan is subject to the retirement by rotation and re-election pursuant to the bye-laws of CFSG. He is currently entitled to receive a monthly salary of HK\$50,000 and is subject to payment of variable pay as may be determined by, and at the discretion of, the board from time to time.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies in force which:

- (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the offer period;
- (b) are continuous contracts with a notice period of 12 months or more;
- (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or
- (d) is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

9. LITIGATION

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

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER

Registered office of the Company	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Principal share registrar and transfer office	Conyers Corporate Services (Bermuda) Limited 2 Church Street Hamilton HM 11 Bermuda
Branch share registrar and transfer office in Hong Kong	Tricor Standard Limited 54/F Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Kwan Pak Hoo Bankee <i>Luke Wing Sheung Suzanne, a fellow of the Institute of Chartered Secretaries and Administrators</i> The addresses of Dr Kwan and Ms Luke are 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.
Company secretary	<i>Luke Wing Sheung Suzanne, a fellow of the Institute of Chartered Secretaries and Administrators</i>
Audit committee	Leung Ka Kui Johnny <i>(chairman of the audit committee)</i> Wong Chuk Yan Chan Hak Sin

Remuneration committee	Leung Ka Kui Johnny <i>(chairman of the remuneration committee)</i> Wong Chuk Yan Kwan Pak Hoo Bankee
Auditors	Deloitte Touche Tohmatsu <i>Registered Public Interest Entity Auditors</i> 35/F One Pacific Place 88 Queensway Hong Kong
Independent Financial Adviser	Vinco Capital Limited Unit 2610, 26/F The Center 99 Queen's Road Central Hong Kong
Financial Adviser to the Controlling Shareholders	Celestial Capital Limited 22/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Principal bankers	Bank of Communications Co. Ltd., Hong Kong Branch 16/F, Lee Garden Five 18 Hysan Avenue Causeway Bay Hong Kong Chong Hing Bank Limited Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong CTBC Bank Co. Ltd. 28/F, Two International Finance Centre 8 Finance Street Central Hong Kong Fubon Bank (Hong Kong) Ltd. 2/F, Fubon Bank Building 38 Des Voeux Road Central Hong Kong

Nanyang Commercial Bank, Limited
151 Des Voeux Road Central
Hong Kong

OCBC Wing Hang Bank, Limited
161 Queen's Road Central
Hong Kong

Shanghai Commercial Bank Limited
Shanghai Commercial Bank Tower
12 Queen's Road Central
Hong Kong

The Hong Kong and Shanghai Banking
Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Legal advisors (as to Hong Kong law)

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Legal advisors (as to Bermuda law)

Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

11. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Name	Address
<i>Executive Directors</i>	
Dr KWAN Pak Hoo Bankee (Chairman and CEO)	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Mr LEUNG Siu Pong James (Executive Director)	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Mr KWAN Teng Hin Jeffrey (Executive Director)	22/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Mr NG Hin Sing Derek (Executive Director)	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
<i>Independent Non-executive Directors</i>	
Mr LEUNG Ka Kui Johnny	16/F, The Chinese Bank Building 61 Des Voeux Road Central Hong Kong
Mr WONG Chuk Yan	1-11 Burkebrook Place East York Ontario Canada M4G 0A4
Dr CHAN Hak Sin	Department of Marketing and Management The Hang Seng University of Hong Kong Shatin New Territories Hong Kong
<i>Senior Management</i>	
Mr LI Shing Wai Lewis	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong

Mr CHEUNG Wai Lim William	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Ms LUKE Wing Sheung Suzanne	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Mr LEUNG Wai Kwong Rico	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Mr TAM Ting Pong Boris	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Mr CHAN Chong Yip Stephen	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Mr CHIU Sin Fai Nelson	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Ms HUNG Yee Sin Bonnie	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Ms WON Chui Yee Deon	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Ms YEUNG Wai Tsz Katy	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong
Ms LAW Chiu Mei Carrie	28/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within two years preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

- (a) the letter agreement dated 30 April 2019 entered into between Yau Fook Hong Company Limited, The World Realty Limited, Macfarlane Estates Limited, Sublime Finance & Investments Limited and Fung Cheung Realty Limited as the landlords and Pricerite Home Limited (an over 90%-owned subsidiary of the Company) as the tenant in relation to extension of tenancy for the premises at Hilton Plaza, Shatin for 13 months commencing from 1 March 2019 and expiring on 31 March 2020 (both days inclusive) at an aggregate value of consideration of approximately HK\$9,354,000 for use as retail store of the Group;
- (b) the new lease dated 23 May 2019 entered into between Pioneer Chest Limited as the landlord and Champion Ford Limited (a wholly-owned subsidiary of the Company) as the tenant in relation to renewal of lease for the premises at Manhattan Place, Kowloon Bay for 3 years commencing from 15 December 2019 and expiring on 14 December 2022 (both days inclusive) at an aggregate value of consideration of approximately HK\$25,526,000 for use as office premises of the Group;
- (c) the renewal offer letter dated 16 August 2019 entered into between Henderson Real Estate Agency Limited as the agent of landlords and Pricerite Home Limited as the tenant in relation to renewal of tenancy for the premises at MOSTown, New Territories for 2 years commencing from 26 September 2019 to 25 September 2021 (both days inclusive) at an aggregate value of consideration of approximately HK\$10,489,000 for use as retail store of the Group;
- (d) the confirmation of tenancy dated 22 August 2019 entered into between The Hong Kong Housing Society as the landlord and Pricerite Home Limited as the tenant in relation to renewal of tenancy for the premises at Heya Delight Shopping Centre, Kowloon for 4 years commencing from 16 October 2019 to 15 October 2023 at an aggregate value of consideration of approximately HK\$10,762,000 for use as retail store of the Group;
- (e) the renewal tenancy agreement dated 4 September 2019 entered into between Link Properties Limited as the landlord and Pricerite Home Limited as the tenant in relation to renewal of tenancy for the premises at Temple Mall North, Wong Tai Sin for 2 years 3 months and 15 days from and including 2 July 2019 and expiring on 16 October 2021 at an aggregate value of consideration of approximately HK\$14,410,000 for use as retail store of the Group;
- (f) the letter of offer dated 15 October 2019 entered into between National Goal Limited as the landlord and Pricerite Home Limited as the tenant in relation to new tenancy for the premises at FitFort, North Point for 4 years commencing on 16 October 2019 or such other date as notified by written notice of the landlord (if any) at an aggregate value of consideration of approximately HK\$20,230,000 for use as retail store of the Group;

- (g) the tenancy offer dated 1 November 2019 entered into between Shine Fame Holdings Limited as the landlord and Pricerite Home Limited as the tenant in relation to new tenancy for the premises at China Resources International Logistics Centre, Kwai Chung for 7 years (4 years fixed term and 3 years renewed term) commencing from 1 May 2020 and expiring on 30 April 2027 at an aggregate value of consideration of approximately HK\$111,840,000 for use as warehouse of retail management business of the Group; and
- (h) the Placing Agreement.

13. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Registered Public Interest Entity Auditors
Vinco Capital	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu and Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their reports or letters or their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu and Vinco Capital does not have any shareholding in any member of the Group or 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, each of Deloitte Touche Tohmatsu and Vinco Capital does not have any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date up to which the latest published audited consolidated accounts of the Company was made up.

14. MISCELLANEOUS

- (a) The registered office of Cash Guardian is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (b) The address of Dr Kwan Pak Hoo Bankee is 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.
- (c) The registered office of Hobart Assets Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town Tortola, VG1110, British Virgin Islands.
- (d) The address of Vinco Capital is Unit 2610, 26/F, The Center, 99 Queen's Road Central, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.

15. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, printing and translation costs, registration fees, legal and accountancy charges and other fees are estimated to be approximately HK\$3 million and will be payable by the Company.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (www.cash.com.hk) during the period from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Undertakings;
- (c) the annual reports of the Company for the two years ended 31 December 2018 and 2019;
- (d) the letter from the Board to the Shareholders, the text of which is set out from pages 7 to 32 of this circular;
- (e) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 33 to 34 of this circular;
- (f) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 35 to 61 of this circular;
- (g) the assurance report on unaudited pro forma financial information of the Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this circular;
- (h) the service contracts referred to in the paragraph headed “Services Contracts of Directors” in this Appendix;
- (i) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (j) the written consents referred to in the paragraph headed “Qualifications and Consents of Experts” in this Appendix;
- (k) this circular.

NOTICE OF THE SGM



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

時富投資集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of Celestial Asia Securities Holdings Limited (“Company”) will be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 2 June 2020 (Tuesday) at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular (“Circular”) of the Company dated 8 May 2020):

ORDINARY RESOLUTION

1. **“THAT** subject to the satisfaction of the conditions of the Open Offer (as defined below) as set out on pages 17 to 18 of the Circular:
 - (a) the Open Offer on the basis of two (2) Offer Shares for every one (1) existing Share (“Open Offer”) to the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date (other than those shareholders (“Non-Qualifying Shareholders”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquires, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) at the subscription price of HK\$0.06 per Offer Share and the transactions contemplated thereunder on the terms and conditions set out in the Circular, be and are hereby approved;
 - (b) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;

* For identification purpose only

NOTICE OF THE SGM

- (c) any one or more Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Offer Shares, the implementation of the Open Offer, to give effect to or in connection with the Open Offer, or any transaction contemplated thereunder.”

SPECIAL RESOLUTION

2. “**THAT** the terms of the waiver (“Whitewash Waiver”) granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission to the Controlling Shareholders and parties acting in concert with any of them pursuant to Note 1 on the Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers from an obligation to make a general mandatory offer for all the issued shares of the Company (other than those owned or agreed to be acquired by the Controlling Shareholders and parties acting in concert with any of them) as a result of the subscription of the Offer Shares be and are hereby approved and any one or more Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver.”

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 8 May 2020

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business
in Hong Kong:*
28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or, if he is a holder of two or more shares, more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company. A form of proxy for the SGM is also enclosed.
2. In order to be valid, the form of proxy must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of that power of attorney or other authority, not less than 48 hours before the time for holding the SGM or any adjournment thereof.
3. In order to qualify for attending and voting at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on 27 May 2020.