THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Minshang Creative Technology Holdings Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

Minshang Creative Technology Holdings Limited
民商創科控股有限公司

(formerly known as Food Wise Holdings Limited 膳源控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1632)

(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE SALE SHARE AND THE SALE LOAN OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (II) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (III) NOTICE OF EGM

Joint Financial Advisers

建银国际 CCB International

中國通海企業融資 CHINA TONGHAI CAPITAL

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

Lego Corporate Finance Limited 力高企業融資有限公司

Capitalised terms used in this cover page shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 10 to 83 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 84 to 85 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice and recommendation in respect of the terms of the Sale and Purchase Agreement, the Shareholder's Loan Agreement and the transactions contemplated thereunder is set out on pages 86 to 127 of this circular.

A notice convening an EGM to be held at 10:00 a.m. on Thursday, 11 April 2019 at Units 4428 to 4430, 44/F, Champion Tower, 3 Garden Road, Central, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for the EGM for use by the Shareholders is enclosed with this circular.

Whether or not you are able to attend the EGM or any adjourned meeting thereof in person, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

25 March 2019

CONTENT

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the meaning set out below:

"2018 Interim Report"	the interim report of the Company for the six months ended 30 September 2018
"Accounting Standards"	Hong Kong Financial Reporting Standards issued by The Hong Kong Institute of Certified Public Accountants, comprising Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations
"Acquisition"	the proposed acquisition of the Sale Share and the Sale Loan by the Purchaser pursuant to the Sale and Purchase Agreement
"Associate"	has the meaning ascribed to it under the Accounting Standards
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audited Accounts Date"	30 September 2018
"Board"	board of Directors
"Business Day"	a day (other than a Saturday, Sunday, public holiday or day(s) on which a tropical cyclone warning 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.) on which banks are generally open for business in Hong Kong throughout their normal business hours
"commonly held entity"	has the meaning ascribed to it under the Listing Rules
"Company"	Minshang Creative Technology Holdings Limited (民商創科控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the Main Board of the Stock Exchange
"Compensation Date"	a date on which the Compensation is made by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
"Completion"	the completion of the Acquisition pursuant to the Sale and Purchase Agreement

"Completion Date"	the date on which the Completion takes place
"Conditions Precedent"	the conditions for the Completion pursuant to the Sale and Purchase Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	consideration for the Sale Share and the Sale Loan payable by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement
"Consideration Shares"	58,918,182 new Shares to be issued by the Company to the Vendor in accordance with the Listing Rules and the terms and conditions of the Sale and Purchase Agreement as the Consideration
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Drawdown Date(s)"	the date(s) on which each of the First Loan, Second Loan and Third Loan is drawn pursuant to the Shareholder's Loan Agreement
"EGM"	the extraordinary general meeting of the Company to be convened and held at Units 4428 to 4430, 44/F, Champion Tower, 3 Garden Road, Central, Hong Kong on Thursday, 11 April 2019 at 10:00 a.m. for considering and approving, among others, the Sale and Purchase Agreement, the Placing Agreement, the Specific Mandate and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares and the Placing Shares)
"Enlarged Group"	the Group upon Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hengqin Puhui"	橫琴普惠優選供應鏈管理有限公司 (Hengqin Puhui Youxuan Supply Chain Management Co., Ltd.*), a company established in the PRC with limited liability, a wholly-owned subsidiary of Minshang Zhihui

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee, comprising all the independent non-executive Directors, formed to advise the Independent Shareholders in relation to the Acquisition
"Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 regulated activity (advising on corporate finance) under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
"Independent Shareholders"	Shareholders, other than the Vendor and its associates
"Independent Third Party(ies)"	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Interest Payment Date"	the date falling every twelve months from a Drawdown Date
"Issue Price"	the issue price of HK$1.1 per Consideration Share
"Juhui Shangcheng"	聚惠商城, an e-commerce platform owned by the Minshang Zhihui Group
"Latest Practicable Date"	20 March 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Limited Partnership"	北京丹德利昂諮詢管理中心(有限合夥)(Beijing Dandeliang Consulting Management Center (Limited Partnership)*) formed by, among others, 北京丹德諮詢管理有限公司 (Beijing Dande Consulting Management Co. Ltd.*) and the employee(s) of Minshang Zhihui and Minsheng E-commerce, holding 30% equity interests in Minshang Zhihui
"Listing Committee"	the Listing Committee of the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 September 2019 or such other date as the Vendor and the Purchaser may otherwise agree
"MOU"	the memorandum of understanding dated 6 November 2018 entered into between the Purchaser and Minsheng E-commerce in relation to, among others, the possible acquisition of 50% equity interests in Minshang Zhihui
"Management Accounts"	(i) for existing management accounts, those of the Minshang Zhihui Group; or (ii) for the management accounts prior to the Completion, those of the Target Group
"Management Accounts Date"	the date as (i) for existing management accounts, set out in such accounts as the date of management accounts; or (ii) for the management accounts prior to the Completion, 30 November 2018
"Minshang Kehui"	北京民商科惠科技有限公司 (Beijing Minshang Kehui Technology Co., Ltd.*), a company established in the PRC with limited liability
"Minshang Zhihui"	北京民商智惠電子商務有限公司 (Beijing Minshang Zhihui E-commerce Co., Ltd.*), a sino-foreign equity joint venture established in the PRC with limited liability
"Minshang Zhihui Group"	the Target Group excluding the Target Company and MSEC HK
"Minsheng E-commerce"	民生電商控股(深圳)有限公司 (Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.), a company established in the PRC with limited liability, an indirect holding company of the Vendor and the Company
"Minsheng Shangcheng"	民生商城, an e-commerce platform owned by the Minshang Zhihui Group
"Minyingju Information Technology"	上海民映居信息科技有限公司 (Shanghai Minyingju Information Technology Co., Ltd. *), a company established in the PRC with limited liability, a wholly-owned subsidiary of Shanghai Minyingju

"Minyingju Intelligence Technology"	上海民映居智能科技有限公司 (Shanghai Minyingju Intelligence Technology Co., Ltd. *), a company established in the PRC with limited liability, a wholly-owned subsidiary of Shanghai Minyingju
"Mr. Lu"	Mr. Lu Sheng Hong, an executive Director
"Mr. Wu"	Mr. Wu Jiangtao, an executive Director
"Ms. Li"	Ms. Li Jia, an executive Director
"MSEC Acquisition"	the transfer of 50% equity interests in Minshang Zhihui from Minsheng E-commerce to MSEC HK, following the completion of which, the Target Company indirectly owns 50% equity interests in Minshang Zhihui through MSEC HK
"MSEC HK"	MSEC Investment (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company, owning 50% equity interests in Minshang Zhihui following the completion of the MSEC Acquisition
"PRC"	the People's Republic of China
"Placee(s)"	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates whom the Placing Agent has procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement
"Placing"	the placing of up to maximum of 56,607,666 Placing Shares under Specific Mandate in accordance with the terms and conditions of the Placing Agreement
"Placing & MOU Announcement"	the announcement of the Company dated 6 November 2018 in relation to, among others, the Placing and the entering into of the MOU
"Placing Agent" or "CCBI"	CCB International Capital Limited, a company incorporated in Hong Kong with limited liability and licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

"Placing Agreement"	the conditional placing agreement entered into between the Company and the Placing Agent dated 6 November 2018 in relation to the Placing, as supplemented and amended by the Side Letter
"Placing Completion"	completion of the Placing
"Placing Completion Date"	the 3rd Business Day after the date on which all the Placing Condition(s) have been fulfilled or waived, or such other date as the parties to the Placing Agreement may agree in writing
"Placing Condition(s)"	the condition(s) for the Placing pursuant to the Placing Agreement
"Placing Long Stop Date"	31 December 2019 (or such other date as the parties to the Placing Agreement may agree in writing)
"Placing Price"	the price of HK$1.1 per Placing Share
"Placing Shares"	up to a maximum of 56,607,666 new Shares to be placed by the Placing Agent to the Placees in accordance with the terms and conditions of the Placing Agreement
"Purchaser"	MSCT Investment Limited (民商創科投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Related Party Bank"	a bank in the PRC which is a shareholder of Minsheng E-commerce
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Sale and Purchase Agreement"	agreement for sale and purchase of the Sale Share and the Sale Loan dated 31 December 2018 entered into between the Vendor and the Purchaser in relation to the Acquisition, as supplemented and amended by the Supplemental Sale and Purchase Agreement
"Sale Loan"	the shareholders' loan due and owing to the Vendor by MSEC HK as at the Completion Date (which will be approximately RMB57,200,000 (equivalent to approximately HK$64,810,000) at the time of the Completion)
"Sale Share"	one share of the Target Company, representing the entire issued share capital of the Target Company
"Shanghai Minyingju"	上海民映居網絡科技有限公司(Shanghai Minyingju Internet Technology Co., Ltd.*), a company established in the PRC with limited liability, a wholly-owned subsidiary of Minshang Zhihui
"Share(s)"	ordinary share(s) of HK$0.0025 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loan"	the conditional Shareholder's Loan to be granted by MSEC HK to Minshang Zhihui in an aggregate amount of HK$22,500,000 pursuant to the Shareholder's Loan Agreement
"Shareholder's Loan Agreement"	the conditional loan agreement dated 31 December 2018 entered into between MSEC HK and Minshang Zhihui in relation to the Shareholder's Loan, as supplemented and amended by the Supplemental Shareholder's Loan Agreement

"Side Letter"	the side letter to the Placing Agreement dated 20 March 2019
"Sound of Ocean"	Hong Kong Sound of Ocean Trading Co., Limited (香港藍海之音貿易有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Hengqin Puhui
"Specific Mandate"	the specific mandate to be sought from the Shareholders at the EGM to authorize the Directors to allot and issue the Placing Shares and the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Super Fine"	Super Fine Development Limited (超輝發展有限公司), a company incorporated in Hong Kong with limited liability, holding 5% equity interests in Minshang Zhihui
"Supplemental Sale and Purchase Agreement"	the supplemental sale and purchase agreement to the Sale and Purchase Agreement dated 20 March 2019
"Supplemental Shareholder's Loan Agreement"	the supplemental shareholder's loan agreement to the Shareholder's Loan Agreement dated 20 March 2019
"Target Company"	MSEC Investment Limited, a company incorporated in the British Virgin Islands with limited liability, wholly-owns the entire issued share capital of MSEC HK
"Target Group"	the Target Company, MSEC HK, Minshang Zhihui, together with its direct and indirect subsidiaries following Completion, including but not limited to Hengqin Puhui, Shanghai Minyingju, Sound of Ocean, Minyingju Information Technology and Minyingju Intelligence Technology
"Unusual Share Price Movement Announcement"	the announcement of the Company dated 16 October 2018 in relation to, among others, the unusual share price movement of the Shares

"Vendor"	MSEC Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder, holding approximately 53.5% of the issued share capital of the Company as at the Latest Practicable Date
"Wujixian"	北京無極限旅行社有限公司 (Beijing Infinite Travel Agency Co., Ltd.*), a company established in the PRC with limited liability
"%"	per cent

For the purpose of this circular, the exchange rate of HK$1 = RMB 0.8826 has been used for currency conversions. This is for the purpose of illustration only and does not constitute a representation that any amounts in RMB or HK$ have been, could have been or may be converted at such rate or any other exchange rate.

* *In this circular, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

Minshang Creative Technology Holdings Limited
民商創科控股有限公司

(formerly known as Food Wise Holdings Limited 膳源控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1632)

Executive Directors:
Mr. Wu Jiangtao *(Chairman)*
Mr. Lu Sheng Hong
Ms. Li Jia
Mr. Wat Tat Fei

Non-executive Director:
Mr. Wong Stacey Martin

Independent non-executive Directors
Mr. Ko Po Ming
Mr. Choi Tze Kit, Sammy
Mr. Cheung Miu
Mr. Cheung Pak To, Patrick

Registered address:
Cricket Square, Hutchins Drive,
PO Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

Place of business in Hong Kong:
Units 4428 to 4430, 44/F,
Champion Tower,
3 Garden Road,
Central,
Hong Kong

25 March 2019

To the Shareholders

Dear Sir or Madam,

(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE SALE SHARE AND THE SALE LOAN OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (II) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (III) NOTICE OF EGM

INTRODUCTION

Reference is made to (i) the Placing & MOU Announcement in relation to (a) the Company and the Placing Agent entered into the Placing Agreement in relation to the Placing; and (b) the Purchaser entered into the MOU with Minsheng E-commerce in respect of the possible acquisition of 50% equity interests in Minshang Zhihui; (ii) the announcement of the Company dated 31 December 2018 in relation to, among other matters, the entering into of the Sale and Purchase Agreement, the Shareholder's Loan Agreement and the transactions contemplated thereunder; and (iii) the announcement of the Company dated 20 March 2019 in relation to, among other matters, the entering into of the Supplemental Sale and Purchase Agreement, the Side Letter and the Supplemental Shareholder's Loan Agreement and the transactions contemplated thereunder.

After trading hours on 6 November 2018, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent conditionally agreed to effect the Placing by procuring not less than six Placees on a best effort basis to subscribe for up to a maximum of 56,607,666 Placing Shares at the Placing Price of HK$1.1 per Placing Share.

After trading hours on 31 December 2018, the Purchaser, a wholly-owned subsidiary of the Company, entered into the conditional Sale and Purchase Agreement with the Vendor, the controlling shareholder, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Share and the Sale Loan at a consideration of RMB57,200,000 (equivalent to approximately HK$64,810,000) which shall be settled by way of issue of 58,918,182 Consideration Shares at an Issue Price of HK$1.1 per Consideration Share.

After trading hours on 31 December 2018, MSEC HK entered into the conditional Shareholder's Loan Agreement with Minshang Zhihui pursuant to which MSEC HK, as lender, agreed to grant Minshang Zhihui, as borrower, an Associate of the Company after Completion, the unsecured Shareholder's Loan in an aggregate amount of HK$35,000,000 at an interest rate of 8% per annum for a term of 24 months from each of the Drawdown Dates.

After trading hours on 20 March 2019, the Purchaser and the Vendor entered into the Supplemental Sale and Purchase Agreement, pursuant to which the Purchaser and the Vendor agreed to amend certain terms and conditions of the Sale and Purchase Agreement. The material amendment to the Sale and Purchase Agreement is to change the number of directors of Minshang Zhihui the Purchaser is entitled to appoint upon Completion from one out of three directors to two out of four directors and to extend the Long Stop Date from 31 March 2019 to 30 September 2019.

On 20 March 2019, MSEC HK and Minshang Zhihui entered into the Supplemental Shareholder's Loan Agreement, pursuant to which MSEC HK and Minshang Zhihui agreed to amend certain terms and conditions of the Shareholder's Loan Agreement. The material amendment to the Shareholder's Loan Agreement is to change the amount of the Shareholder's Loan from HK$35,000,000 to HK$22,500,000.

After trading hours on 20 March 2019, the Company and the Placing Agent entered into the Side Letter, pursuant to which the Company and the Placing Agent agreed to extend the Placing Long Stop Date from 31 March 2019 to 31 December 2019 (or such later date as the Company and the Placing Agent may further agree in writing).

The purpose of this circular is to provide you with, among others, (i) details of the Sale and Purchase Agreement; (ii) details of the Shareholder's Loan Agreement; (iii) details of the Placing Agreement including the relevant information regarding the resolutions to be proposed at the EGM relating to the Placing; (iv) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of, among others, the Acquisition; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of, among others, the Acquisition; (vi) the financial information of the Group; (vii) the financial information of the Target Group; (viii) the unaudited pro forma financial information of the Enlarged Group; (ix) other information as required under the Listing Rules; and (x) the notice convening the EGM.

1. THE ACQUISITION

After trading hours on 31 December 2018, the Purchaser, a wholly-owned subsidiary of the Company, entered into the conditional Sale and Purchase Agreement with the Vendor (as supplemented and amended by the Supplemental Sale and Purchase Agreement), the controlling shareholder, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Share and the Sale Loan at a consideration of RMB57,200,000 (equivalent to approximately HK$64,810,000) which shall be settled by way of issue of 58,918,182 Consideration Shares at an Issue Price of HK$1.1 per Consideration Share.

Sale and Purchase Agreement

Principal terms of the Sale and Purchase Agreement are set out below:

Date: 31 December 2018 (as supplemented and amended by the Supplemental Sale and Purchase Agreement dated 20 March 2019)

Parties: (1) the Vendor

(2) the Purchaser

Subject matter to be acquired

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire from the Vendor the (i) Sale Share (comprising one share of the Target Company), representing the entire issued share capital of the Target Company; and (ii) Sale Loan (which will be approximately RMB57,200,000 (equivalent to approximately HK$64,810,000) at the time of the Completion).

Consideration

Subject to the terms of the Sale and Purchase Agreement, the Consideration payable for the acquisition of the Sale Share and the Sale Loan shall be in aggregate RMB57,200,000 (equivalent to approximately HK$64,810,000). The Consideration shall be settled by way of issue of 58,918,182 Consideration Shares by the Company to the Vendor at the Issue Price (i.e. HK$1.1 per Consideration Share).

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among others:

(i) the historical financial performance and the future business prospect of the Target Group

When considering the historical financial performance and the future business prospect of the Target Group, the Company noted that due to the expansion of the business scale and scope of business as well as the continuing development of the Minshang Zhihui Group's operation and customer base, the Minshang Zhihui Group became profitable within two years of establishment and the overall profit and revenue of the Minshang Zhihui Group have been increasing.

The recent trend of increase in profit and revenue of the Minshang Zhihui Group is only one of the factors considered in determining the Consideration.

(ii) the potential growth of the Target Group's sector;

(iii) the profit guarantee as set out in the section headed "Profit guarantee" in this letter (the "**Profit Guarantee**");

(iv) the trading multiples of companies in the Minshang Zhihui Group's relevant sector; and

(v) price-to-earnings ratios of listed companies principally engaged in the development, maintaining and/or operating e-commerce platforms or related services

After considering the above factors, the Company and the Vendor determined the trading multiple of 15.253 as the basis to determine the Consideration and the Compensation (as defined in the section headed "Profit guarantee").

As the Minshang Zhihui Group is a private group, the Company has attempted to identify the then acquisitions or disposals of private companies that are principally engaged in the development, maintaining and/or operating e-commerce platforms or related services as a reference for determining the consideration of the Acquisition. However, the Company could not gather sufficient information from public domains to determine the implied price-to-earnings ratios of such acquisitions or disposals.

The Company has compared the trading multiple of 15.253 to price-to-earnings ratios of the companies (the "**Comparable Companies**") that (i) are listed on the Stock Exchange; (ii) are principally engaged in developing, maintaining and/or operating e-commerce platforms or related services which contributed majority of their respective revenue in their latest annual report which is similar to the principal business of the Minshang Zhihui Group, in particular its development and operation of the e-commerce platform which contributed over 50% of its revenue in 2017 and the nine months ended 30 September 2018; and (iii) are primarily operating in Hong Kong or the PRC (which is the jurisdiction in which the Minshang Zhihui Group currently operates).

The price-to-earnings ratios of the Comparable Companies as of 15 October 2018, being the last trading day immediately preceding the date of the Unusual Share Price Movement Announcement and determination of the Issue Price of HK$1.1 per Consideration Share, are set out in Table 1 as below:

Table 1

Name of the Comparable Companies	**Stock code**	**Principal business**	**Market capitalisation as of 15 October 2018**	**Price-to-earnings ratio (based on the latest annual report)**
			HK$'million	*times*
Kingdee International Software Group Company Limited	268	Principally engaged in the provision of highly organised, stable and reliable cloud services to e-commerce operators.	23,092.1	64.5
Smartac Group China Holdings Limited	395	Principally engaged in the provision of marketing strategy and management of operation of online shop on e-commerce platform.	578.8	31.8
Tradelink Electronic Commerce Limited	536	Principally engaged in e-commerce businesses including the provision of electronic front-end solutions for processing government trade-related documents and the provision of electronic logistics platform for facilitating information flows among the trade logistics and finance industries.	937.7	12.7
Inspur International Limited	596	Principally engaged in information technology businesses including (i) software development and the provision of solutions of financial platform, procurement platform, e-commerce platform and human resource service platform, among others; and (ii) the provision of information technology outsourcing services, business process outsourcing services, data analysis services, infrastructure maintenance services and cloud services, among others.	3,485.1	30.8

Name of the Comparable Companies	Stock code	Principal business	Market capitalisation as of 15 October 2018	Price-to-earnings ratio (based on the latest annual report)
			HK$'million	*times*
Fortunet E-Commerce Group Limited	1039	Principally engaged in the e-commerce business including trading through an electronic distribution platform, mobile applications and other related means and operating an electronic platform to facilitate awards earned by customers of loyalty programmes of other companies to be exchanged globally in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions.	1,267.7	N/A
Finsoft Financial Investment Holdings Limited	8018	Principally engaged in the provision of financial trading software solutions including provision of e-commerce platforms and other online consultancy services.	173.96	N/A
For the Comparable Companies				
Maximum				64.5
Minimum				12.7
Average				34.95
For the Short-listed Comparable Companies (as defined below)				
Maximum				31.8
Minimum				12.7
Average				25.1

Source: Bloomberg, the latest annual report of each Comparable Company from the website of the Stock Exchange

As shown in Table 1 above, the maximum, average and minimum price-to-earnings ratios (per the latest full year financial year) of the Comparable Companies as of 15 October 2018 were about 64.5 times, 34.95 times and 12.7 times respectively. Taking into account the lack of marketability of shares of Minshang Zhihui as a private company and the relatively short operating history of the Minshang Zhihui Group, the Company considered that the trading multiple of 15.253 to be fair and reasonable as (i) the said trading multiple represents a deep discount to the average of the price-to-earnings ratios of the Comparable Companies; and (ii) although the said trading multiple is at a premium to the lowest price-to-earnings multiple among the Comparable Companies, it is justified by considering the relatively higher growth rate of the Minshang Zhihui Group in terms of revenue and profit for the three years ended 31 December 2017 and the nine months ended 30 September 2018 when compared to Tradelink, which is the Comparable Company with the lowest price-to-earnings ratio in Table 1 above.

The Directors further analysed and reviewed the principal business and operation scale of the Comparable Companies as a whole. Shortlisted comparable companies (the "**Shortlisted Comparable Companies**") were identified, and details of which are set out in Table 2 below:

Table 2

Name of the Shortlisted Comparable Companies	**Stock code**	**Similar business segment in developing, maintaining and/or operating e-commerce platforms or related services as Minshang Zhihui**	**Proportion of revenue from the merchandise sales through e-commerce relevant business (based on the latest published annual report)**
Smartac Group China Holdings Limited	395	– Provision of e-commerce platform solution	N/A
Tradelink Electronic Commerce Limited ("**Tradelink**")	536	– Principally engaged in e-commerce businesses including: o Provision of electronic front-end solutions for trade-related procedure o Provision of electronic logistics platform	N/A
Inspur International Limited	596	– Provision of electronic platform solutions, including financial platform, procurement platform, e-commerce platform and human resource service platform	N/A
Fortunet E-Commerce Group Limited	1039	– operating an electronic platform to facilitate awards earned by customers of loyalty programmes of other companies – trading goods through electronic distribution platform, mobile applications and other related means	Approximately 80%

As shown in Table 2 above, the Shortlisted Comparable Companies are principally engaged in e-commerce trading and/or the provision of e-commerce relevant solutions. Given the Minshang Zhihui Group's business nature and the relatively short operating history, there are only a few companies listed on the Stock Exchange that have similar business and operation scale comparable to those of the Target Group. Although the market capitalisation and operation scale of some of the Shortlisted Comparable Companies may not be the same as those of the Minshang Zhihui Group, the Directors consider that, in order to gather sufficient trading multiples to assess the trading multiple applied to the consideration of the Acquisition, it is reasonable to consider the Shortlisted Comparable Companies which are engaged in e-commerce business with annual revenue of not more than HK$1 billion. The Shortlisted Comparable Companies set out above represent an exhaustive list of relevant comparable companies based on the criteria set out above and the public information available.

As shown in Table 2 above, the trading multiple for consideration of the Acquisition of 15.253 is lower than the average price-to-earnings ratio of the Short-listed Comparable Companies. Although the trading multiple of 15.253 is higher than the lowest price-to-earnings ratio of the Short-listed Comparable Companies, it is within the range of the price-to-earnings ratios of the Short-listed Comparable Companies.

As a result, after considering the analysis above, the Profit Guarantee, the future business prospect of the Target Group and the potential growth of the Minshang Zhihui Group's sector, the Board considers the Consideration and the Compensation (as defined below) to be fair and reasonable.

Furthermore, the Directors have also considered cost approach and income approach in determining the Consideration but considered these two approaches to be inappropriate due to the following reasons:

Cost approach is not appropriate as it fails to consider the economic benefits of ownership of the business. The Directors considered the consolidated net book value of the Target Group may not truly reflect the value of its equity interests, as part of value will be attributed to future benefit of the Target Group, deriving from its services provided.

Income approach is also considered inappropriate as plenty of assumptions would have to be involved in formulating the financial projection of the Target Group, and these assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. Given that improper assumptions will have significant impact on the fair value, income approach is not adopted in determining the Consideration.

Based on the aforesaid, the Directors consider that the approach of using price-to-earnings ratios of the Comparable Companies for appraising the value of the Target Group is appropriate.

Conditions precedent

The Sale and Purchase Agreement and the transactions contemplated thereunder shall be subject to and conditional upon the satisfaction (or waiver, as the case may be) of the following conditions:

(a) documents in relation to the MSEC Acquisition having been properly executed in such form and substance acceptable to the Purchaser; the MSEC Acquisition having been approved by the relevant Chinese government bodies; and the MSEC Acquisition having been completed to the satisfaction of the Purchaser in compliance with the law (including but not limited to MSEC HK having made full payment of the consideration under the MSEC Acquisition);

(b) the legal opinion (in such form and substance acceptable to the Purchaser) from the PRC legal adviser(s) acceptable to the Purchaser in relation to, among others: (i) due establishment, shareholding structure, business scope of, and/or major historical changes in the Target Group; (ii) the completion of the MSEC Acquisition in compliance with the law; and (iii) such other matters as may be reasonably required by the Purchaser, having been delivered to the Purchaser;

(c) the Shareholder's Loan Agreement having been executed in such form and substance acceptable to the Purchaser;

(d) the articles of association of Minshang Zhihui having been amended in such form and substance acceptable to the Purchaser in compliance with the law;

(e) the audited consolidated accounts of the Minshang Zhihui Group for the period commencing from the date of incorporation of Minshang Zhihui to the Audited Accounts Date, and the Management Accounts from thereon up to the respective Management Accounts Date, having been issued by the accountant (acceptable to the Purchaser) in such form and substance acceptable to the Purchaser;

(f) the Vendor has not been informed by the Purchaser of its non-satisfaction of the due diligence result prior to the Completion;

(g) the Independent Shareholder(s) having resolved at a general meeting of the Company to approve, among others, the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;

(h) the Listing Committee having granted (either unconditionally or subject only to conditions to which neither the Vendor nor the Purchaser may reasonably object) the approval for listing of, and permission to deal in, the Consideration Shares;

(i) the Vendor has not been informed by the Purchaser of any existence or occurrence of any incidents or circumstances which have been brought to the Purchaser's attention that constitute any breach of the Vendor's representations, warranties and undertakings as set out in the Sale and Purchase Agreement by the Vendor prior to the Completion;

(j) all requisite consents, approvals from and filing with the relevant third parties (including, without limitation, the government, authorities or regulatory bodies) in relation to, among others, the sale and purchase of the Sale Share and the Sale Loan, the business of the Target Group and the MSEC Acquisition having been granted and no provision of any law, regulation, order, decree or decision raised, issued or adopted by the government, authorities or regulatory bodies shall prohibit or restrict the sale and purchase of the Sale Share and the Sale Loan, the existing business of the Target Group and the MSEC Acquisition;

(k) all consents and approvals obtained in accordance with the Listing Rules for the transactions contemplated under the Sale and Purchase Agreement remain valid and have not been revoked; and

(l) no occurrence or possible occurrence of material adverse change(s) in the financial, management, business, asset, legal, operation, debt and/or other matter of the Target Group has been brought to the Purchaser's attention prior to the Completion.

On or before the Completion Date, both parties to the Sale and Purchase Agreement shall use their best endeavors to procure and ensure that each of the above Conditions Precedent has been fulfilled. Save for the aforesaid Conditions Precedent (a), (g), (h), (j) and (k) which cannot be waived or unless otherwise contrary to any law and regulation, the Purchaser may, at any time, waive any of the Conditions Precedent, in whole or in part in writing.

In regard to Condition Precedent (a), Minshang Zhihui is required to register change in shareholding under the MSEC Acquisition with Haidian Branch of Beijing Administration for Industry and Commerce and to make the filing with respect to the MSEC Acquisition with Beijing Haidian District Commercial Commission. Minshang Zhihui has already completed such registrations and filing.

As at the Latest Practicable Date, Conditions Precedent (a), (c) and (d) had been fulfilled. The Company has no intention to waive any of the remaining Conditions Precedent yet to be fulfilled at this stage.

If the aforesaid Conditions Precedent are not fulfilled (or waived by the Purchaser, save for Conditions Precedent (a), (g), (h), (j) and (k) above which cannot be waived) on or before the Long Stop Date, the Sale and Purchase Agreement and the transactions contemplated thereunder shall terminate and be of no force and effect and no parties thereto shall have any liability to the other party, save in respect of any antecedent breaches.

Due diligence review

The Purchaser is entitled (but not obliged) to conduct due diligence review on the Target Group including but not limited to its asset, liability, contract, undertaking, business, sale, merchandising, expenses, accounts, and financial, legal and tax aspects of the Target Group. The Vendor shall procure the Target Group, pursuant to any reasonable request by the Purchaser, its authorised person and/or advisers, to provide them with all information, data and documents in relation to the Target Group and grant them the right to access to the site of such members of the Target Group to inspect all account books, title deeds, records, accounts and other documents of the Target Group for the purpose of conducting such due diligence review.

Completion

Completion is expected to take place within five Business Days after the fulfilment (or waiver, as the case may be) of the Conditions Precedent (or such other date as the Vendor and the Purchaser may agree).

Profit guarantee

The Vendor shall irrevocably and unconditionally warrant to the Purchaser that the assessable net profit after tax of the Minshang Zhihui Group (after deduction of non-recurring income, special income and non-operating income as shown in its audited financial statements audited by the auditor for the financial year ended 31 December 2018) (the "**Actual Profit**") shall be no less than RMB7,500,000 (the "**Guaranteed Profit**"). Such non-recurring income, special income and non-operating income include but not limited to any infrequent one-off income and income not being generated from the ordinary course of business of the Minshang Zhihui Group. For the purpose of illustration only, "gain on remeasuring 30% interests in Shanghai Minyingju upon business combination" and "the profit from discontinued operations" disclosed in Appendix IIB to this circular should be deducted when determining the Actual Profit. The Guaranteed Profit was agreed by the Vendor and Purchaser after considering the historical financial performance of the Minshang Zhihui Group, including (a) the historical growing trend of the financial performance for the past financial years; and (b) the financial performance as reflected in the unaudited management accounts for the nine months ended 30 September 2018.

In the event that the Actual Profit is lower than the Guaranteed Profit and such difference is more than 5% of the amount of the Guaranteed Profit (i.e. less than RMB7,125,000), the Vendor shall make compensation to the Company in cash (in Hong Kong dollars) in accordance with the following formula (the "**Compensation**"):

$$A = (B - C) \times D \times E \times F$$

Where:

A	=	Compensation amount
B	=	Guaranteed Profit
C	=	Actual Profit
D	=	a trading multiple of 15.253, which is determined after making reference to other companies in Minshang Zhihui's sector.
E	=	50%
F	=	the then exchange rate of RMB to HK$ published by The Hongkong and Shanghai Banking Corporation Limited on the Compensation Date

Should the Vendor be required to make any Compensation to the Purchaser, it shall transfer such Compensation amount to the Purchaser within 10 working days from the date of the audited financial statement of Minshang Zhihui for the year ended 31 December 2018 and upon receiving written notice from the Purchaser at least 5 Business Days prior to the Compensation Date.

The Company will comply with the disclosure requirements under Rule 14A.63 of the Listing Rules, as and when appropriate.

Having made reasonable enquiry with the Vendor, the Company is not aware of any material adverse change in the operation of the Minshang Zhihui Group subsequent to 30 September 2018 that may result in its failure to fulfill the Profit Guarantee. Nonetheless, in the event that the Minshang Zhihui Group fails to achieve the Profit Guarantee, the Company would be adequately compensated by the Vendor and protected under the terms of the Sale and Purchase Agreement in respect of the Compensation.

Proposed composition of the board of directors and management of the Target Group

Upon Completion, the Purchaser is entitled to (a) appoint the entire board of directors and all management of the Target Company and MSEC HK respectively; (b) appoint two directors and one supervisor of Minshang Zhihui; and (c) assist in strategic development and resources planning of Minshang Zhihui.

Based on the experience of Mr. Wu, Mr. Lu and other members of the Board as set out hereunder, the Board is of the view that the present management of the Group has the relevant experience in relation to the management of the Minshang Zhihui Group. Mr. Wu was the chairman of the board of directors and chief executive officer of Minsheng E-Commerce from December 2013 to April 2015 and has been the chairman of the board of directors of Minsheng E-commerce since April 2015. Mr. Lu has been the general manager of Minsheng E-commerce since April 2015. Other members of the Board have extensive management experience.

The board of directors of Minshang Zhihui is the highest authority of Minshang Zhihui which has full control over the management of Minshang Zhihui. Other than the right to appoint directors and/or supervisor of Minshang Zhihui stated above and the right to share profits of Minshang Zhihui on a pro rata basis, the articles of association of Minshang Zhihui does not specify any other shareholders rights and its shareholders are not entitled to exert any direct control over the daily management of Minshang Zhihui. Upon Completion, Minshang Zhihui will have four directors, one supervisor and one general manager. MSEC HK is entitled to appoint two directors and the supervisor of Minshang Zhihui. Minsheng E-commerce and the Limited Partnership are each entitled to appoint one director of Minshang Zhihui. General manager of Minshang Zhihui is appointed by its board. Mr. Wu and Mr. Lu are expected to be appointed by MSEC HK to the board of directors of Minshang Zhihui upon Completion.

Matters which shall be determined by the unanimous approval of the directors of Minshang Zhihui include (i) increase or decrease of registered capital of Minshang Zhihui; (ii) amendment of the articles of association of Minshang Zhihui; (iii) increase or decrease of number of directors of Minshang Zhihui; and (iv) merger, spin off, dissolution, liquidation or other forms of termination of operation of Minshang Zhihui.

Matters which shall be determined by the approval of a simple majority of the directors of Minshang Zhihui include but not limited to (i) decision to appoint or dismiss senior management members of Minshang Zhihui; (ii) review and approval of annual budget and final accounts of Minshang Zhihui; (iii) review and approval of policies for distribution of profits and making up losses; (iv) review and approval of annual business plans and investment policy; (v) provision of external guarantees by Minshang Zhihui; (vi) disposal of fixed and/or material assets; and (vii) issue of any bonds or acceptance of obligation to issue any bonds.

No veto right has been given to any director of the board of Minshang Zhihui.

Consideration shares

The Consideration Shares, being in aggregate 58,918,182 new Shares, will be allotted and issued at the Issue Price. The 58,918,182 Consideration Shares represent approximately 7.36% of the issued share capital of the Company prior to the issue of the Consideration Shares and approximately 6.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. To the best knowledge and belief of the Directors, the allotment and issue of the Consideration Shares to the Vendor will not result in a change of control of the Company.

The Consideration Shares shall at all times rank *pari passu* among themselves and with the Shares in issue as at the date of issue of the Consideration Shares. There is no restriction which applies to the subsequent sale of the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought by the Company at the EGM. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price (i.e. HK$1.1 per Consideration Share) was determined after arm's length negotiations between the Purchaser and the Vendor in the first half of October 2018 with reference to, among others, the prevailing market prices of the Shares being traded on the Stock Exchange prior to the release of the Unusual Share Price Movement Announcement, in respect of, among other things, discussion concerning the entering into of the MOU regarding the possible acquisition of 50% equity interests in Minshang Zhihui.

The Issue Price represents:

(i) a premium of approximately 5.36% over the average closing price of approximately HK$1.044 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Unusual Share Price Movement Announcement;

(ii) a premium of approximately 5.47% over the average closing price of approximately HK$1.043 per Share as quoted on the Stock Exchange for the ten consecutive trading days prior to the date of the Unusual Share Price Movement Announcement (the "**10-day average**");

(iii) a premium of approximately 5.10% over the average closing price of approximately HK$1.0467 per Share as quoted on the Stock Exchange for the fifteen consecutive trading days prior to the date of the Unusual Share Price Movement Announcement (the "**15-day average**");

(iv) a discount of approximately 0.90% to the average closing price of approximately HK$1.1100 per Share as quoted on the Stock Exchange for the twenty consecutive trading days prior to the date of the Unusual Share Price Movement Announcement (the "**20-day average**");

(v) a discount of approximately 28.57% to the closing price of HK$1.54 per Share as quoted on the Stock Exchange on 16 October 2018 the date of the Unusual Share Price Movement Announcement;

(vi) a discount of approximately 32.52% to the average closing price of approximately HK$1.63 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the MOU;

(vii) a discount of approximately 29.58% to the average closing price of approximately HK$1.562 per Share as quoted on the Stock Exchange for the ten consecutive trading days prior to the date of the MOU;

(viii) a discount of approximately 28.82% to the average closing price of approximately HK$1.5453 per Share as quoted on the Stock Exchange for the fifteen consecutive trading days prior to the date of the MOU;

(ix) a discount of approximately 38.89% to the closing price of HK$1.8 per Share as quoted on the Stock Exchange on the date of the MOU;

(x) a discount of approximately 11.58% to the average closing price of approximately HK$1.244 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(xi) a discount of approximately 11.86% to the average closing price of approximately HK$1.248 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(xii) a discount of approximately 17.29% to the closing price of approximately HK$1.33 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and

(xiii) a discount of approximately 18.52% to the closing price of approximately HK$1.35 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price of HK$1.1 per Consideration Share was determined after arm's length negotiations between the Vendor and the Purchaser before the issue of the Unusual Share Price Movement Announcement in the first half of October 2018 having considered, with reference to, among other matters:

(i) the historical price performance of the Shares, in particular, the daily closing price of the Shares during the 20 trading days prior to the determination of the Issue Price on 15 October 2018, i.e. from 14 September 2018 to 15 October 2018 (the "**Reviewed Period**"); and

(ii) the thin trading volume of the Shares with the average daily trading volume ranging from about 0.43% to 0.73% of the number of Shares in issue as at each month end for the 3 months ended 30 September 2018.

During the Reviewed Period, the closing prices ranged from HK$0.98 on 9 October 2018 to HK$1.4 on 14 September 2018. Accordingly, the Issue Price of HK$1.1 represents a premium of approximately 12.2% over the lowest closing price during the Reviewed Period and a discount of approximately 21.4% to the highest closing price during the Reviewed Period. The 10-day average, the 15-day average and the 20-day average are HK$1.043, HK$1.046 and HK$1.110 respectively. As such, the Issue Price represents premiums of approximately 5.47% and 5.10% over the 10-day average and the 15-day average respectively and is comparable to the 20-day average. In any event, out of an aggregate of 20 trading days during the Reviewed Period, the Issue Price of HK$1.1 represents a premium of the closing prices for 14 trading days (being 70% of the trading days during the Reviewed Period) as well. The Board considered that the Reviewed Period was long enough to capture the corresponding price movements of the Shares so as to make a reasonable comparison between the respective closing prices and the Issue Price so as to determine the Issue Price in mid-October 2018. Based on the above analysis, the Issue Price was decided in mid-October 2018 accordingly.

From 2 October 2018 to 12 October 2018, the Shares were traded between HK$0.98 and HK$1.05. The Shares closed at HK$1.02 on 12 October 2018, surged by approximately 18.6% to HK$1.21 on 13 October 2018 and further increased by approximately 27.3% to HK$1.54 on 16 October 2018. As a result of the significant increase in Share prices, the Company issued the Unusual Share Price Movement Announcement after trading hours on 16 October 2018. Other than the discussion with Minsheng E-commerce regarding the Acquisition and the discussion with the Placing Agent in respect of the Placing, the Board confirmed that it was not aware of any reason for the increase in Share prices.

The Share price further increased to HK$1.63 on 18 October 2018, being the first trading day following the issue of the Unusual Share Price Movement Announcement. From 18 October 2018 to 6 November 2018 (being the date of the Placing & MOU Announcement), the Shares were traded between HK$1.47 and HK$1.81, which were substantially higher than the Share prices in early October 2018. The Company did not issue any announcement during the period.

Having considered that (i) the Issue Price was agreed in principal with the Vendor before publication of the Unusual Share Price Movement Announcement, which had taken into consideration, among other things, the Share prices during the Reviewed Period; (ii) the Unusual Share Price Movement Announcement issued on 16 October 2018, which disclosed information in relation to the Acquisition and the Placing; (iii) the substantial increases in Share prices from 18 October 2018, being the first trading day following the publication of the Unusual Share Price Movement Announcement, to 6 November 2018, being the date of the publication of the Placing and MOU Announcement, (the "**Post-announcement Period**") as stated above, compared to Share prices during the Reviewed Period; and (iv) no announcement was made by the Company during the Post-announcement Period. As such, the share price movement during the Post-announcement Period was attributable to the information in relation to the Acquisition and the Placing disclosed in the Placing and MOU Announcement. Despite the Issue Price represents a discount to the closing Share price on each of the trading days during the Post-announcement Period, it is not reasonable to re-determine the Issue Price based on the Share prices which had already reflected the market reaction to the Acquisition and the Placing. Accordingly, the Directors consider that the Issue Price is fair and reasonable, in particular, the determination of the Issue Price with reference to the Share prices during the Reviewed Period and the decision not to re-determine the Issue Price by making reference to the Share prices during the Post-Announcement Period.

From the second half of October 2018 to early November 2018, the management prepared the detailed information relating to the Minshang Zhihui Group and the Placing for the Board's consideration and also addressed the queries raised by the Board. Following the obtaining of approval from the Board, the Company issued the Placing & MOU Announcement on 6 November 2018.

The Shareholder's Loan

Pursuant to the conditional Shareholder's Loan Agreement entered into between MSEC HK and Minshang Zhihui after trading hours on 31 December 2018 (as supplemented and amended by the Supplemental Shareholder's Loan Agreement entered into between MSEC HK and Minshang Zhihui on 20 March 2019), MSEC HK, as lender, agreed to grant Minshang Zhihui, as borrower, an Associate of the Company after Completion, the unsecured Shareholder's Loan, in an aggregate amount of HK$22,500,000 at an interest rate of 8% per annum for a term of 24 months from each of the Drawdown Date.

Pursuant to the terms of the Sale and Purchase Agreement, the Company shall procure MSEC HK to provide the Shareholder's Loan to Minshang Zhihui in accordance with the terms of the Shareholder's Loan Agreement, after Completion.

The Shareholder's Loan Agreement

The principal terms of the Shareholder's Loan Agreement are set out below:

Date:	31 December 2018 (after trading hours) (as supplemented and amended by the Supplemental Shareholder's Loan Agreement dated 20 March 2019)	
Parties:	(i) MSEC HK as lender (ii) Minshang Zhihui as borrower	
Facility:	Subject to the terms and conditions as set forth in the Shareholder's Loan Agreement, an unsecured loan facility for an aggregate loan amount of HK$22,500,000 to be made in three separate loan advancements comprising HK$15,000,000 for the first loan advancement (the "**First Loan**"), HK$3,750,000 for the second loan advancement (the "**Second Loan**") and HK$3,750,000 for the third loan advancement (the "**Third Loan**", together with the First Loan and the Second Loan, collectively referred to as the "**Loan**").	
Drawdown Date(s):	First Loan	Within 2 Business Days after the fulfillment of the conditions precedent set out in paragraph (a) under the sub-section headed "Conditions Precedent" of the section headed "The Shareholder's Loan Agreement" of this letter

	Second Loan	April 2019 (or such other date as may be agreed between the parties)
	Third Loan	July 2019 (or such other date as may be agreed between the parties)

Term: the period commencing from each of the Drawdown Dates and ending on the 24th month from the date thereon (the "**Term**").

Purpose: To be used in ordinary course of business of Minshang Zhihui.

Conditions Precedent:

(a) The Shareholder's Loan Agreement is conditional upon the fulfillment of the following conditions:

(i) the Completion;

(ii) the Independent Shareholder(s) having resolved at a general meeting to approve, among others, the Shareholder's Loan Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and

(iii) Minshang Zhihui having amended its articles of association in such form and substance acceptable to MSEC HK in compliance with the law, having filed with the relevant Chinese government bodies and having completed the relevant registration procedures, such that Minshang Zhihui can legally accept the Loan under the Shareholder's Loan Agreement.

(b) Drawing of the First Loan by Minshang Zhihui is conditional upon the fulfillment of the following conditions:

(i) Minshang Zhihui having completed foreign exchange registration of the Loan in such form and substance acceptable to MSEC HK in compliance with the law; and having obtained such document proof issued by relevant Chinese government bodies;

(ii) Minshang Zhihui having opened a foreign debt account in a bank in the PRC in accordance with the Details for Implementation of Registration of Foreign Debts and other relevant rules and regulations issued by the State Administration of Foreign Exchange; and

(iii) Minshang Zhihui having provided MSEC HK with all other documents and/or warranties, in the reasonable opinion of MSEC HK that is necessary for the entering into and performance of the Shareholder's Loan Agreement and the transactions contemplated thereunder.

(c) Drawing of the Second Loan and Third Loan by Minshang Zhihui is conditional upon the fulfillment of the following conditions:

(i) the First Loan having been drawn by Minshang Zhihui in accordance with the terms of the Shareholder's Loan Agreement; and

(ii) the completion of the Placing.

Undertakings: During the subsistence of the Shareholder's Loan Agreement and as long as there is any borrowing(s) or payable(s) under the Shareholder's Loan Agreement, Minshang Zhihui undertakes that, among other things:

(i) unless with the prior written consent of the Company or MSEC HK, Minshang Zhihui shall not carry out any form of financing including but not limited to issue or allotment of any share or loan capital to any person;

(ii) Minshang Zhihui shall not sell any of its assets unless such sale is in ordinary course of business of Minshang Zhihui at a selling price not less than the fair market value, and such sale proceed shall only be used to repay any outstanding Loan amount under the Shareholder's Loan Agreement or used as the general working capital of Minshang Zhihui; and

(iii) Minshang Zhihui shall, during the Term, ensure that the Company, directly or indirectly, owns not less than 50% equity interests in Minshang Zhihui.

Interest Rate: 8% per annum payable by Minshang Zhihui to MSEC HK on every Interest Payment Date. In the event that Minshang Zhihui fails to make timely repayment of any outstanding Loan amount (including the principal, interest and/or other expenses, if any), MSEC HK is entitled to charge Minshang Zhihui an overdue daily interest for such outstanding Loan amount calculated from the due date to the date on which MSEC HK receives the outstanding payment at an interest rate of 15% per annum.

Repayment Date: the date on which each of the Terms expires.

The terms of the Shareholder's Loan Agreement were arrived at after arm's length negotiations between MSEC HK and Minshang Zhihui.

Upon Completion, the Target Group is expected to continue its current development and expand its current operation by broadening its customer base. Minsheng E-commerce, keeping 15% equity interests in Minshang Zhihui after the Completion, and the Company have, after negotiation, agreed to provide shareholders' loans in an aggregate amount of not more than HK$45,000,000 to Minshang Zhihui in the ratio of 50%:50% upon Completion. On 31 December 2018, Minsheng E-commerce entered into a shareholder's loan agreement (as supplemented and amended by a supplemental shareholder's loan agreement dated 20 March 2019) with Minshang Zhihui, pursuant to which, Minsheng E-commerce shall provide a shareholder's loan in an amount equivalent to HK$22,500,000 to Minshang Zhihui with identical terms of loan, and interest rates as those set out in the Shareholder's Loan Agreement.

Including the shareholders' loans, the total investment made by Minsheng E-commerce and the Group in Minshang Zhihui will be approximately HK$30,997,621 and HK$87,310,000 respectively.

It is expected that the Target Group would require Shareholder's Loan from the Group in the sum of not more than HK$22,500,000 which will be financed by the proceeds from the Placing.

The breakdown for the expected use of the shareholder's loan by the Target Group as provided by Minsheng E-commerce and the Group is set out below:

Expected usage of loan	**Amount**
	(HK$'000)
Market development and human resources costs	22,500
Purchasing equipment	9,040
System development	6,750
Marketing expenses	6,710
Total	**45,000**

As developing, maintaining and operating e-commerce platforms constitute a major part of the business of the Minshang Zhihui Group, as part of the business development, the Minshang Zhihui Group intends to utilize the shareholder's loan to carry out the following implementation plans:

	For the year ending 31 December		
	2019	**2020**	**2021**
	Approximate	*Approximate*	*Approximate*
	%	*%*	*%*
Market development and human resources costs - to expand its sales and marketing coverage by expanding marketing team	40-50%	30-40%	10-20%
Purchasing equipment and system development - for the research and development activities and/or business scale expansion	70-80%	10-20%	10-20%
Marketing expenses - to expand its sales and marketing coverage by launching marketing and promotion campaigns	40-50%	30-40%	10-20%

Reasons for and benefits of the provision of the Shareholder's Loan

Having considered the following:

(i) the Company is optimistic about the future prospect of Minshang Zhihui;

(ii) Minshang Zhihui will become an Associate of the Company upon Completion and the Shareholder's Loan will constitute part of the funding for the Target Group's development which enables the Target Group to broaden its variety of products to be provided to its customers so as to increase its turnover and to further improve its IT hardware and software for its future growth;

(iii) as opposed to Minshang Zhihui obtaining financing from financial institutions which are guaranteed by its shareholders, the provision of the Shareholders' Loan to Minshang Zhihui is beneficial to the Company as the Company will receive interest payments therefrom;

(iv) after preliminary enquiries with financial institutions in the PRC, Minshang Zhihui is unable to obtain any unsecured loan facility of such amount and term without guarantee by its largest shareholder. Furthermore, financial institutions in the PRC in general tend not to grant loans secured by guarantees from non-PRC companies as they would be required to be involved in the registration of cross-border guarantees in the PRC, which may take a relatively longer time. As such, the Board decided not to provide cross-border guarantees;

(v) Minsheng E-commerce and the Company will provide shareholders' loans to Minshang Zhihui in the ratio of 50% : 50% upon Completion with the same interest rate and the Company's contribution in the shareholders' loans to Minshang Zhihui is in proportion to its equity interests in Minshang Zhihui upon Completion;

(vi) the Shareholders' Loan is a short term loan and the Company will earn a return of 8% per annum, which is higher than the existing bank deposit interest rate of the Group; and

(vii) the interest rate of 8% per annum is higher than a quotation for a one-year loan facility of RMB100,000,000 that a wholly-owned subsidiary of Minshang Zhihui obtained from an independent bank in the PRC in early 2018 for the purpose of payments to the suppliers for bulk purchase of merchandise, which has expired without being utilized by the said wholly-owned subsidiary. Such loan facility has an annual interest rate of around 6% and shall be secured by the guarantees given by both Minshang Zhihui and Minsheng E-commerce, which was at that time the largest shareholder of Minshang Zhihui. Credit limit was set at 50% of the sales revenue of the said wholly-owned subsidiary for the month prior to the intended drawdown date. The daily deposit balance of Minsheng E-commerce and its subsidiaries shall be no less than 50% of the total amount of the outstanding loan. Minsheng E-commerce and its subsidiaries are required to deposit margin of not less than 40% of the total amount of banker's acceptance issued. As the terms of the quotation were determined after arm's length negotiation between the said wholly-owned subsidiary and an independent third party, the Board considers it appropriate to use the interest rate as a benchmark to determine the interest rate of the Shareholders' Loan,

the Board considers that the terms of the Shareholder's Loan (including the interest rate of the Shareholders' Loan) are on normal commercial terms or better to the Company, fair and reasonable and the provision of the Shareholder's Loan is in the interests of the Company and the Shareholders as a whole.

Information on the Target Group

Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability on 16 October 2018. Other than the holding of the entire issued share capital of MSEC HK, the Target Company has not carried out any business activities. Accordingly, no management accounts have been prepared. The Target Company directly owns the entire issued share capital of MSEC HK.

MSEC HK

MSEC HK is a company incorporated in Hong Kong with limited liability on 30 October 2018. Other than the MSEC Acquisition, MSEC HK has not carried out any business activities. Accordingly, no management accounts have been prepared. Following the completion of the MSEC Acquisition, MSEC HK directly owns 50% equity interests in Minshang Zhihui.

Minshang Zhihui

Minshang Zhihui is a sino-foreign equity joint venture established in the PRC with limited liability with a total registered capital of RMB50,000,000. Minshang Zhihui is principally engaged in the technology and e-commerce related industry focusing on providing e-commerce services to financial institutions in the PRC (including several major banks) and other clients in the PRC by relying on its scene marketing system and supply chain management capabilities. Further, it provides a one-stop solution for its clients for their customer reward programmes and employee benefits programmes as it could provide both the e-commerce platform for its clients and its supply chain management services so that Minshang Zhihui could operate those platforms for its clients without resorting to other suppliers or technology companies.

Business

The principal activities of Minshang Zhihui include, among others, (i) development, operation and maintenance of online e-commerce platforms for large corporations under their own brands which are designed for customer reward programmes or for promotion events of such corporations; (ii) sale of merchandise through e-commerce platforms developed for the large corporations and the e-commerce platforms owned by the Minshang Zhihui Group, namely, Juhui Shangcheng (聚惠商城) and Minsheng Shangcheng (民生商城); and (iii) wholesale of merchandise to financial institutions and other large corporations.

(i) Development, operation and maintenance of e-commerce platforms

The Minshang Zhihui Group develops e-commerce platforms for large corporations, mainly commercial banks in the PRC, which are embedded in their websites, mobile apps, credit apps or WeChat official accounts. These platforms are owned by the clients under their own brands. In general, these e-commerce platforms are designed for the clients' customer reward programmes and promotion events.

Types of e-commerce platforms developed for clients

The e-commerce platforms the Minshang Zhihui Group develops for its clients can mainly be divided into the following types:

(1) Credit Mall （積分商城）

Credit Malls are online marketplaces designed for customer reward programmes of the clients, which are commercial banks in the PRC, of the Minshang Zhihui Group. Customers of these commercial banks are allowed to purchase merchandise on the Credit Malls with the credits gained from their usage of credit card/banking services. Customers can also use other payment methods, such as credit cards, to pay part of or the entire purchase price.

As an operator of these Credit Malls, the Minshang Zhihui Group is responsible for the sale of merchandise on these e-commerce platforms.

The Minshang Zhihui Group designs Credit Malls for each client in accordance with each client's specifications. The Minshang Zhihui Group receives service fees from clients for the development, operation and maintenance of Credit Malls. The Minshang Zhihui Group also generates revenue from sale of merchandise on these e-commerce platforms. For the e-commerce platforms operated for the Related Party Bank and Minsheng E-commerce, since the obligations to operate e-commerce platforms for the Related Party Bank are assigned by Minsheng E-commerce to Minshang Zhihui, revenue from sale of merchandise in this type of platforms is therefore generated from Minsheng E-commerce. For the e-commerce platforms operated for other banks: for credits gained from usage of credit card/banking services, revenue from sale of merchandise is generated from its clients; for other payment methods, revenue from sale of merchandise is generated from the customers of its clients, which will be discussed in detail in (ii) below.

(2) Credit Card Mall （信用卡商城）

Credit Card Malls are online marketplaces designed for customer reward programmes of the clients, which are commercial banks in the PRC, of the Minshang Zhihui Group. Customers of these commercial banks, including credit card and debit card users of these commercial banks, are allowed to purchase merchandise on the Credit Card Malls. Customers of these commercial banks can opt to purchase merchandise by instalments (3-month/6-month/9-month/12-month) should these commercial banks allow them to do so.

As an operator of these Credit Card Malls, the Minshang Zhihui Group is responsible for the sale of merchandise on these e-commerce platforms.

The Minshang Zhihui Group designs Credit Card Malls for each client in accordance with each client's specifications. The Minshang Zhihui Group receives service fees from clients for the development, operation and maintenance of Credit Card Malls. The Minshang Zhihui Group also generates revenue from sale of merchandise from the customers of its clients on these e-commerce platforms, which will be discussed in detail in (ii) below. For the merchandise which the customers of these commercial banks opt to purchase by instalments, the Minshang Zhihui Group still receives the entire purchase price from these commercial banks in the month in which the purchase was made.

(3) Functions embedded in clients' applications

The Minshang Zhihui Group designs certain functions for customers of its clients, which are commercial banks in the PRC. These functions are mainly online marketplaces embedded in clients' mobile phone applications, which allow customers of these commercial banks to purchase merchandise using these functions.

As an operator of these functions, the Minshang Zhihui Group is responsible for the sale of merchandise on these e-commerce platforms.

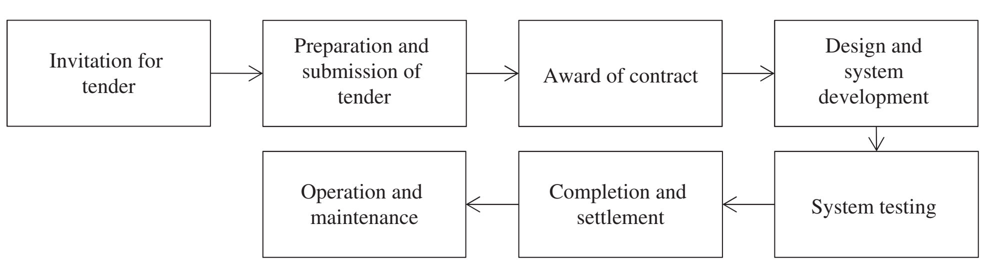
The Minshang Zhihui Group designs these functions for each client in accordance with each client's specifications. The Minshang Zhihui Group receives service fees from clients for the development, operation and maintenance of these functions. The Minshang Zhihui Group also generates revenue from sale of merchandise from customers of its clients on these functions, which will be discussed in detail in (ii) below.

(4) E-commerce platforms for promotion events

Commercial banks in the PRC may engage the Minshang Zhihui Group to develop e-commerce platforms for their online or in-app promotion events, such as lucky draws where customers can participate to win prizes (mainly merchandise) through the relevant e-commerce platforms and customer referral programmes where customers can get certain reward by referring new customers for the banks through the relevant e-commerce platforms.

The Minshang Zhihui Group designs each of these e-commerce platforms for each event in accordance with the client's specifications. The Minshang Zhihui Group receives service fees from clients for the development, operation and maintenance of such e-commerce platforms. For reward of merchandise, the Minshang Zhihui Group also generates revenue from selling the relevant merchandise to their clients.

The flow chart below sets out the key steps of the business flow of this area:



Tendering

In the PRC, when commercial banks intend to engage developers to develop their own e-commerce platforms, they generally publish tender information through their own websites or other public platforms. The Minshang Zhihui Group submits tenders to such commercial banks for their review. For successful tenders, it enters into service contracts with the relevant commercial banks. Major terms of such service contracts include the specifications of the e-commerce platforms, contract sum, expected completion date and settlement method. Other than tendering, the Minshang Zhihui Group proactively targets commercial banks and approaches them to promote their services and negotiate for service terms.

Design, system development and system testing

In accordance with the clients' requirements, the Minshang Zhihui Group designs the front pages, user interfaces and functions of the e-commerce platforms with its own programming team, which would then be tested both internally and by the relevant clients before completion.

Operation and maintenance

The Minshang Zhihui Group usually operates and maintains e-commerce platforms it developed. Its scope of services includes daily operation of e-commerce platforms, software updates, technical support, change of features (if required), provision of customer services to banks' customers and settlement services. The Minshang Zhihui Group generally enters into yearly contracts with its clients and such contracts are re-negotiated and renewed upon expiry. The Minshang Zhihui Group in general does not operate or maintain e-commerce platforms developed by other developers.

The Minshang Zhihui Group usually receives one-off fees or annual service fees for their operation and maintenance services from clients which vary with the service nature and size of operation of the e-commerce platforms. In some cases, the Minshang Zhihui Group does not receive service fees for their operation and maintenance services but opts to generate revenue through sale of merchandise on the relevant e-commerce platforms instead, which will be discussed in detail in (ii) below.

Major service contracts

For the year ended 31 December 2015, Minshang Zhihui entered into 2 service contracts and operated 2 e-commerce platforms. Such service contracts were entered into by Minshang Zhihui with the Related Party Bank to develop, operate and maintain online marketplaces. The contracts ended on 31 December 2015 and were renewed for the year ended 31 December 2016. Minshang Zhihui received RMB2,000,000 as service fee.

For the year ended 31 December 2016, Minshang Zhihui entered into 3 service contracts and operated 7 e-commerce platforms. Such service contracts were entered into by Minshang Zhihui with an independent third party bank in the PRC and the Related Party Bank to develop, operate and maintain online marketplaces. The duration of these contracts ranged from 1 year to 3 years. All the contracts for operation and maintenance were renewed upon expiry. Service fees received by Minshang Zhihui ranges from nil to RMB2,088,000.

For the year ended 31 December 2017, the Minshang Zhihui Group entered into 10 service contracts and operated 13 e-commerce platforms. Such service contracts were entered into by Minshang Zhihui with 3 independent third party banks in the PRC and the Related Party Bank to develop, operate and maintain online marketplaces and e-commerce platforms for promotion activities. The duration of these contracts ranged from about 3 months to 1 year. All service contracts for operation and maintenance of e-commerce platforms were renewed upon expiry. Service contracts for development of e-commerce platforms were completed. Service fees received by Minshang Zhihui ranges from nil to RMB2,607,190.

For the nine months ended 30 September 2018, the Minshang Zhihui Group entered into 8 service contracts and operated 17 e-commerce platforms. The Minshang Zhihui Group developed, operated and maintained online marketplaces and e-commerce platforms for promotion events for 7 independent third party banks in the PRC and the Related Party Bank. The duration of these contracts ranged from 1 year to 2 years. Service contracts for operation and maintenance, if expired, have either been renewed upon expiry or under negotiation for renewal. Service fees received by Minshang Zhihui ranges from nil to RMB2,500,000.

As at the Latest Practicable Date, major on-going service contracts in this area were all entered into between the Minshang Zhihui Group and financial institutions in the PRC (which include independent third party banks, independent third party insurance company and the Related Party Bank). In these contracts, the Minshang Zhihui Group is engaged to develop, operate and maintain online marketplaces and e-commerce platforms for the banks' customer reward programmes and promotion events. Contract sums range from nil to approximately RMB3,000,000. Duration of these contracts ranged from 9 months to 2 years.

For the avoidance of doubt, the number of service contracts the Minshang Zhihui Group entered into may be different from the number of e-commerce platforms it operates as clients often engage the Minshang Zhihui Group to develop, operate and maintain several e-commerce platforms under the same contract. In addition, as mentioned above, Minshang Zhihui does not receive service fees for developing, operating and maintaining e-commerce platforms in some cases as it can generate sufficient revenue through sale of merchandise on the relevant e-commerce platforms.

Revenue

Revenue from provision of technology services relating to development, operation and maintenance of e-commerce platforms amounted to approximately RMB3.1 million, RMB6.4 million, RMB5.0 million and RMB9.0 million, representing approximately 71.3%, 28.6%, 8.9% and 11.2% of the revenue of the Minshang Zhihui Group for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and nine months ended 30 September 2018 respectively.

(ii) Sale of merchandise through e-commerce platforms

(1) Types of e-commerce platforms which sell merchandise

The Minshang Zhihui Group sells merchandise through both (a) the e-commerce platforms developed for its clients discussed in (i) above; and (b) its self-owned e-commerce platforms.

(a) The e-commerce platforms developed for its clients discussed in (i) above

As discussed in part (i) above, the Minshang Zhihui Group generates revenue from sale of merchandise on e-commerce platforms they developed and operates for its clients.

(b) Its self-owned e-commerce platforms

The Minshang Zhihui Group developed, owns and operates its own e-commerce platform, namely, Juhui Shangcheng (聚惠商城) via a website (http://www.minshengec.com/) and mobile apps with the same name on both iOS and Android. It is designed for its clients, mainly banks and other large enterprises, to distribute employee benefits.

As the Minshang Zhihui Group has the expertise and resources to operate and maintain Juhui Shangcheng, clients tend to cooperate with the Minshang Zhihui Group instead of developing their own platforms. In addition, clients are generally less likely to develop their own e-commerce platforms for their employees. Under this mode, the clients enter into cooperation agreements with the Minshang Zhihui Group, pursuant to which, their employees can login to Juhui Shangcheng and redeem merchandise on Juhui Shangcheng with credits allocated to them by their employers, i.e. the clients of the Minshang Zhihui Group.

For the three years ended 31 December 2017, apart from engaging Minshang Zhihui to develop, operate and maintain e-commerce platforms for its customers, the Related Party Bank was also the only client of Minshang Zhihui using Juhui Shangcheng.

For the nine months ended 30 September 2018, there were three clients using Juhui Shangcheng, which were the Related Party Bank, a property agency in the PRC and an oil company in the PRC.

In the cooperation agreements, the Minshang Zhihui Group does not receive any operation or management fee from the clients. Duration of these agreements ranges from 12 months to 18 months. The Minshang Zhihui Group generates revenue from sale of merchandise on Juhui Shangcheng, which will be discussed in detail below.

The Minshang Zhihui Group also developed, owns and operates another e-commerce platform, namely, Minsheng Shangcheng (民生商城) via a website (http://mall.minshengec.com/). It is an online marketplace which has a similar business model with Credit Card Malls discussed above. It is designed for the customers of the Related Party Bank. These customers can use various payment methods to purchase merchandise while additional discounts and other benefits are provided to the customers of the Related Party Bank.

The Minshang Zhihui Group enters into yearly cooperation agreements with its client and does not receive any operation or management fee in these agreements. The Minshang Zhihui Group generates revenue from sale of merchandise on Minsheng Shangcheng, which will be discussed in detail below.

(2) Merchandise available on the e-commerce platforms

The merchandise available on the e-commerce platforms (including Juhui Shangcheng, Minsheng Shangcheng and e-commerce platforms developed by the Minshang Zhihui Group for its clients) covers consumables, such as food, beverages, electronics, cosmetics and health products, as well as intangible products to be used in the PRC, including coupons to be used on its e-commerce platforms, phone credits, cinema tickets and fuel vouchers.

(3) Payment methods available on the e-commerce platforms

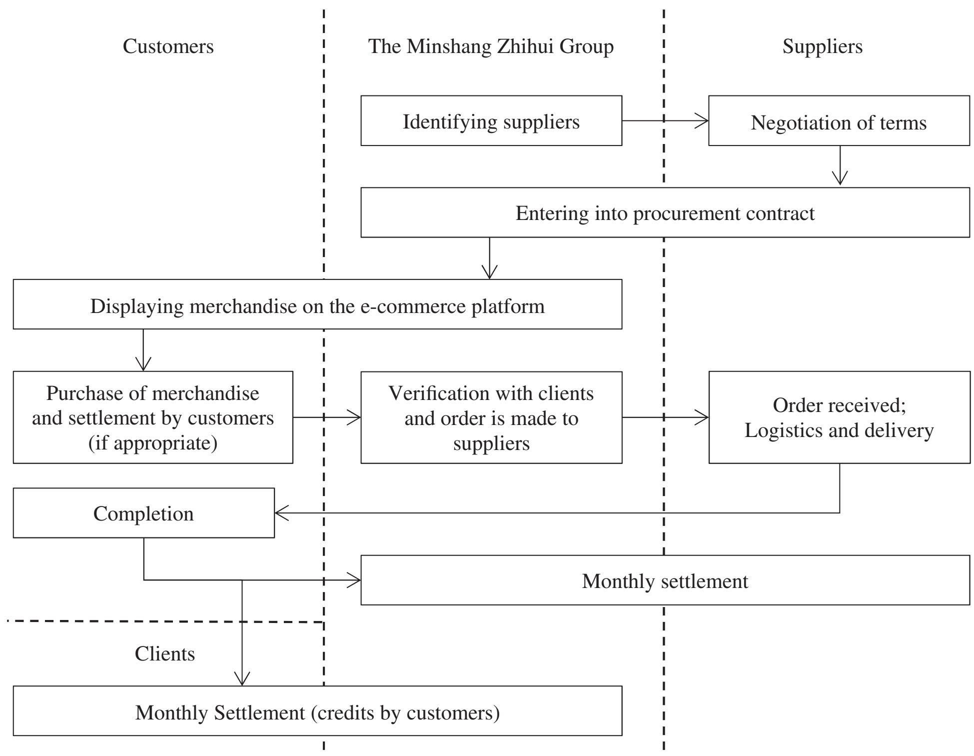
For the e-commerce platforms developed for the clients of the Minshang Zhihui Group, all these platforms accept direct bank transfer, debit cards, Alipay and WeChat Pay. Credit Malls, Credit Card Malls and Minsheng Shangcheng accept credit cards while Credit Malls also accept credits gained from usage of credit card/banking services.

For Juhui Shangcheng, employees can redeem merchandise on Juhui Shangcheng with credits allocated to them by their employers, i.e. the clients of the Minshang Zhihui Group. Employees cannot use other payment method on Juhui Shangcheng.

(4) Modes of sale on e-commerce platforms

(a) Sale by the Minshang Zhihui Group

The flow chart below sets out the key steps of the business flow of this area:



The Minshang Zhihui Group proactively approaches suppliers for merchandise to be sold on the e-commerce platforms. The Minshang Zhihui Group also enters into procurement contracts with suppliers who are eager to offer their products for sale on the e-commerce platforms. In some cases, the Minshang Zhihui Group locates its suppliers in accordance with specific requests made by the clients.

After identifying the suppliers, the Minshang Zhihui Group negotiates terms with the suppliers and enters into procurement contracts with the relevant suppliers. Most of these procurement contracts are yearly contracts and major terms include the scope of merchandise, contract period, settlement method and supply price.

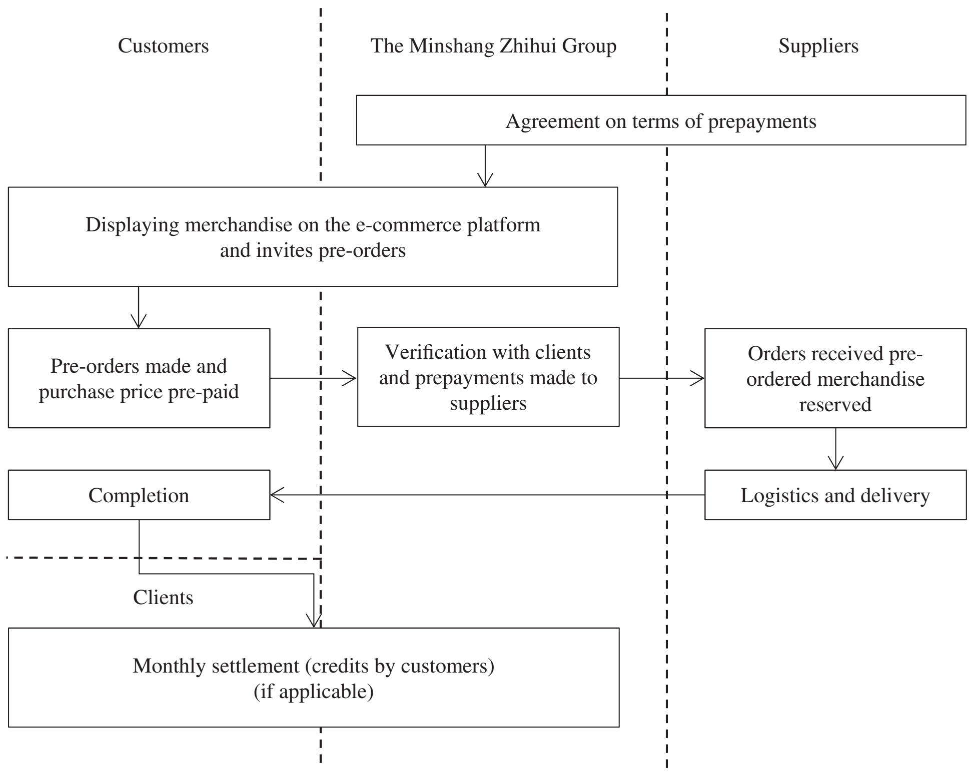
The supplied merchandise is displayed on the e-commerce platforms for the customers (for Juhui Shangcheng, "customers" are employees of clients of the Minshang Zhihui Group; for other e-commerce platforms including Minsheng Shangcheng, "customers" are mainly customers of clients of the Minshang Zhihui Group) to select and purchase. Once the merchandise has been selected by the customers and orders have been confirmed by the customers on the e-commerce platforms, the e-commerce platforms will verify with the information system of the relevant clients to check whether such customers have the requisite credits or cash to make such orders. If the result is positive, (i) respective credits are deducted from such customers; and (ii) the Minshang Zhihui Group records the details of the transactions, including the identities of the clients, number of credits used and the amount of cash involved (if applicable). If payment method other than deduction of credits is involved, such as credit cards, such purchase prices are settled within 3 days from the date of orders made.

Orders are sent to the suppliers by the Minshang Zhihui Group and the suppliers are responsible for the relevant logistics and the delivery of the merchandise. As the merchandises are delivered by the suppliers to the customers directly, the Minshang Zhihui Group does not recognize inventory in this arrangement. Once the merchandise is successfully delivered to the relevant customers, the order is completed.

(b) Pre-sale by the Minshang Zhihui Group

In certain circumstances, such as the sale of the latest mobile phones or the sale of certain liquor before traditional festivals in the PRC, due to the popularity of these merchandises and the limited supplies, suppliers may, instead of accepting the usual monthly settlement, require the Minshang Zhihui Group to prepay for the merchandise to be displayed on the e-commerce platforms for the customers.

The flow chart below sets out the key steps of the business flow of this area:



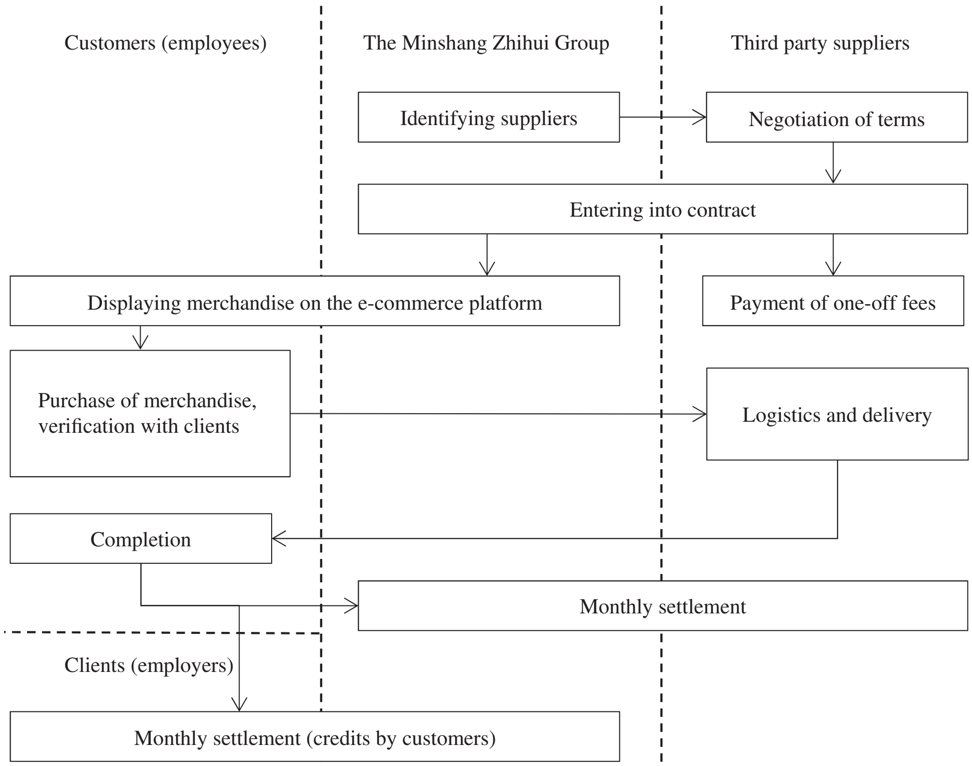
Prepayment is usually included as one of the methods of settlement stipulated in the procurement contracts entered into between the Minshang Zhihui Group and suppliers; however, such method is rarely adopted unless the merchandise is in high demand and of limited supply. The suppliers notify the Minshang Zhihui Group if they require prepayments for certain merchandises and see whether the Minshang Zhihui Group agrees to such arrangement.

After agreeing on the terms of prepayment, the Minshang Zhihui Group displays these merchandises on the e-commerce platforms and invites the customers (for Juhui Shangcheng, "customers" are employees of clients of the Minshang Zhihui Group; for other e-commerce platforms including Minsheng Shangcheng, "customers" are mainly customers of clients of the Minshang Zhihui Group) to pre-order these merchandises. Once the relevant merchandise has been pre-ordered by the customers on the e-commerce platforms, the e-commerce platforms will verify with the information system of the relevant clients to check whether such customers have the requisite credits or cash to make such pre-orders. If the result is positive, (i) respective credits are deducted from such customers; (ii) if payment method other than deduction of credits is involved, such as credit cards, such pre-order prices are settled within a few days from the date of pre-order made; and (iii) the Minshang Zhihui Group records the details of the transactions, including the identities of the clients, number of credits used and the amount of cash involved (if applicable).

The pre-orders are sent to the suppliers by the Minshang Zhihui Group and the Minshang Zhihui Group makes prepayments for the pre-orders. The Minshang Zhihui Group recognizes the prepayment in its account when such prepayments are made to the suppliers. The suppliers reserve the relevant merchandise and are responsible for the relevant logistics and the delivery of the merchandise when the merchandise are available or due to be delivered. As the merchandises are delivered by the suppliers to the customers directly, the Minshang Zhihui Group does not recognize inventory in this arrangement. Once the merchandise is successfully delivered to the relevant customers, the transaction is completed.

(c) Sale by third party suppliers

The flow chart below sets out the key steps of the business flow of this area:



This mode of sale currently only applies in Juhui Shangcheng but not the other e-commerce platforms.

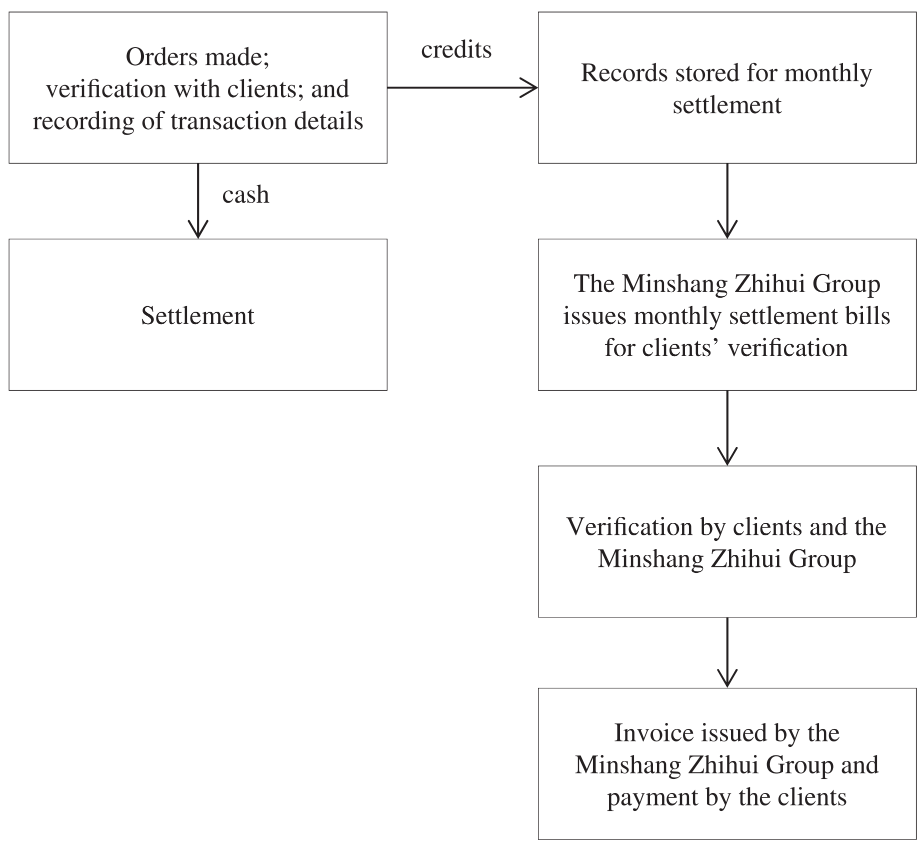
In this mode, the Minshang Zhihui Group enters into contracts with third party suppliers to allow such third party suppliers to sell their merchandise directly to the clients' employees on Juhui Shangcheng at a one-off fee, which is determined on a case-by-case basis during their commercial negotiation. Most of these contracts are yearly contracts and include terms such as contract period, commission rate, amount of the one-off fee and settlement method.

The merchandise is displayed on Juhui Shangcheng for the customers, i.e. the employees of clients of the Minshang Zhihui Group, to select and purchase. Once the merchandise has been selected by the customers and orders have been confirmed by the customers on Juhui Shangcheng, Juhui Shangcheng will verify with the information system of the relevant clients to check whether such customers have the requisite credits to make such orders. If the result is positive, (i) respective credits are deducted from such customers; and (ii) the Minshang Zhihui Group records the details of the transactions, including the identities of the clients and number of credits used.

Orders are sent by the Minshang Zhihui Group to the third party suppliers and such suppliers are responsible for the relevant logistics and the delivery of the merchandise. Once the merchandise is successfully delivered to the relevant customers of clients, the order is completed. Sales derived from this business area will not be recognized as revenue of the Minshang Zhihui Group. Instead, Minshang Zhihui Group generates commission from the third party sellers on Juhui Shangcheng.

(5) Settlement with clients

The flow chart below sets out the key steps of the flow of the settlement with clients:



When orders are made and information has been verified by the clients, the Minshang Zhihui Group records the details of the transactions, including the identities of the clients, number of credits used and the amount of cash involved (if applicable). Other than the sale by third party suppliers on Juhui Shangcheng, the Minshang Zhihui Group recognizes the purchase price as the revenue from sales when the merchandises are delivered to the customers.

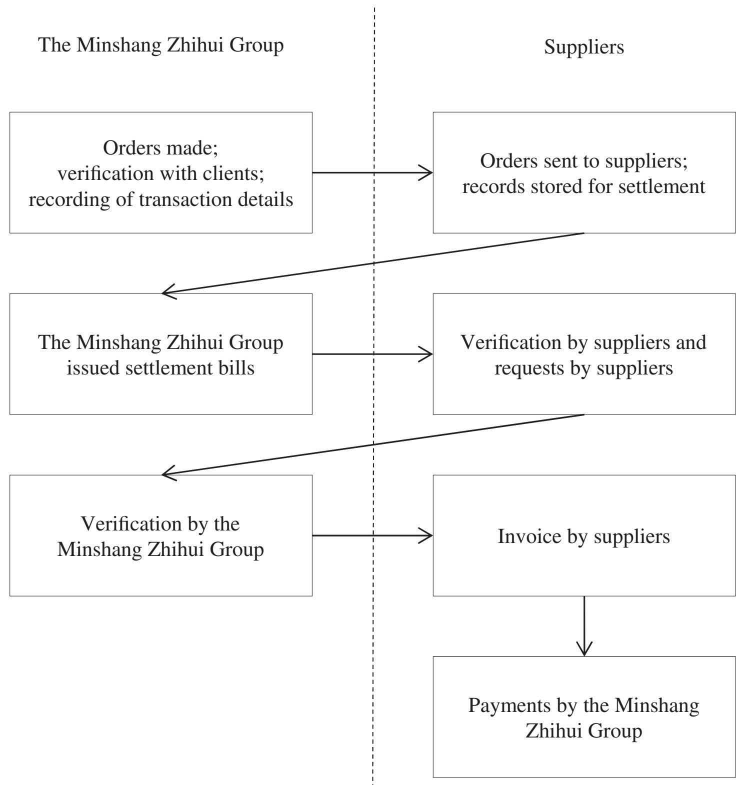
For the sale of merchandise on e-commerce platforms using credit cards or other cash payment methods regardless of whether the cash involved is used to settle the entire or part of the purchase price, the amounts settled with cash are settled with the clients within 3 days from the date of the transaction.

For the sales of merchandise using credits, including the credits allocated by employers to employees on Juhui Shangcheng and the credits gained by customers from their usage of credit cards and bank services, records are stored for monthly settlement. Such credits are settled with the clients on a monthly basis.

For monthly settlement of credits, the Minshang Zhihui Group, based on their records, compiles monthly settlement bills for their clients. After verification and confirmation of the monthly settlement bills by the clients as well as further verification by the Minshang Zhihui Group, the Minshang Zhihui Group issues invoices to the clients for their cash settlement within 15 business days from the respective dates of invoice.

(6) Settlement with suppliers (Sale by the Minshang Zhihui Group)

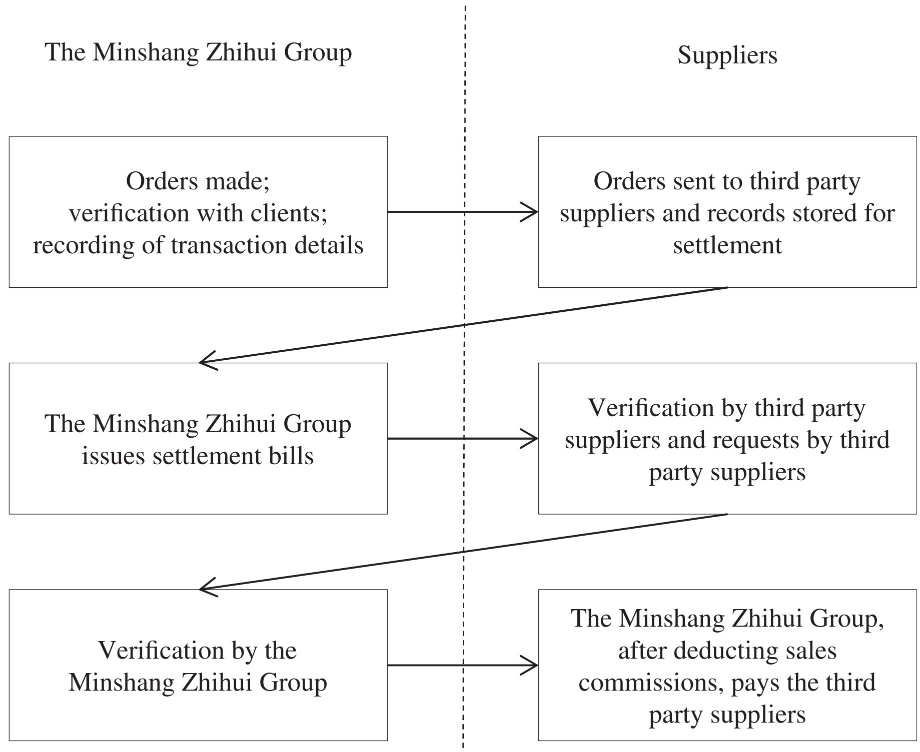
The flow chart below sets out the key steps of the flow of the settlement in sale by the Minshang Zhihui Group:



When orders are made and information has been verified by the clients, the Minshang Zhihui Group records the details of the transactions, including suppliers involved, number of credits used and the amount of cash involved (if applicable). The Minshang Zhihui Group then sends the orders to the suppliers and the records are stored for settlement.

Based on such records, the Minshang Zhihui Group compiles settlement bills for their suppliers. The suppliers then request payments from the Minshang Zhihui Group after their own verification and the Minshang Zhihui Group's verification. After verifications, the suppliers issue invoices to the Minshang Zhihui Group for its cash settlement.

(7) ***Settlement with third party suppliers (Sale by third party suppliers)***



When orders are made and information has been verified by the clients, the Minshang Zhihui Group records the details of the transactions, including third party suppliers involved and number of credits used. The Minshang Zhihui Group then sends the orders to the third party suppliers and the records are stored for settlement.

Payments between the Minshang Zhihui Group and third party suppliers are settled monthly. In this regard, the Minshang Zhihui Group receives fixed-rate sales commissions ranging from 0.5% to 25% of sales from third party suppliers which vary depending on the types and natures of the merchandise. Based on their records, the Minshang Zhihui Group compiles settlement bills for the third party suppliers. The third party suppliers then request payments from the Minshang Zhihui Group after their own verification and the Minshang Zhihui Group's verification. The Minshang Zhihui Group, after deducting sales commissions it is entitled to, pays the remaining price to third party suppliers.

(8) Credit policy

The Minshang Zhihui Group determines its credit policies after arm's length negotiation with its clients and suppliers. In general, bills are settled within 1 month from their respective dates.

For intangible products including cinema tickets, bills are settled within 2 days from the date of sale.

(9) Goods return policy

Should the customers intend to return the merchandise, they will have to deliver the merchandise to a location designated by the Minshang Zhihui Group at their own costs within 7 to 15 days from the date of delivery, which vary with the nature of the merchandise. The Minshang Zhihui Group will arrange for refund of cash or credits if necessary.

(10) Revenue

The Minshang Zhihui Group mainly generates revenue from the sale of merchandise through e-commerce platforms in the following manner:

(a) Sale by the Minshang Zhihui Group

In respect of sale by the Minshang Zhihui Group, the revenue is recognized on a gross basis as the Minshang Zhihui Group (i) is primarily obligated in these transactions; (ii) is subject to inventory risk; or (iii) has latitude in establishing prices. In each transaction the Minshang Zhihui Group may have met several of the above indicators but not all of them. Revenue from online sales by the Minshang Zhihui Group was approximately nil, RMB2.8 million, RMB18.3 million and RMB51.4 million, representing nil, approximately 12.6%, 32.3% and 63.6% of the revenue of the Minshang Zhihui Group for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 and nine months ended 30 September 2018 respectively.

(b) One-off fees received from third party suppliers

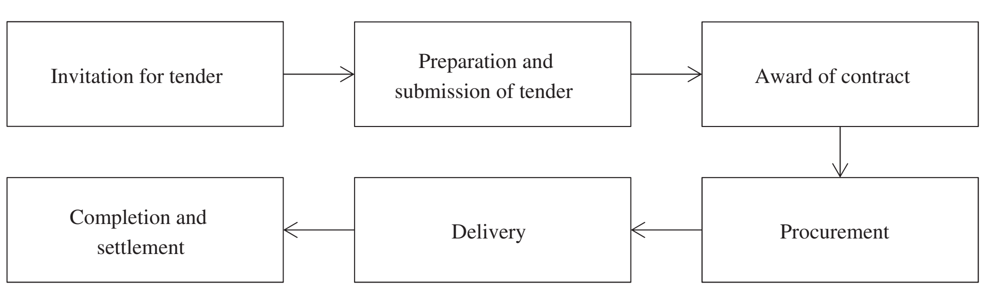
In respect of the one-off fees received from third party suppliers (fees for allowing third party suppliers to sell their merchandise on e-commerce platforms), the revenue is recognized ratably in the contractual period. Such revenue was approximately RMB0.4 million, RMB4.4 million, RMB10.3 million, RMB3.6 million, representing approximately 8.1%, 19.5%, 18.3% and 4.4% of the revenue of the Minshang Zhihui Group for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 and nine months ended 30 September 2018 respectively.

(c) Commission income received from sale by third party suppliers

In respect of the commission income received from sale by third party suppliers on the e-commerce platforms, a fixed rate commission fee based on the sales amount is charged by the Minshang Zhihui Group on the third party suppliers for their successful sales. Commission income is recognized for transactions where the Minshang Zhihui Group (i) is not the primary obligor; (ii) is not subject to inventory risk; and (iii) does not have latitude in establishing prices. Commission income is recognised at the time that the successful sales have been consummated by the third party suppliers. Commission from third party suppliers amounted to approximately RMB0.9 million, RMB4.3 million, RMB7.9 million and RMB5.4 million, representing approximately 20.6%, 19.0%, 13.8% and 6.6% of the revenue of the Minshang Zhihui Group for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 and nine months ended 30 September 2018 respectively.

(iii) Wholesale of merchandise to financial institutions and other large corporations

Financial institutions and other large corporations in the PRC often require merchandise for their own customer incentives and loyalty programmes, or employee welfare programmes. The Minshang Zhihui Group sells the required merchandise to these financial institutions and large corporations. The flow chart below sets out the key steps of the business flow of this area:



Tender

These financial institutions and other large corporations in the PRC generally publish the tender information through their own websites or other public platforms. The Minshang Zhihui Group submits tenders to such corporations for their review. For successful tenders, it enters into procurement contracts with the relevant large corporations. Major terms of such procurement contracts include the nature of merchandise, contract sum and expected completion date. Other than tendering, the Minshang Zhihui Group proactively targets large corporations in the PRC and approaches them directly to promote their services and negotiate for the contract terms.

Procurement

The Minshang Zhihui Group procures merchandise mainly from its suppliers for its operation of e-commerce platforms. The merchandise the Minshang Zhihui Group offers covers consumables, such as food, beverages, electronics, cosmetics and health products, as well as intangible products, including coupons to be used on its e-commerce platforms, phone credits, cinema tickets and fuel vouchers.

Delivery, completion and settlement

After making the orders, the suppliers are responsible for the logistics and delivery of the merchandise. After delivery is successfully made, the relevant contract will be completed.

Major tender and supply contracts

As at the Latest Practicable Date, major ongoing supply contracts in this area were all entered into between the Minshang Zhihui Group and the Related Party Bank. In most of these contracts, the Minshang Zhihui Group is engaged to provide intangible products, including coupons and phone credits. Contract sums range from approximately RMB1,000,000 to RMB15,160,000. All these contracts are expected to be completed by mid 2019.

Major supply contracts completed in 2018 in this area were all entered into between the Minshang Zhihui Group and the Related Party Bank. In these contracts, the Minshang Zhihui Group was engaged to provide tangible gifts and intangible products, including coupons and phone credits. Contract sums range from approximately RMB1,000,000 to RMB3,500,000.

Revenue

The Minshang Zhihui Group generates revenue from the wholesale of merchandise. Revenue from wholesales of merchandise was approximately nil, RMB4.6 million, RMB15.1 million and RMB11.4 million, representing nil, approximately 20.4%, 26.7% and 14.2% of the Minshang Zhihui Group's revenue for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and nine months ended 30 September 2018 respectively.

Top five customers

For the year ended 31 December 2015, 20.49% of revenue of Minshang Zhihui was attributable to the largest customer. 62.85% of revenue of Minshang Zhihui was attributable to the five largest customers combined. The Related Party Bank is one of the 5 largest customers, contributing to 16.02% of revenue of Minshang Zhihui. Minshang Zhihui develops and operates e-commerce platforms (including sale of merchandise) for the Related Party Bank. The remaining four largest customers are independent third parties including two gift suppliers, a travel agency and an advertising agency. The gift suppliers and travel agency are third party suppliers on e-commerce platforms while the advertising agency allows Minshang Zhihui to generate revenue through ads.

For the year ended 31 December 2016, 36.25% of revenue of Minshang Zhihui was attributable to the largest customer, the Related Party Bank. Minshang Zhihui develops and operates e-commerce platforms (including sale of merchandise) for such customer. 61.75% of revenue of Minshang Zhihui was attributable to the five largest customers combined. Among the other four largest customers: one of which is Minsheng E-commerce and Minshang Zhihui develops e-commerce platforms (including sale of merchandise) for Minsheng E-commerce; one of which is a finance company and a subsidiary of the immediate holding company of Minshang Zhihui and Minshang Zhihui provides technology services to such customer; one of which is a technology company owned as to 35% by Minshang Zhihui and such customer is a third party supplier on e-commerce platforms; the remaining one is a technology company independent from Minshang Zhihui and Minshang Zhihui provides technology services to such customer.

For the year ended 31 December 2017, 49.63% of revenue of Minshang Zhihui was attributable to the largest customer, which is the Related Party Bank. Minshang Zhihui develops and operates e-commerce platforms (including sale of merchandise) for such customer. 61.54% of revenue of Minshang Zhihui is attributable to the five largest customers combined. Among the other four largest customers: one of which was Minsheng E-commerce and Minshang Zhihui develops e-commerce platforms (including sale of merchandise) for such customer; one of which is a household product supplier owned as to 30% by Minshang Zhihui at that time and Minshang Zhihui provides technology services and agency services to such customer; one of which is a finance company and a subsidiary of Minsheng E-commerce and Minshang Zhihui provides technology services to such customer; the remaining one is a gift supplier independent from Minshang Zhihui and such customer is a third party supplier on e-commerce platforms.

For the nine months ended 30 September 2018, 28.31% of revenue of Minshang Zhihui was attributable to the largest customer, which is the Related Party Bank. Minshang Zhihui develops and operates e-commerce platforms (including sale of merchandise) for such customer. 66.02% of revenue of Minshang Zhihui was attributable to the five largest customers combined. Among the other four largest customers: one of which is Minsheng E-commerce and Minshang Zhihui develops e-commerce platforms (including sale of merchandise) for such customer; one of which is a gift supplier and a subsidiary of Minsheng E-commerce and such customer is a third party supplier on e-commerce platforms; the remaining two are alcohol suppliers independent from Minshang Zhihui and they are third party suppliers on e-commerce platforms.

Top five suppliers

For the year ended 31 December 2015, as there was no sale of merchandise, there was no supplier.

For the year ended 31 December 2016, 51.12% of the purchases were attributable to the largest supplier, which is a liquor supplier independent from Minshang Zhihui. It supplies liquor to Minshang Zhihui. 72.39% of the purchases were attributable to the five largest suppliers combined. The other four largest suppliers are all independent from Minshang Zhihui. They are a liquor supplier, a supplier of tangible gifts, a fruit supplier and a food supplier and they supply liquor, tangible gifts, fruit and food to Minshang Zhihui.

For the year ended 31 December 2017, 10.27% of the purchases were attributable to the largest supplier, which is a household product supplier owned as to 30% by Minshang Zhihui at that time. It supplies household products to Minshang Zhihui. 37.73% of the purchases were attributable to the five largest suppliers combined. The other four largest suppliers are all independent from Minshang Zhihui. They are a liquor supplier, two suppliers of tangible gifts and a supplier of cake vouchers and they supply liquor, tangible gifts and cake vouchers to Minshang Zhihui.

For the nine months ended 30 September 2018, 16.11% of the purchases were attributable to the largest supplier, which is a supplier of coupons and vouchers, including phone credit voucher, coffee coupons and restaurant coupons, and is independent from Minshang Zhihui. It supplies coupons and vouchers to Minshang Zhihui. 47.69% of the purchases were attributable to the five largest suppliers combined. The other four largest suppliers are all independent from Minshang Zhihui. They are two suppliers of coupons and vouchers and two mobile phone suppliers and they supply coupons, vouchers, mobile phones and mobile phone accessories to Minshang Zhihui.

Transactions with related parties

Based on the financial information set out in Appendix IIB of the Circular, Minshang Zhihui's revenue attributed to Minsheng E-commerce and the Related Party Bank in aggregate amounted to approximately RMB10.5 million, RMB32.2 million and RMB44.0 million for the years ended 31 December 2016 and 2017 and the nine months ended 30 September 2018 respectively which accounted for approximately 46.91%, 56.83% and 54.50% of the total revenue of Minshang Zhihui in the respective periods.

As at 31 December 2018, Minshang Zhihui had entered into multiple service contracts with the Related Party Bank. Minshang Zhihui operates several e-commerce platforms for the Related Party Bank, including online marketplaces and e-commerce platforms for promotion events. The relevant contracts amount to approximately RMB 7 million of revenue. The Related Party Bank is also the major user of Juhui Shangcheng as its several branches have entered into separate contracts regarding Juhui Shangcheng with Minshang Zhihui and a majority of the customers in Juhui Shangcheng are employees of the Related Party Bank. For wholesale of merchandise, the existing supply contracts amount to approximately RMB 36 million.

As for the transactions between Minshang Zhihui and Minsheng E-commerce, as Minsheng E-commerce has been the largest shareholder of Minshang Zhihui, it has entered into certain service contracts for development, operation and maintenance of e-commerce platforms with the Related Party Bank and assigns most of the obligations to Minshang Zhihui. Therefore, most of the dealings between Minshang Zhihui and Minsheng E-commerce are indeed for services provided to the Related Party Bank.

As at 31 December 2018, Minshang Zhihui have entered into ongoing service contracts for development, operation and maintenance of e-commerce platforms with 5 independent third party financial institutions, including 4 commercial banks and 1 insurance company. Minshang Zhihui targets to enter into service contracts with 2 more independent third party banks in the first half of 2019. The relevant contracts, including the service contracts targeted to be entered into in the first half of 2019, amount to approximately RMB 1.2 million. Two independent third party corporations have become users of Juhui Shangcheng in 2018. For wholesale of merchandise, Minshang Zhihui currently has entered into 1 existing supply contract with an independent third party bank which amounts to approximately RMB 1.16 million.

The abovementioned arrangements and the cooperation between Minshang Zhihui and the Related Party Bank are expected to be continued after Completion. The Board expects that the revenue contributed by the Related Party Bank to be steady in the future.

In order to increase customer base and revenue of the Minshang Zhihui Group, Minshang Zhihui is implementing and will continue to implement the following measures upon Completion:

1. *Expand the geographical coverage of the Minshang Zhihui Group.*

   In August 2018 and January 2019, Minshang Zhihui established the Shanghai branch and the Beijing branch and it targets to establish its Shenzhen branch in the first half of 2019. The branch offices are principally engaged in the marketing and operation of the Minshang Zhihui Group's business. It is expected that, by establishing the Shenzhen branch office, the Minshang Zhihui Group could expand its customer base to commercial banks and large corporations in South China regions. Minshang Zhihui is currently in negotiation with several independent third party banks in the Guangdong Province and is expected to participate in more tenders held by independent third party banks.

2. *Marketing and promotion of business.*

   Minshang Zhihui intends to utilize a substantial amount obtained from the Shareholder's Loan and the shareholder's loan obtained from Minsheng E-commerce for market development and as marketing expenses, including expanding the marketing team and the market coverage through launching marketing and promotion campaigns. Minshang Zhihui has been participating in exhibitions, forums and seminars organized by different banks to promote its services in the PRC and to increase its media coverage through print and internet media.

3. E-commerce platform operators do not operate platforms developed by other parties in general. Given that Minshang Zhihui is not only the operator of the e-commerce platforms for its clients but also the developer of these e-commerce platforms, if its clients cease cooperation with Minshang Zhihui and opt for another e-commerce platform operator, higher costs would have to be incurred by these clients to develop new e-commerce platforms. In addition, Minshang Zhihui upgrades features and specifications of the e-commerce platforms from time to time and provide additional services for its current independent third party clients in order to maintain its competitive edge and to maintain client loyalty. The Board believes that Minshang Zhihui and its clients have a mutually beneficial relationship.

In view of the above measures in expanding Minshang Zhihui's customer base and media coverage, it is expected that the contribution of revenue from Minsheng E-commerce and the Related Party Bank will be reduced to 40% – 50% by 2021.

Major departments of Minshang Zhihui

Primary departments of Minshang Zhihui are mainly responsible for maintaining and operating e-commerce platforms for its corporate customers and are divided in accordance with its target customers and business. Major present primary departments include but not limited to 信用卡商城項目部 (credit card mall project department*), 聚惠商城項目部 (Juhui Shangcheng project department*), 手機銀行項目部(Mobile Bank project department*), 積分項目部 (credit project department*), 客戶關懷部 (customer care department*), Shanghai branch and Beijing branch.

Secondary departments of Minshang Zhihui are responsible for subsidiary functions of its e-commerce platforms. Major present secondary departments include but not limited to research and development department, testing department, product department, design department and customer service department.

Tertiary departments of Minshang Zhihui include finance department and human resources department.

* *For identification purpose only*

Shareholding structure

Minshang Zhihui is owned as to 50% by MSEC HK, as to 15% by Minsheng E-commerce, as to 30% by the Limited Partnership and as to 5% by Super Fine which is an Independent Third Party.

On 15 April 2015, 北京睿韜科技有限責任公司 (Beijing Ruitao Technology Company Limited*) ("**Beijing Ruitao**"), a wholly-owned subsidiary of Minsheng E-commerce, established Minshang Zhihui with an actual capital contribution of RMB30,000,000 and the entire equity interests in Minshang Zhihui was subsequently transferred to Minsheng E-commerce at a consideration of RMB30,000,000 on 20 June 2016.

On 14 September 2016, for incentive purposes, Minsheng E-commerce transferred 15% equity interests in Minshang Zhihui to the Limited Partnership at nil consideration. The Limited Partnership is formed by, among others, the employee(s) of Minshang Zhihui and Minsheng E-commerce. In the Limited Partnership, 北京丹德諮詢管理有限公司 (Beijing Dande Consulting Management Co. Ltd.*), which is owned as to 40% by Mr. Wu, as to 40% by Mr. Liang Di（梁笛）and as to 20% by Mr. Luo Cong（羅聰）, is the general partner of the Limited Partnership and holds 7.93% equity interests in the Limited Partnership. The remaining 92.07% equity interests is owned by 39 employees of Minshang Zhihui and Minsheng E-commerce, who are all limited partners and some of whom hold indirect equity interests in Minsheng E-commerce. Among the 39 limited partners, Mr. Wu, Mr. Liang Di, Mr. Luo Cong and Ms. Li directly hold 16%, 16%, 8% and 1.33% equity interests in the Limited Partnership respectively. Mr. Liang Di and Mr. Luo Cong are currently the director and the vice general manager of Minshang Zhihui. Mr. Wu and Ms. Li are both executive directors of the Company. Save for the relationship disclosed above, all the limited partners are independent of the Company or its connected persons. As at the Latest Practicable Date, the said 15% equity interests had been fully paid up by the Limited Partnership.

Wujixian, a former wholly-owned subsidiary of Minshang Zhihui, mainly operates an offline travel management business. As Minshang Zhihui intends to focus on its business in developing and operating online e-commerce platforms, it has decided to restructure the company by completing the spin off on 30 August 2018, whereby the registered capital of Minshang Zhihui has been reduced by half and a new entity, Minshang Kehui was established and was wholly-owned by Minsheng E-commerce. On 19 September 2018, Minshang Zhihui disposed of its 100% equity interest in Wujixian to Minshang Kehui at a consideration of RMB2,800,000. After the spin off, Minshang Zhihui is owned as to 70% by Minsheng E-Commerce and as to 30% by the Limited Partnership.

On 26 October 2018, Minsheng E-commerce transferred 5% equity interests in Minshang Zhihui to Super Fine at a consideration of RMB5,720,000.

The MSEC Acquisition took place on 13 December 2018, whereby Minsheng E-commerce transferred 50% equity interests in Minshang Zhihui to MSEC HK at a consideration of approximately RMB57,200,000 (equivalent to approximately HK$64,810,000).

Hengqin Puhui

Hengqin Puhui is a company established by Minshang Zhihui in the PRC with limited liability on 16 May 2017 with a total registered capital of RMB80,000,000. The capital contribution made by Minshang Zhihui is RMB10,000,000. It is a direct wholly-owned subsidiary of Minshang Zhihui and is principally engaged in e-commerce related industry including but not limited to providing supply chain management services to the financial institutions in the PRC.

Shanghai Minyingju

Shanghai Minyingju is a company established in the PRC with limited liability on 24 August 2016 with a total registered capital of RMB1,000,000. Minshang Zhihui was holding 30% equity interest of Shanghai Minyingju with capital contribution of RMB300,000 at the time of its establishment. On 7 March 2018, Minshang Zhihui acquired the remaining 70% equity interest in Shanghai Minyingju from 上海隨轉網絡科技有限公司 (Shanghai Suizhuan Network Technology Company Limited*) at a consideration of RMB700,000. Shanghai Minyingju is a direct wholly-owned subsidiary of Minshang Zhihui and is principally engaged in supply chain management and providing services to financial institutions (including several branches of banks) in the PRC including but not limited to operation of multiple sales and marketing channels, product design, UE/UI design, product research and development, product launch and provision of all relevant technical support and consulting services for both conventional businesses or internet start-ups.

Sound of Ocean

Sound of Ocean is a company incorporated in Hong Kong with limited liability by Hengqin Puhui on 21 March 2018 with 10,000,000 issued shares and HK$10,000,000 to be paid-up. It is a direct wholly-owned subsidiary of Hengqin Puhui and has yet to commence operation.

Minyingju Information Technology

Minyingju Information Technology is a company established in the PRC with limited liability by Shanghai Minyingju on 8 February 2018 with a total registered capital of RMB1,000,000. The capital contribution made is nil. It is a direct wholly-owned subsidiary of Shanghai Minyingju and is principally engaged in providing services to banks and other corporate clients in the PRC including but not limited to planning and operation of e-commerce platforms, sales, marketing and other operational services relating to the e-commerce platforms.

Minyingju Intelligence Technology

Minyingju Intelligence Technology is a company established in the PRC with limited liability by Shanghai Minyingju on 8 February 2018 with a total registered capital of RMB1,000,000. The capital contribution made is RMB450,000. It is a direct wholly-owned subsidiary of Shanghai Minyingju and is principally engaged in supply chain management and operation of multiple sales and marketing channels for financial institutions (including several branches of banks) in the PRC.

As at the Latest Practicable Date, the total registered capital of Hengqin Puhui, Minyingju Information Technology and Minyingju Intelligence and the issued share capital of Sound of Ocean had not been fully paid-up. As advised by the PRC Legal Advisers, under the articles and the relevant PRC laws, the said total registered capital of the abovementioned PRC subsidiaries are not required to be fully paid up at least until late 2037. As at the Latest Practicable Date, the Company had no intention to take up and had not taken up any obligation to contribute to the unpaid registered capital or issued capital of the Minshang Zhihui Group. Also, having made reasonable enquiry with Minshang Zhihui and its shareholders, the Company understands Minshang Zhihui and its shareholders currently have no plan to increase Minshang Zhihui's contribution to the unpaid registered capital or issued capital of its subsidiaries.

Licenses obtained by the Minshang Zhihui Group

All the PRC members of the Minshang Zhihui Group have obtained their respective business licenses.

As required by Administrative Measures for Food Distribution Licensing (2017 Amendment), any entity that plans to engage in food sales shall obtain Permit for Food Business Operation. Minshang Zhihui, Hengqin Puhui and Shanghai Minyingju have obtained Permit for Food Business Operations as such Permit is required for the Minshang Zhihui Group's sale of food and beverages through its e-commerce platforms and sale of food and beverages to financial institutions and other enterprise. According to the business plan of the Company, Minshang Zhihui, Henqin Puhui and Minyingju will continue to engage in food sales business after completion.

Compliance with the PRC legal and regulatory requirements

As advised by the PRC legal adviser, the main applicable law to e-commerce business is the E-commerce Law of the People's Republic of China (the "**E-commerce Law**"), promulgated on 31 August 2018 and came into effect on 1 January 2019, which sets out general requirements on operation of e-commerce business. Pursuant to the E-Commerce Law, an e-commerce platform operator shall (i) collect, verify and register the truthful information of the merchants that apply to sell products or provide services on its platform, including the identities, addresses, contacts and licenses, establish registration archives and update such information on a regular basis; (ii) record and retain the information of the products and the sales information; and (iii) display the platform service agreement and the transaction rules or links to such information on the homepage of the platform. As advised by the PRC legal advisers, the Minshang Zhihui Group's operation of Juhui Shangcheng, Minsheng Shangcheng and other platforms complies with the aforesaid requirements in all material aspect (if applicable).

The E-commerce Law does not directly lay out what kind of e-commerce business requires or does not require an Value-added Telecommunications Business License (which includes Internet Content Provider License) ("**VAT License**"), but only requires e-commerce business operators to obtain relevant licenses and permits if so required by applicable laws and regulations. On the other hand, the Telecommunication Regulation of the People's Republic of China (2016 Revision)(中華人民共和國電信條例)(the "**Telecommunication Regulation**") and Classification Catalogue of Telecommunications Services (Version 2015)(電信業務分類目錄)(the "**Classification 2015**") list out and classify the types of telecommunication business that require a VAT License. Pursuant to the Telecommunication Regulation, telecommunications business providers are required to obtain operating licenses prior to their commencement of operations. The Telecommunication Regulation divides telecommunication services into "basic telecommunications business" and "value-added telecommunications business". "Value-added telecommunication services" is defined as business of making use of public network infrastructure to provide telecommunications and information services. The Classification 2015 further categorizes the value-added telecommunications business, details of which are further discussed below. Besides, certain regulatory explanations, announcements and circulars would also apply to telecommunication business concerning the VAT License, including but not limited to the Circular of the General Office of the Ministry of Commerce on Relevant Issues Regarding Administrating Approvals for Internet and Vending Machine Foreign Investment Sales Projects (《商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知》)(the "**MOC Circular**"), issued by Ministry of Commerce on 19 August 2010, and the Cross-regional Value-added Telecommunications Business License FAQ (《跨地區增值電信業務經營許可證常見問題解答》) published by Telecommunication Research Center of Ministry of Industry and Information Technology in September 2012 (the "**MIIT Research Center FAQ**"). According to these applicable laws and regulations, generally speaking, owning e-commerce platforms and allowing third party suppliers to sell their goods directly to customers through the platforms constitutes the typical kind of e-commerce business that falls into category B21 value-added telecommunication business under Classification 2015, i.e., the business of Online Data Processing and Transaction Processing Services. Such business model requires a VAT License.

According to Administrative Provision on Foreign-funded Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by State Council and the Guidance of Examination and Approval of Telecommunications Business by Foreign-invested Enterprise (外商投資經營電信業務審批指南) published by Ministry of Industry and Information Technology ("**MIIT**"), the Department of Information and Communications Development ("**DICD**") of the MIIT is responsible for accepting VAT License application by foreign-invested enterprises and issuing such VAT License. The PRC legal adviser has consulted DICD's officer on duty for consultation on whether the business models of the Minshang Zhihui Group require VAT License, whom the PRC legal adviser believes is competent to make explanations on relevant laws and regulations regarding value-added telecommunication business.

According to relevant laws and regulations mentioned above and the consultation with DICD, the primary businesses currently conducted by Minshang Zhihui do not fall into the scope of "value-added telecommunication business" that requires a VAT License for the following reasons:

(a) currently, in conducting the business of developing, operating and maintaining e-commerce platforms for large corporations in the PRC including banks, Minshang Zhihui only serves as a developer and/or maintainer of e-commerce platforms for banks rather than the owner of such e-commerce platforms. According to the Telecommunication Regulation, a value-added telecommunication service provider shall obtain a VAT License, however, the Telecommunication Regulation does not provide a legal definition of such "value-added telecommunication business provider". According to the consultation with the DICD, the "value-added telecommunication business provider" merely means the owner of the relevant website or platform and does not include the developer, operator and/or maintainer of such website or platform. Therefore, given the fact that Minshang Zhihui is not the owner of such e-commerce platforms, Minshang Zhihui is not a "value-added telecommunication business provider", even though it does receive one-off income and commission from third party suppliers, and thus does not require a VAT License;

(b) currently, in conducting the business of procuring and selling merchandise to customers of banks through its self-owned e-commerce platforms (including both Juhui Shangcheng and Minsheng Shangcheng), where Minshang Zhihui is the holder of the domain name of such e-commerce platforms, Minshang Zhihui purchases merchandise from suppliers before selling the merchandise through self-owned e-commerce platforms. According to the MOC Circular and the MIIT Research Center FAQ, in particular the 3rd answer in the 1st part of the MIIT Research Center FAQ, enterprises that sell self-owned goods through self-owned e-commerce platforms are expanding their sale methods but not conducting the telecommunication business and are not required to obtain VAT License. Therefore, such business of Minshang Zhihui does not constitute "value-added telecommunication business", and does not require a VAT License. Also, the DICD stated the same point of view at the consultation; and

(c) currently, in conducting the business of selling merchandise (provided by third party suppliers) to employees of the clients of the Minshang Zhihui Group through Juhui Shangcheng, Minshang Zhihui does not accept any payment method, e.g. cash, by the client's employees other than the credits allocated by the clients to them. The Classification 2015 set out specific categories of value-added telecommunications businesses, namely Internet Data Center Business, Content Delivery Network Business, Domestic Internet Virtual Private Network Business, Internet Access Service Business, Online Data Processing and Transaction Processing Business, Domestic Multi-Party Communications Service Business, Store and Forward Business, Call Center Business, Information Service Business, and Code Conversion Business. Given the fact that (i) only limited group of people (but not the general public) can use Juhui Shangcheng, and (ii) the user can merely use the credits previously allocated (but not cash), which credits cannot be transferred or sold, to purchase merchandise on Juhui Shangcheng, the business of Juhui Shangcheng does not constitute Online Data Processing and Transaction Processing Business (Category B21) or any other aforesaid categories, even though Minshang Zhihui does receive one-off incomes and commission from third party suppliers. In addition, according to the consultation with the DICD, such platform shall be treated as a platform to distribute employee benefits rather than an e-commerce platform or any other categories of value-added telecommunication business. Therefore, the operation of such platform does not constitute e-commerce business and does not require a VAT License.

Therefore, according to the PRC legal advisers, as at the Latest Practicable Date, Minshang Zhihui currently did not conduct any "value-added telecommunication business" as defined by Telecommunication Regulation, Classification 2015 and other applicable regulations, and did not need to obtain a VAT License.

As at the Latest Practicable Date, there is no material licenses, permits or certificate pending for approval or require renewal for the Minshang Zhihui Group to conduct its business. As advised by the PRC legal adviser to the Company, there is no proposed legislative amendments in PRC that might have material adverse impact on the operation of the Minshang Zhihui Group.

Financial information of the Minshang Zhihui Group

Set out below is the audited financial information of the Minshang Zhihui Group prepared in accordance with the Accounting Standards:

	For the year ended 31 December 2016	**For the year ended 31 December 2017**	**For the nine months ended 30 September 2018**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/Profit before taxation *(Note)*	(7,347)	5,844	8,547
(Loss)/Profit after taxation	(7,327)	4,699	8,298

Note:

The profit before taxation for the year ended 31 December 2017 and for the nine months ended 30 September 2018 also excluded the loss from discontinued operations of RMB208,000 for the year ended 31 December 2017 and the profit from discontinued operations of RMB869,000 for the nine months ended 30 September 2018, respectively.

The audited net asset value of the Minshang Zhihui Group as at 30 September 2018 was approximately RMB49,762,000 (equivalent to approximately HK$56,381,147).

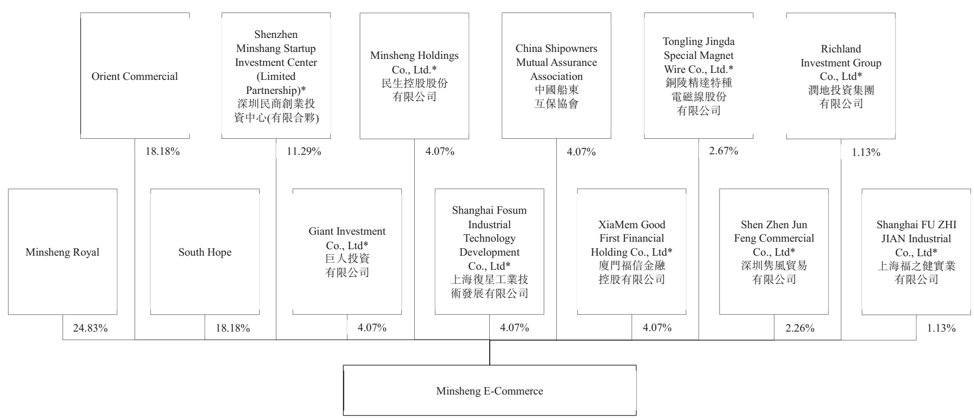
Information on the Vendor

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is the controlling shareholder, holding approximately 53.5% of the issued share capital of the Company as at the Latest Practicable Date. It is principally engaged in investment holding.

The Vendor is wholly-owned by RUNMING International Limited（潤銘國際有限公司）which is in turn wholly-owned by 上海盈昭投資管理有限公司 (Shanghai Yingzhao Investment Management Company Limited*) ("**Shanghai Yingzhao**"). Shanghai Yingzhao is wholly-owned by Beijing Ruitao which is in turn wholly-owned by Minsheng E-Commerce.

As at the date of the Latest Practicable Date, Minsheng E-commerce had 13 shareholders which are PRC established corporations and organisations. The single largest shareholder, Minsheng Royal Asset Management Co., Ltd (民生加銀資產管理有限公司) ("**Minsheng Royal**"), a subsidiary of China Minsheng Bank (民生銀行), holds approximately 24.83% of the shareholding of Minsheng E-Commerce. The second largest shareholders, 南方希望實業有限公司 (South Hope Industry Co., Limited *) ("**South Hope**") and Orient Group Commercial Investment Co., Ltd (東方集團商業投資有限公司) ("**Orient Commercial**"), each holds approximately 18.18% of the shareholding of Minsheng E-Commerce, respectively. South Hope is a subsidiary of New Hope Group Limited (新希望集團有限公司) which mainly engages in modern agricultural and food production. Orient Commercial is wholly-owned by Orient Group Co., Ltd (東方集團股份有限公司), a company listed on the Shanghai Stock Exchange which is involved in finance, trading, ports, industrial businesses.

A simplified structure of the shareholding of Minsheng E-commerce is set out below:



Information on the Purchaser, the Company and the Group

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. It is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the operation of restaurant chains under the "Viet's Choice (越棧)" brands and "Five Spice (5越)" brands in Hong Kong.

Financial effects of the Acquisition

Following Completion, the Company directly owns the entire issued share capital of the Target Company, which in turn indirectly holds 50% equity interests in Minshang Zhihui through MSEC HK. As such, the Target Company and MSEC HK will become indirect wholly-owned subsidiaries of the Company and the financial results of the Target Company and MSEC HK will be consolidated into the financial statements of the Company.

Based on Minshang Zhihui's articles of association, matters which shall be determined by the unanimous approval of the directors of Minshang Zhihui include (i) increase or decrease of registered capital of Minshang Zhihui; (ii) amendment of the articles of association of Minshang Zhihui; (iii) increase or decrease of number of directors of Minshang Zhihui; and (iv) merger, spin off, dissolution, liquidation or other forms of termination of operation of Minshang Zhihui. All other decisions over the relevant activities require only majority approval by the directors.

Upon Completion, the Company will own 50% of the shares in Minshang Zhihui through MSEC HK and is entitled to appoint two out of four directors in Minshang Zhihui. Voting decisions of the board are made by a simple majority. MSEC HK is not able to exercise more than half of the voting power and it cannot control any board decisions. Therefore, Minshang Zhihui is not a subsidiary of MSEC HK. Also, Minshang Zhihui is not a joint venture company, as the minimum required proportion of voting right for approving board decision can be achieved by more than one combination of the parties agreeing together and there is no contractual arrangement specifies which parties (or combination of parties) are required to agree unanimously to decisions about the relevant activities of Minshang Zhihui. However, since MSEC HK can demonstrate significant influence over Minshang Zhihui, the investment in Minshang Zhihui should be recognised as an investment in associate.

Accordingly, the financial results of Minshang Zhihui would not be consolidated to the Group's accounts. In the consolidated financial statements of the Group, the investment in the Minshang Zhihui Group will be accounted for using the equity method whereby the investment is initially recognized at cost. The Group's share of the post-acquisition results will be recognized in profit or loss. Details of the aforesaid accounting treatments are reflected in the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular.

As reflected in the said unaudited pro forma financial information of the Enlarged Group, the Acquisition will result in an increase in total assets of approximately HK$119,030,000 and an increase in total liabilities of approximately HK$21,000 upon Completion. Should the profit guarantee as set forth in the section headed "Profit guarantee" in this letter be achieved, the profitability of the Company will be further enhanced.

Reasons for and benefits of the Acquisition

The Group is a food and beverage group principally operating Vietnamese-style casual dining restaurant chains in Hong Kong. The Board is of the view that the food and beverage industry in Hong Kong will continue to encounter various challenges, such as rising rental and staff costs. In this connection, the Board considers that with the competitive nature of the catering industry and the increasing costs, it is necessary for the Group to explore other business opportunities.

The Board is of the view that e-commerce industry is a rising industry in the PRC. With factors including: (i) change in consumer trends from in-store retail shopping to online mobile shopping; (ii) growth in use of digital online-to-offline marketing by retailers and brands; and (iii) digitization and integration of the entire retail value chain as new retail model, it is expected to see continuing growth in the e-commerce market in the PRC.

Further, the Minshang Zhihui Group is an e-commerce related enterprise in the PRC, specializing in providing e-commerce services to financial institutions and other customers in the PRC by relying on its scene marketing system and supply chain management capabilities. Despite Minshang Zhihui's establishment in 2015, it has been recognised as High and New Technology Enterprise, enjoying corresponding preferential tax treatment since 2016. Moreover, Minshang Zhihui became profitable in 2017 within two years of commencing business.

Having considered that the Minshang Zhihui Group became profitable after two years of operations and the growth potential of the e-commerce sector in the PRC, the Company believes that the Acquisition is an opportunity for the Group to invest in a company that engages in a fast developing sector in the PRC while continuing to develop its existing business, thereby diversifying business risk of the Group and maximizing Shareholders' interests in long term.

In view of the aforesaid and those factors stated in the sub-section headed "Reasons for and benefits of the provision of the Shareholder's Loan", save for Mr. Wu who abstained from voting on the resolutions proposed to the Board above in relation to the Sale and Purchase Agreement, the Shareholder's Loan Agreement and the transaction contemplated thereunder, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the Shareholder's Loan Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules implications

The Acquisition

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition (taking into account the provision of the Shareholder's Loan as part of the capital commitment) is more than 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Further, as at the Latest Practicable Date, the Vendor, being the controlling shareholder, holding approximately 53.5% of the issued share capital of the Company, is a connected person of the Company. Hence, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Therefore, the Acquisition is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Shareholder's Loan

As the aggregate amount of the Shareholder's Loan exceeds 8% under the assets ratio defined under Rule 14.07(1) of the Listing Rules, pursuant to Rule 13.13 of the Listing Rules, the provision of the Shareholder's Loan is subject to the general disclosure obligations under Rule 13.15 of the Listing Rules. The Company will comply with the continuing disclosure requirement under Rule 13.20 of the Listing Rules when the interim or annual report of the Company is issued.

Upon Completion, MSEC HK will become an indirect wholly-owned subsidiary of the Company, while Minshang Zhihui will be owned as to 50% by MSEC HK, as to 15% by Minsheng E-commerce, as to 30% by the Limited Partnership and as to 5% by Super Fine. In addition, Minsheng E-commerce, being a connected person of the Company, is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of Minshang Zhihui. Therefore, Minshang Zhihui is a commonly-held entity falling within the meaning of Rule 14A.27 of the Listing Rules and hence, the provision of the Shareholder's Loan by MSEC HK to Minshang Zhihui, will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules after Completion.

As the provision of the Shareholder's Loan by the Group to the commonly held entity (i.e. Minshang Zhihui) is on normal commercial terms or betteer and in proportion to the equity interests held by the Company (through its subsidiary) in Minshang Zhihui such provision of the Shareholder's Loan will be exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. THE PLACING

After trading hours on 6 November 2018, the Company and the Placing Agent entered into the Placing Agreement (as supplemented and amended by the Side Letter dated 20 March 2019), pursuant to which the Placing Agent conditionally agreed to effect the Placing by procuring not less than six Placees on a best effort basis to subscribe for up to a maximum of 56,607,666 Placing Shares at the Placing Price of HK$1.1 per Placing Share.

The Placing Agreement

Principal terms of the Placing Agreements are set out below:

Date

6 November 2018 (as supplemented and amended by the Side Letter dated 20 March 2019)

Issuer

The Company

Placing agent

CCBI

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CCBI and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Placing Completion Date and the maximum of 56,607,666 Placing Shares are successfully placed, the Placing Shares represent (i) approximately 7.08% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 6.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the Shares under the Placing will be HK$141,519.165.

Ranking of the Placing Shares

The Placing Shares will rank, when issued and fully paid up, *pari passu* in all respects with all other Shares in issue on the Placing Completion Date.

Placees

The Placing Shares are expected to be placed to not less than six Placees, who will be individuals, institutional or other professional investor(s) or any of their respective subsidiaries or associates. The Placees and their respective ultimate beneficial owners shall be Independent Third Parties. The Placing Agent has undertaken to the Company that none of the Placees and their respective ultimate beneficial owners would, immediately after Placing Completion, become a substantial shareholder of the Company.

Placing commission

The Placing Agent will receive a placing commission of 3.3% of the amount equal to the Placing Price multiplied by the actual number of Placing Shares successfully placed by such Placing Agent. If the Placing Conditions are not fulfilled or waived (as the case may be) on or before the Placing Long Stop Date or Placing Completion does not take place pursuant to the terms and conditions of the Placing Agreement, the Placing Agent shall not be entitled to any placing commission. The placing commission was determined after arm's length negotiations between the Company and the Placing Agent under normal commercial terms with reference to the prevailing market conditions.

Placing Price

The Placing Price of HK$1.1 per Placing Share represents:

(i) a premium of approximately 5.36% over the average closing price of approximately HK$1.044 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Unusual Share Price Movement Announcement;

(ii) a premium of approximately 5.47% over the 10-day average;

(iii) a premium of approximately 5.10% over the 15-day average;

(iv) a discount of approximately 0.90% to the 20-day average;

(v) a discount of approximately 38.89% to the closing price of HK$1.8 per Share as quoted on the Stock Exchange on the date of the Placing & MOU Announcement;

(vi) a discount of approximately 32.52% to the average closing price of approximately HK$1.63 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Placing & MOU Announcement;

(vii) a discount of approximately 29.58% to the average closing price of approximately HK$1.562 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Placing & MOU Announcement; and

(viii) a discount of approximately 18.52% to the closing price of HK$1.35 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Placing Price of HK$1.1 per Placing Share was determined after arm's length negotiation between the Company and the Placing Agent in the first half of October 2018, before the issue of the Unusual Share Price Movement Announcement, having considered, among other matters:

(i) the 20-day average closing price during the Reviewed Period;

(ii) the Issue Price at HK$1.1 per Share, which was determined before the issue of the Unusual Share Price Movement Announcement; and

(iii) the thin trading volume of the Shares with the average daily trading volume ranging from about 0.43% to 0.73% of the number of Shares in issue as at each month end for the 3 months ended 30 September 2018.

To determine the Placing Price, the Board reviewed the historical price performance of the Shares. In particular, the Board reviewed the daily closing price of the Shares during the Reviewed Period. During the Reviewed Period, the closing prices ranged from HK$0.98 on 9 October 2018 to HK$1.4 on 14 September 2018. Accordingly, the Placing Price of HK$1.1 represent a premium of approximately 12.2% over the lowest closing price during the Reviewed Period and a discount of approximately 21.4% to the highest closing price during the Reviewed Period. Furthermore, the 10-day average, the 15-day average and the 20-day average are HK$1.043, HK$1.046 and HK$1.110 respectively. As such, the Placing Price represents premiums of approximately 5.47% and 5.10% over the 10-day average and the 15-day average respectively and is comparable to the 20-day average. In any event, out of an aggregate of 20 trading days during the Reviewed Period, the Placing Price of HK$1.1 represents a premium of the closing prices for 14 trading days, being 70% of the trading days during the Reviewed Period as well. The Board considered that the Reviewed Period was long enough to capture the corresponding price movements of the Shares so as to make a reasonable comparison between the respective closing prices and the Placing Price so as to determine the Placing Price in mid-October 2018. Based on the above analysis, the Placing Price was also decided in mid-October 2018 accordingly.

From 2 October 2018 to 12 October 2018, the Shares were traded between HK$0.98 and HK$1.05. The Shares closed at HK$1.02 on 12 October 2018, surged by approximately 18.6% to HK$1.21 on 13 October 2018 and further increased by approximately 27.3% to HK$1.54 on 16 October 2018. As a result of the significant increase in Share prices, the

Company issued the Unusual Share Price Movement Announcement after trading hours on 16 October 2018. Other than the discussion with Minsheng E-commerce regarding the Acquisition and the discussion with the Placing Agent in respect of the Placing, the Board confirmed that it was not aware of any reason for the increase in Share prices.

The Share price further increased to HK$1.63 on 18 October 2018, being the first trading day following the issue of the Unusual Share Price Movement Announcement. From 18 October 2018 to 6 November 2018 (being the date of the Placing & MOU Announcement), the Shares were traded between HK$1.47 and HK$1.81, which were substantially higher than the Share prices in early October 2018. The Company did not issue any announcement during the period. In view of the above and that (i) the Unusual Share Price Movement Announcement was issued on 16 October 2018 and disclosed information in relation to the Acquisition and the Placing; (ii) the substantial increases in Share prices during the Post-announcement Period as stated above, compared to Share prices during the Reviewed Period; and (iii) no announcement was made by the Company during the Post-announcement Period, the share price movement during the Post-announcement Period was attributable to the Acquisition and the Placing announced in the Placing and MOU Announcement. As such, despite the Placing Price represents a discount to the closing Share price on each of the trading days during the Post-announcement Period, it is not reasonable to re-determine the Placing Price based on the Share prices which reflected the market reaction to the Acquisition and the Placing. Accordingly, the Directors consider that the Placing Price is fair and reasonable. Based on the aforesaid Share prices movement, it is not appropriate to re-determine the Placing Price with reference to the Share prices between 16 October 2018 and 6 November 2018. From the second half of October 2018 to early November 2018, the Company and the Placing Agent were drafting and reviewing the terms of the Placing Agreement. As such, the Sale and Purchase Agreement and the Placing Agreement were signed on 6 November 2018.

Placing Conditions

Placing Completion is conditional upon the fulfilment or waiver of the following conditions (as the case may be):

(a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions which are acceptable to both the Company and the Placing Agent) the approval for the listing of, and permission to deal in, the Placing Shares and such approval or permission not having been subsequently revoked prior to or on the Placing Completion Date;

(b) the passing of the relevant resolutions by way of poll at the EGM by Shareholders who are entitled to vote and who are not required to abstain from voting under the Listing Rules and other applicable laws and regulations for approving the Placing Agreement and the transactions contemplated thereunder (including the allotment and issue of the Placing Shares);

(c) the Completion;

(d) there shall not have occurred any material breach of any of the representations, warranties or undertakings given by the Company under the Placing Agreement or any event would have rendered any such representations, warranties or undertakings being untrue or inaccurate in any material aspects;

(e) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Placing void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Placing (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company to proceed with the Placing); and

(f) save for the any temporary suspension in connection with the Acquisition or the Placing or such other period as the parties to the Placing Agreement may agree in writing, there was no suspension of dealings in the Shares on the Stock Exchange for any period of seven consecutive trading days or more.

The Placing Agent may at its absolute discretion waive the Placing Conditions set out in paragraphs (d), (e) and (f) above. The Company shall use its best endeavours to procure the fulfilment of the Placing Conditions on or before the Placing Long Stop Date.

Placing Completion

Placing Completion will take place on the 3rd Business Day after the date on which all the Placing Conditions have been fulfilled or waived, or such other date as the parties to the Placing Agreement may agree in writing.

Termination of the Placing

If any of the events set out below occur at any time prior to Placing Completion, the Placing Agent may by giving a written notice to the Company to rescind the Placing Agreement:

(a) if it has come to the notice of the Placing Agent:-

(i) that any statement contained in the Placing & MOU Announcement was, when such announcement was issued, or has become, untrue, incorrect or misleading in any material respect; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Placing & MOU Announcement, constitute a material omission therefrom; or

(iii) any material breach of any of the obligations imposed upon the Company under the Placing Agreement; or

(iv) any material adverse change in the business or in the financial or trading position of any member of the Group taken as a whole which is material in the context of the Placing; or

(v) any material breach of the undertakings, warranties and representations set out in the Placing Agreement; or

(vi) any of the undertakings, warranties and representations set out in the Placing Agreement become untrue or inaccurate or misleading in any material respect if given at that time; or

(b) if there develops, occurs, or comes into effect:-

(i) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the sole and absolute opinion of the Placing Agent would materially prejudice the success of the Placing; or

(ii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which, in the sole and absolute opinion of the Placing Agent, would materially prejudice the success of the Placing; or

(iii) any change in conditions of local, national or international securities markets occurs which in the sole and absolute opinion of the Placing Agent would materially prejudice the success of the Placing; or

(iv) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong and if in the sole and absolute opinion of the Placing Agent any such new law or change would materially and adversely affect the business or financials of the Group and/or materially prejudice the success of the Placing; or

(v) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong which would, in the sole and absolute opinion of the Placing Agent, materially prejudice the success of the Placing; or

(vi) any litigation or claim of material importance of any third party being instigated against any member of the Group, which has or may have a material adverse effect on the business or financials of the Group and which in the sole and absolute opinion of the Placing Agent would materially prejudice the success of the Placing.

REASONS FOR THE PLACING AND USE OF PROCEEDS

As at 30 September 2018, the Group had cash and cash equivalents of approximately HK$92.0 million. Of the cash balance, approximately HK$41.3 million represented the remaining net proceeds from the listing. Of which, approximately HK$37.0 million was earmarked for broadening the cuisine offering by cautiously opening new restaurants including Vietnamese-style restaurants, French-Vietnamese-style restaurants and other international cuisines restaurants in the future.

Although the Group has earmarked IPO proceeds for broadening the cuisine offering, it is still necessary for the Group to maintain a strong cash position with the remaining cash and cash equivalents, being approximately HK$50.7 million, due to the following reasons: (i) the risks in opening of French-Vietnamese-style restaurants and international cuisines restaurants especially if the concepts of the new restaurants are not receptive, the Group may not able to recoup costs incurred for the opening of the restaurants and/or achieve break-even point for these restaurants; (ii) given that the major non-current assets of the Group as at 30 September 2018 were property, plant and machinery of approximately HK$23.3 million, it is difficult for the Group to obtain debt financing; and (iii) the intense competition in the food and beverage business that may adversely affect the financial position of the Group.

Refer to the paragraphs under the section headed "1. The Acquisition" above, the Company intends to acquire the entire issued share capital of the Target Company which shall indirectly own 50% equity interests in Minshang Zhihui upon Completion through MSEC HK. Both the Target Company and MSEC HK are principally engaged in investment holding. Minshang Zhihui is principally engaged in technology and e-commerce related industry in the PRC focusing on providing e-commerce services to financial institutions and its other customers in the PRC. The Placing will provide an opportunity to the Company to raise additional capital to fund the future development of Minshang Zhihui.

The gross proceeds from the Placing after Placing Completion are estimated to be approximately HK$62.3 million and the net proceeds from the Placing (after deducting all commissions and other expenses) are estimated to be approximately HK$58.7 million. The Company intends to:

(i) use 38.3% of the net proceeds from the Placing, being approximately HK$22.5 million, for funding the Shareholder's Loan. The Completion is conditional upon the signing of the Shareholder's Loan Agreement, and the Placing Completion is conditional upon the Completion. In particular, for the First Loan, it will be settled by the Company by the internal resources first upon the Completion and this part of fund will be replenished by the net proceed from Placing upon the completion of Placing;

(ii) use 51.7% of the net proceeds from the Placing, being approximately HK$30.3 million, for potential acquisitions. The Company is in preliminary stage of considering potential investments including an acquisition of a minority stake in a company which is principally engaged in blockchain businesses in the PRC (the "**Potential Investment**"). As at the Latest Practicable Date, the discussions regarding the Potential Investment were at a preliminary stage and no legally binding agreement had been entered into by the Group. If the Potential Investment materializes, it will not constitute a connected transaction of the Company under the Listing Rules. The Company will make further announcement in respect of the Potential Investment as and when appropriate in accordance with the Listing Rules.

If the Potential Investment does not materialise, the Company intends to explore other investment opportunities. As at the Latest Practicable Date, the Company was exploring potential investment opportunities in relation to other technology and e-commerce related companies which can further supplement and enhance the business operation of Minshang Zhihui subsequent to the Completion. Such potential investment opportunities may include also acquiring other companies that engaged in blockchain business because the Directors believe that the use of blockchain technology can enhance Minshang Zhihui payment system, making the payment system via the e-commerce platform more reliable and efficient than the current system which can in turn enhance the business of Minshang Zhihui as a whole. When considering whether to make such potential acquisition of other companies engaging in the blockchain business, the Directors will consider, among other matters, whether the potential companies can supplement the business operation of Minshang Zhihui so as to assist in enhancing the e-commerce system. As at the Latest Practicable Date, save for the Potential Investment, the Company did not identify any specific targets for acquisitions or had any specific acquisition plans or entered into any definitive agreements with any potential targets; and

(iii) 10% of the net proceeds from the Placing, being approximately HK$5.9 million, for general working capital to satisfy the operating cash outflow of the Group.

Based on the latest management cashflow forecast, for the 12 months ending 31 December 2019, the Group will record a net operating cash outflow of about HK$5.7 million which has taken into account of the expected amount of the cost of goods sold, the staff payroll and rental and other administrative expenses to be incurred by the Group. Most of the gross operating outflow will be satisfied by the gross operating inflow. The Group intends to use 10% of the proceeds from the placing to satisfy the net operating outflow. It should be noted that the forecast was prepared based on the current estimation. The forecast may change from time to time depending on the actual operating and financial performance of the Group. However, it is prudent for the Group to earmark the Placing proceeds of approximately HK$5.9 million for general working capital purpose.

FUND RAISING ACTIVITIES OF THE COMPANY

The Company had not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

The Company did not have any other fundraising plans as at the Latest Practicable Date.

As at Latest Practicable Date, save for the Placing as disclosed in this circular and based on the current projection of the Company, the Company did not have any funding needs for the next 12 months barring unforeseen circumstances.

APPLICATION FOR LISTING

An application will be made to the Stock Exchange for the listing of, and the permission to deal in, the Placing Shares.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after allotment and issue of Consideration Shares and (iii) immediately after Placing Completion:

	As at the Latest Practicable Date		Immediately after the allotment and issue of Consideration Shares		Immediately after Placing Completion	
Shareholders	*Number of Shares*	*Approximate percentage*	*Number of Shares*	*Approximate percentage*	*Number of Shares*	*Approximate percentage*
The Vendor *(Note)*	428,000,000	53.5%	486,918,182	56.7%	486,918,182	53.2%
Public Shareholders:						
Placees	–	–	–	–	56,607,666	6.2%
Other Public Shareholders	372,000,000	46.5%	372,000,000	43.3%	372,000,000	40.6%
Total:	800,000,000	100.0%	858,918,182	100.0%	915,525,848	100.0%

Note: As at the Latest Practicable Date, these Shares were held by the Vendor as the controlling shareholder. The Vendor is wholly-owned by RUNMING International Limited（潤銘國際有限公司）which is in turn wholly-owned by Shanghai Yingzhao. Shanghai Yingzhao is wholly-owned by Beijing Ruitao which is in turn wholly-owned by Minsheng E-Commerce.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement, the Placing Agreement, the Specific Mandate and the transactions contemplated thereunder. At the EGM, any Shareholder with a material interest in the relevant transactions as contemplated under the ordinary resolutions and his/her/its associates will abstain from voting on the relevant resolutions approving the said transactions.

As at the Latest Practicable Date, the Vendor, being the controlling Shareholder, owned 428,000,000 Shares, representing approximately 53.5% of the issued share capital of the Company. Minshang Zhihui is owned as to 15% by Minsheng E-commerce, a company which indirectly wholly-owns the entire issued share capital of the Vendor. The Vendor is a party to the Sale and Purchase Agreement and since Minshang Zhihui is a commonly held entity by Minsheng E-commerce, the Vendor thus has a material interest in the relevant transactions as contemplated under the Sale and Purchase Agreement. Therefore, the Vendor and its associates will be required to abstain from voting on the resolutions in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

As Placing Completion is conditional to the Completion, the Vendor, the controlling Shareholder, will abstain from voting on the resolution relating to the Placing.

Save as disclosed above, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Purchase Agreement, the Placing Agreement, the Specific Mandate and the transactions contemplated thereunder and therefore no Shareholder (and his/her/its associates) is required to abstain from voting at the EGM in relation to the resolutions to be proposed for approving the Sale and Purchase Agreement, the Placing Agreement, the Specific Mandate and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, Mr. Wu, who, directly and indirectly, owned certain equity interests in the Limited Partnership, was considered to have a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, Mr. Wu abstained from voting on the resolutions proposed to the Board in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. Save as disclosed above, no Director was required to abstain from voting on the Board resolutions approving the Sale and Purchase Agreement, the Placing Agreement and the transactions contemplated thereunder.

A notice convening the EGM to be held at Units 4428 to 4430, 44/F, Champion Tower, 3 Garden Road, Central, Hong Kong on Thursday, 11 April 2019 is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or adjourned meeting thereof should you so wish, and in such event, the form of proxy shall be deemed revoked.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll.

RECOMMENDATION

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 84 to 85 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the letter of advice from the Independent Financial Adviser as set out on pages 86 to 127 of this circular which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of Sale and Purchase Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by it in concluding its advice.

Having considered the factors mentioned above, the Directors (other than Mr. Wu who abstained from voting on the resolutions proposed to the Board in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; and all the independent non-executive Directors whose views are set out in more detail in the letter from the Independent Board Committee) consider that the terms of the Sale and Purchase Agreement and the Placing Agreement are fair and reasonable and the entering into of the Sale and Purchase Agreement and the Placing Agreement are in the interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement, the Placing Agreement and the transactions contemplated thereunder.

Completion and Placing Completion are subject to the satisfaction of the Conditions Precedent and the Placing Conditions respectively. There is no assurance that any of such Conditions Precedent and the Placing Conditions will be fulfilled. Therefore, the transactions contemplated under the Sale and Purchase Agreement and the Placing Agreement may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

FURTHER INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
By order of the Board
Minshang Creative Technology Holdings Limited
WU Jiangtao
Chairman

Minshang Creative Technology Holdings Limited
民商創科控股有限公司

(formerly known as Food Wise Holdings Limited 膳源控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1632)

25 March 2019

To the Independent Shareholders

Dear Sir or Madam,

(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE SALE SHARE AND THE SALE LOAN OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE (II) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (III) NOTICE OF EGM

INTRODUCTION

We refer to the circular dated 25 March 2019 issued by the Company (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether in our opinion, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder as described on pages 12 to 70 of the Circular are fair and reasonable so far as the Independent Shareholders are concerned.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Details of the advice of Lego Corporate Finance Limited, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 86 to 127 of the Circular.

RECOMMENDATION

We wish to draw your attention to the letter from the Board as set out on pages 12 to 70 of the Circular which contains details of the Sale and Purchase Agreement and the transactions contemplated thereunder, the letter from Independent Financial Adviser as set out on pages 86 to 127 of the Circular which contains its advice and recommendation in respect of the transactions mentioned above to the Independent Board Committee and the Independent Shareholders, and the additional information set out in Appendices I to V to the Circular.

Having taken into account the advice and recommendation of Lego Corporate Finance Limited and the principal factors and reasons considered by Lego Corporate Finance Limited, we consider that the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms, and the entering into of the Sale and Purchase Agreement, although not in ordinary course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
Mr. Ko Po Ming
Mr. Choi Tze Kit, Sammy
Mr. Cheung Miu
Mr. Cheung Pak To, Patrick
Independent Board Committee

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

Lego Corporate Finance Limited
力高企業融資有限公司

25 March 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE SALE SHARE; AND THE SALE LOAN OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 25 March 2019 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

After trading hours on 31 December 2018, the Purchaser, a wholly-owned subsidiary of the Company, entered into the conditional Sale and Purchase Agreement with the Vendor, the controlling shareholder, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Share and the Sale Loan at a consideration of RMB57,200,000 (equivalent to approximately HK$64,810,000) which shall be settled by way of issue of 58,918,182 Consideration Shares at an Issue Price of HK$1.1 per Consideration Share.

After trading hours on 20 March 2019, the Purchaser and the Vendor entered into the Supplemental Sale and Purchase Agreement, pursuant to which the Purchaser and the Vendor agreed to amend certain terms and conditions of the Sale and Purchase Agreement. The material amendment to the Sale and Purchase Agreement is to change the number of directors of Minshang Zhihui the Purchaser is entitled to appoint upon Completion from one out of three directors to two out of four directors and to extend the Long Stop Date from 31 March 2019 to 30 September 2019.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition (taking into account the provision of the Shareholder's Loan as part of the capital commitment) is more than 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Further, as at the Latest Practicable Date, the Vendor, being the controlling shareholder, holding approximately 53.5% of the issued share capital of the Company, is a connected person of the Company. Hence, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Therefore, the Acquisition is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Ko Po Ming, Mr. Choi Tze Kit, Sammy, Mr. Cheung Miu and Mr. Cheung Pak To, Patrick, has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group, for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the EGM and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 13.80 of the Listing Rules until the EGM. We have also assumed that all such statements of belief, opinions and intentions of the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and/or the advisers of the Company. We have also sought and received confirmation from the management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect, we have considered the following principal factors and reasons:

1. Background information of the Purchaser, the Company and the Group

1.1. Principal businesses and information on the Group

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. It is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the operation of restaurant chains under the "Viet's Choice (越棧)" brands and "Five Spice (5越)" brands in Hong Kong.

1.2. Historical financial information

The following table summarises the financial information of the Group for the years ended 31 March 2017 and 2018 and the six months ended 30 September 2017 and 2018 as extracted from the annual report of the Company for the year ended 31 March 2018 (the "**2017 Annual Report**") and the 2018 Interim Report.

	For the years ended 31 March		For the six months ended 30 September	
	2017	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	189,830	193,532	101,456	95,216
Finance income/(costs), net	138	601	294	172
Profit/(loss) for the year	(7,928)	(1,501)	3,565	(6,096)

	As at 31 March		As at 30 September
	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Cash and cash equivalents	108,359	95,761	91,974
Total assets	162,108	158,914	151,064
Other payables and accruals	18,085	12,797	11,656
Total liabilities	25,664	23,971	22,217
Net assets/(liabilities)	136,444	134,943	128,847

For the years ended 31 March 2017 and 2018

The Group recorded an increase in revenue of approximately 1.9% from approximately HK$189.8 million for the year ended 31 March 2017 to approximately HK$193.5 million for the year ended 31 March 2018. As disclosed in the 2017 Annual Report, the increase in revenue was primarily due to the increase in the aggregate number of operating days of the restaurants being the net effect of opening and closing of the restaurants during the two years ended 31 March 2018.

The Group recorded a loss of approximately HK$1.5 million for the year ended 31 March 2018, representing a decrease in loss of approximately 81.0% or HK$6.4 million, from approximately HK$7.9 million for the year ended 31 March 2017. As disclosed in the 2017 Annual Report, such decrease in loss was mainly attributable to no listing expenses incurred for the year ended 31 March 2018.

Total assets of the Group mainly comprised, among other things, property, plant and equipment, rental and utilities deposits, prepayments, deposits and other receivables and cash and cash equivalents. Total assets of the Group decreased from approximately HK$162.1 million as at 31 March 2017 to approximately HK$158.9 million as at 31 March 2018. As disclosed in the 2017 Annual Report, such decrease was mainly due to the decrease in cash and cash equivalents partially offset by the increase in property, plant and equipment and rental and utilities deposits.

As at 31 March 2018, total liabilities of the Group amounted to approximately HK$24.0 million of which other payables and accruals amounted to approximately HK$12.8 million and trade payables amounted to approximately HK$4.0 million.

For the six months ended 30 September 2017 and 2018

The revenue of the Group decreased by approximately 6.2%, or HK$6.3 million, from approximately HK$101.5 million for the six months ended 30 September 2017 to approximately HK$95.2 million for the six months ended 30 September 2018. As disclosed in the 2018 Interim Report, such decrease was primarily due to (i) intense competition among food and beverage industry; and (ii) decrease in revenue from the newly replaced restaurants as compared to the closed restaurants.

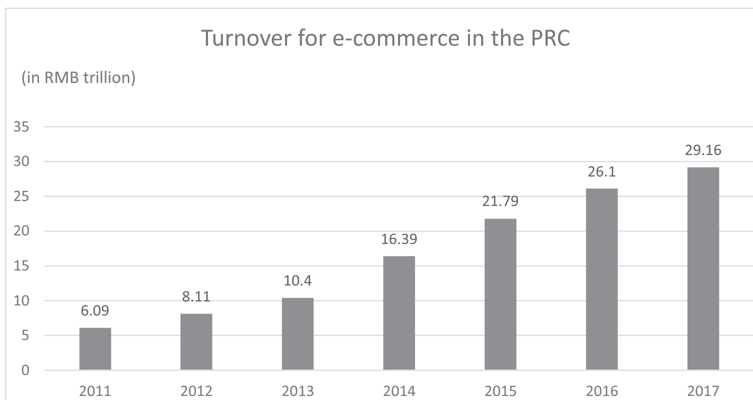
The Group turned from a profit of approximately HK$3.6 million for the six months ended 30 September 2017 to a loss of approximately HK$6.1 million for the six months ended 30 September 2018, which, as disclosed in the 2018 Interim Report, primarily attributable to combined net effect of (i) increase in depreciation as a result of the increase in capital expenditure; and (ii) the inclusion of legal and professional expenses for share subdivision.

As at 30 September 2018, total assets of the Group were approximately HK$151.1 million, representing a decrease of approximately 4.9% as compared to the balance as at 31 March 2018. As disclosed in the 2018 Interim Report, such decrease was mainly due to the decrease in cash and cash equivalents partially offset by the increase in property, plant and equipment and rental and utilities deposits.

As at 30 September 2018, total liabilities of the Group amounted to approximately HK$22.2 million of which other payables and accruals amounted to approximately HK$11.7 million and trade payables amounted to approximately HK$3.8 million.

1.3 Industry overview

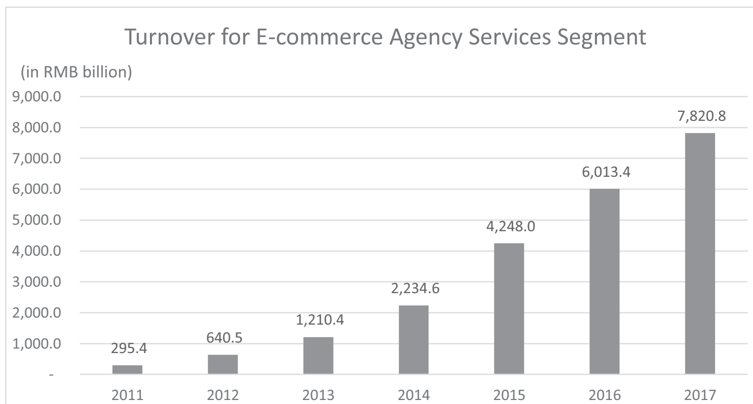
As stated in the Letter from the Board, the principal source of revenue from the Target Group was the development, operation of e-commerce platform and related service, such as sale of merchandise through e-commerce platforms, as such, we have performed research on the internet and noted that the PRC e-commerce market has been expanding steadily in the past decade according to the "E-commerce in China 2017" (the "**Report**") prepared by the Ministry of Commerce of the People's Republic of China ("**MOC**"), the turnover for e-commerce in the PRC reached approximately RMB29.16 trillion in 2017, representing a compound annual growth rate ("**CAGR**") of approximately 29.8% from approximately RMB6.09 trillion in 2011.



Source: MOC

A similar pattern was also observed in the e-commerce services industry in the PRC, which can be divided into three segments, namely payment services, supporting services and derivative services. According to MOC, the turnover for e-commerce services industry has increased from approximately RMB410 billion in 2011 to RMB29,227 billion in 2017, experiencing a CAGR of approximately 103.6%. It is expected that the blossoming e-commerce in the PRC will continue to provide momentum for the e-commerce services industry to achieve further growth.

As discussed with the management of the Company and based on our understanding of the business of the Target Group, the Target Group is categorised as e-commerce agency services provider which belongs to the derivative services segment. E-commerce agency services refers to the services in relation to e-commerce platform development, platform operation, marketing and customer relationship. According to the Report, e-commerce agency services segment has shown a remarkable surge from RMB295.4 billion in 2011 to RMB7,820.8 billion in 2017, representing a CAGR of 72.6%.



Source: MOC

2. Background information of the Target Group and the Vendor

2.1 Information on the Target Group

Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability on 16 October 2018. Other than the holding of the entire issued share capital of MSEC HK, the Target Company has not carried out any business activities. Accordingly, no management accounts have been prepared. The Target Company directly owns the entire issued share capital of MSEC HK.

MSEC HK

MSEC HK is a company incorporated in Hong Kong with limited liability on 30 October 2018. Other than the MSEC Acquisition, MSEC HK has not carried out any business activities. Accordingly, no management accounts have been prepared. Following the completion of the MSEC Acquisition, MSEC HK directly owns 50% equity interests in Minshang Zhihui.

Minshang Zhihui

Minshang Zhihui is a sino-foreign equity joint venture established in the PRC with limited liability with a total registered capital of RMB50,000,000. Minshang Zhihui is principally engaged in the technology and e-commerce related industry focusing on providing e-commerce services to financial institutions in the PRC (including several major banks) and other clients in the PRC by relying on its scene marketing system and supply chain management capabilities. Further, it provides a one-stop solution for its clients for their customer reward programmes and employee benefits programmes as it could provide both the e-commerce platform for its client and its supply chain management services so that Minshang Zhihui could operate those platforms for its clients without resorting to other suppliers or technology companies. Details of the business, top five customers, top five suppliers and principal departments were stated in the section headed "Information on the Target Group – Minshang Zhihui" of the Letter from the Board.

Shareholding structure

Minshang Zhihui is owned as to 50% by MSEC HK, as to 15% by Minsheng E-commerce, as to 30% by the Limited Partnership and as to 5% by Super Fine which is an Independent Third Party.

The following summarised the shareholding structure as extracted from the Letter from the Board.

On 15 April 2015, 北京睿韜科技有限責任公司 (Beijing Ruitao Technology Company Limited*) ("**Beijing Ruitao**"), a wholly-owned subsidiary of Minsheng E-commerce, established Minshang Zhihui with an actual capital contribution of RMB30,000,000 and the entire equity interests in Minshang Zhihui was subsequently transferred to Minsheng E-commerce at a consideration of RMB30,000,000 on 20 June 2016.

On 14 September 2016, for incentive purposes, Minsheng E-commerce transferred 15% equity interests in Minshang Zhihui to the Limited Partnership at nil consideration. The Limited Partnership is formed by, among others, the employee(s) of Minshang Zhihui and Minsheng E-commerce. In the Limited Partnership, 北京丹德諮詢管理有限公司 (Beijing Dande Consulting Management Co. Ltd.*), which is owned as to 40% by Mr. Wu, as to 40% by Mr. Liang Di (梁笛) and as to 20% by Mr. Luo Cong (羅聰), is the general partner of the Limited Partnership and holds 7.93% equity interests in the Limited Partnership. The remaining 92.07% equity interests is owned by 39 employees of Minshang Zhihui and Minsheng E-commerce, who are all limited partners and some of whom hold indirect equity interests in Minsheng E-commerce. Among the 39 limited partners, Mr. Wu, Mr. Liang Di, Mr. Luo Cong and Ms. Li directly hold 16%, 16%, 8% and 1.33% equity interests in the Limited Partnership respectively. Mr. Liang Di and Mr. Luo Cong are currently the director and the vice general manager of Minshang Zhihui. Mr. Wu and Ms. Li are both executive directors of the Company. Save for the relationship disclosed above, all the limited partners are independent of the Company or its connected persons. As at the Latest Practicable Date, the said 15% equity interests had been fully paid up by the Limited Partnership.

Wujixian, a former wholly-owned subsidiary of Minshang Zhihui, mainly operates an offline travel management business. As Minshang Zhihui intends to focus on its business in developing and operating online e-commerce platforms, it has decided to restructure the company by completing the spin off on 30 August 2018, whereby the registered capital of Minshang Zhihui has been reduced by half and a new entity, Minshang Kehui was established and was wholly-owned by Minsheng e-Commerce. On 19 September 2018, Minshang Zhihui disposed of its 100% equity interest in Wujixian to Minshang Kehui at a consideration of RMB2,800,000. After the spin off, Minshang Zhihui is owned as to 70% by Minsheng E-Commerce and as to 30% by the Limited Partnership.

On 26 October 2018, Minsheng E-commerce transferred 5% equity interests in Minshang Zhihui to Super Fine at a consideration of RMB5,720,000.

The MSEC Acquisition took place on 13 December 2018, whereby Minsheng E-commerce transferred 50% equity interests in Minshang Zhihui to MSEC HK at a consideration of approximately RMB57,200,000 (equivalent to approximately HK$64,810,000).

Hengqin Puhui

Hengqin Puhui is a company established by Minshang Zhihui in the PRC with limited liability on 16 May 2017 with a total registered capital of RMB80,000,000. The capital contribution made by Minshang Zhihui is RMB10,000,000. It is a direct wholly-owned subsidiary of Minshang Zhihui and is principally engaged in e-commerce related industry including but not limited to providing supply chain management services to the financial institutions in the PRC.

Shanghai Minyingju

Shanghai Minyingju is a company established in the PRC with limited liability on 24 August 2016 with a total registered capital of RMB1,000,000. Minshang Zhihui was holding 30% equity interest of Shanghai Minyingju with capital contribution of RMB300,000 at the time of its establishment. On 7 March 2018, Minshang Zhihui acquired the remaining 70% equity interest in Shanghai Minyingju from 上海隨轉網絡科技有限公司 (Shanghai Suizhuan Network Technology Company Limited*) at a consideration of RMB700,000. Shanghai Minyingju is a direct wholly-owned subsidiary of Minshang Zhihui and is principally engaged in supply chain management and providing services to financial institutions (including several branches of banks) in the PRC including but not limited to operation of multiple sales and marketing channels, product design, UE/UI design, product research and development, product launch and provision of all relevant technical support and consulting services for both conventional businesses or internet start-ups.

Sound of Ocean

Sound of Ocean is a company incorporated in Hong Kong with limited liability by Hengqin Puhui on 21 March 2018 with 10,000,000 issued shares and HK$10,000,000 to be paid up. It is a direct wholly-owned subsidiary of Hengqin Puhui and has yet to commence operation.

Minyingju Information Technology

Minyingju Information Technology is a company established in the PRC with limited liability by Shanghai Minyingju on 8 February 2018 with a total registered capital of RMB1,000,000. The capital contribution made is nil. It is a direct wholly-owned subsidiary of Shanghai Minyingju and is principally engaged in providing services to banks and other corporate clients in the PRC including but not limited to planning and operation of e-commerce platforms, sales, marketing and other operational services relating to the e-commerce platforms.

Minyingju Intelligence Technology

Minyingju Intelligence Technology is a company established in the PRC with limited liability by Shanghai Minyingju on 8 February 2018 with a total registered capital of RMB1,000,000. The capital contribution made is RMB450,000. It is a direct wholly-owned subsidiary of Shanghai Minyingju and is principally engaged in supply chain management and operation of multiple sales and marketing channels for financial institutions (including several branches of banks) in the PRC.

As at the Latest Practicable Date, the total registered capital of Hengqin Puhui, Minyingju Information Technology and Minyingju Intelligence and the issued share capital of Sound of Ocean had not been fully paid-up. As advised by the PRC Legal Advisers, under the articles and the relevant PRC laws, the said total registered capital of the abovementioned PRC subsidiaries are not required to be fully paid up at least until late 2037. As at the Latest Practicable Date, the Company had no intention to take up and had not taken up any obligation to contribute to the unpaid registered capital or issued capital of the Minshang Zhihui Group. Also, having made reasonable enquiry with Minshang Zhihui and its shareholders, the Company understands Minshang Zhihui and its shareholders currently have no plan to increase Minshang Zhihui's contribution to the unpaid registered capital or issued capital of its subsidiaries.

2.2 Financial information of the Minshang Zhihui Group

Set out below is the audited financial information of Minshang Zhihui Group prepared in accordance with the Accounting Standards as extracted from Appendix IIB to the Circular:

	For the year ended 31 December		For the nine months ended 30 September	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	22,458	56,599	40,217	80,818
Finance Income	35	820	814	590
(Loss)/Profit before taxation *(Note)*	(7,347)	5,844	3,316	8,547
(Loss)/Profit after taxation	(7,327)	4,699	2,754	8,298

Note:

The profit before taxation for the year ended 31 December 2017 and for the nine months ended 30 September 2018 also excluded the loss from discontinued operations of RMB208,000 for the year ended 31 December 2017 and the profit from discontinued operations of RMB869,000 for the nine months ended 30 September 2018, respectively.

	As at 31 December		As at 30 September
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	25,523	34,537	12,429
Total assets	94,553	181,679	150,462
Trade and other payables	35,196	36,549	33,755
Total liabilities	71,651	77,715	100,700
Net assets/(liabilities)	22,902	103,964	49,762

The audited net asset value of the Minshang Zhihui Group as at 30 September 2018 was approximately RMB49,762,000 (equivalent to approximately HK$56,381,147).

For the nine months ended 30 September 2017 and 2018

The revenue of the Minshang Zhihui Group increased by approximately 101.0% or RMB40,601,000 to approximately RMB80,818,000 for the nine months ended 30 September 2018 from approximately RMB40,217,000 for the nine months ended 30 September 2017. As disclosed in the Appendix III to the Circular, the growth was driven mainly by an increase in revenue from the online sales of merchandise, which was attributable to the continuing development of the Minshang Zhihui Group's operation and customer base. The effect was partially offset by a decrease in revenue from the online marketplace to third-party sellers, which was mainly attributable to the reduction in operating activities in offering online marketplace to third-party sellers resulting from the shift in core business and revenue model of Minshang Zhihui Group (from offering online marketplace to third-party sellers through its e-commerce platforms to online sales and wholesales of merchandise).

The profit after taxation of the Minshang Zhihui Group increased by approximately 201.3% or RMB5,544,000 to approximately RMB8,298,000 for the nine months ended 30 September 2018 from approximately RMB2,754,000 for the nine months ended 30 September 2017. As disclosed in the Appendix III to the Circular, the growth was primarily attributable to the continued expansion of Minshang Zhihui Group's businesses.

As at 30 September 2018, total assets of the Minshang Zhihui Group were approximately RMB150,462,000, representing a decrease of approximately 17.2% as compared to the balance as at 31 December 2017. As disclosed in the Appendix III to the Circular, such decrease was mainly due to (i) the reduction in investment in financial assets at fair value through profit or loss by about RMB84,635,000; and (ii) the decrease in cash and cash equivalent attributable to the net cash outflow of about RMB22,108,000. These effects were partially offset by an increase in prepayment for inventory for online sales and wholesales, attributable to the expansion of business scale in these business sectors.

As at 30 September 2018, total liabilities of the Minshang Zhihui Group amounted to approximately RMB100,700,000, representing an increase of approximately 29.6% as compared to the balance as at 31 December 2017. As disclosed in the Appendix III to the Circular, such increase was mainly due to the further increase in advance from customers.

As discussed with the management of the Company, we were advised that the Target Group provided services including development, operation and maintenance of e-commerce platforms to its major customers, in which the operation of e-commerce platform service may also include the provision of merchandise on the platform. We were further advised that the revenue from sales of merchandise on the e-commerce platform usually reflected in a later stage of the cooperation with the customers, after going through the development stage of the e-commerce platform. We have reviewed terms including but not limited to (i) the scope of service; (ii) payment terms; (iii) basic information of the customers stated on customer contract samples provided by the Company which substantiated the above.

2.3 Information on the Vendor

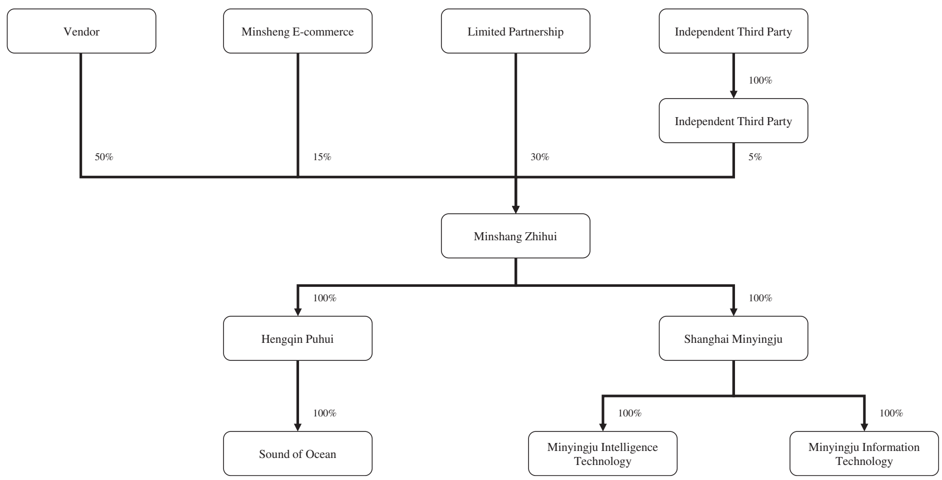
The Vendor is a company incorporated in the British Virgin Islands with limited liability and is the controlling shareholder, holding approximately 53.5% of the issued share capital of the Company as at the Latest Practicable Date. It is principally engaged in investment holding.

As stated in the Letter from the Board, the Vendor is wholly-owned by RUNMING International Limited（潤銘國際有限公司）which is in turn wholly-owned by上海盈昭投資管理有限公司 (Shanghai Yingzhao Investment Management Company Limited*) ("**Shanghai Yingzhao**"). Shanghai Yingzhao is wholly-owned by Beijing Ruitao which is in turn wholly-owned by Minsheng E-Commerce. As at the Latest Practicable Date, Minsheng E-Commerce had 13 shareholders which are PRC established corporations and organisations. The single largest shareholder, Minsheng Royal Asset Management Co., Ltd（民生加銀資產管理有限公司）("**Minsheng Royal**"), a subsidiary of China Minsheng Bank（民生銀行）, holds approximately 24.83% of the shareholding of Minsheng E-Commerce. The second largest shareholders, 南方希望實業有限公司 (South Hope Industry Co., Limited *) ("**South Hope**") and Orient Group Commercial Investment Co., Ltd（東方集團商業投資有限公司）("**Orient Commercial**"), each holds approximately 18.18% of the shareholding of Minsheng E-Commerce, respectively. South Hope is a subsidiary of New Hope Group Limited（新希望集團有限公司）which mainly engages in modern agricultural and food production. Orient Commercial is wholly owned by Orient Group Co., Ltd（東方集團股份有限公司）, a company listed on the Shanghai Stock Exchange which is involved in finance, trading, ports, industrial businesses.

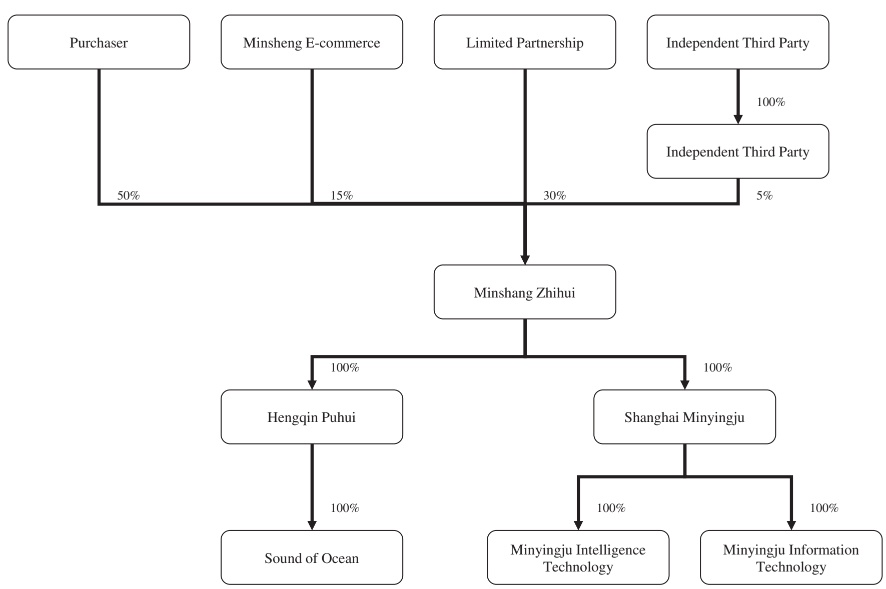
2.4 Organisation chart of the Minshang Zhihui Group

The organisation charts of the Minshang Zhihui Group immediately before and after the Completion are set out below:

Before the Completion:



After the Completion:



Note: The organisation charts are simplified for ease of reference.

3. Reasons for and benefits of the Acquisition

The Group is a food and beverage group principally operating Vietnamese-style casual dining restaurant chains in Hong Kong. As stated in the Letter from the Board, the Directors are of the view that the food and beverage industry in Hong Kong will continue to encounter various challenges, such as rising rental and staff costs. In this connection, the Board considers and we concur that with the competitive nature of the catering industry and the increasing costs, it is necessary for the Group to explore other business opportunities.

We have carried out researches on the Target Group's industry and collected relevant market data from reliable sources for analysis as disclosed in the section headed "1.3 Industry overview" and concur with the view of the Board that the e-commerce industry is a rising industry in the PRC. With factors including: (i) change in consumer trends from in-store retail shopping to online mobile shopping; (ii) growth in use of digital online-to-offline marketing by retailers and brands; and (iii) digitization and integration of the entire retail value chain as new retail model, it is expected to see continuing growth in the e-commerce market in the PRC.

We have discussed with the management of the Group and were given to understand the Minshang Zhihui Group is an e-commerce related enterprise in the PRC, specialising in providing e-commerce services to financial institutions and other customers in the PRC by relying on its scene marketing system and supply chain management capabilities. We have further discussed with the management of the Group to understand the business model the Target Group, including but not limited to the major service to be provided, revenue stream, major customers and their major cooperation terms, details of which were stated in the section headed "Information of the Target Group" in the Letter from the Board. Despite Minshang Zhihui's establishment in 2015, it has been recognised as High and New Technology Enterprise, enjoying corresponding preferential tax treatment since 2016.

We have also reviewed the historical financial performance of the Target Group for the years ended 31 December 2015, 2016 and 2017, and nine months ended 30 September 2017 and 2018 and noted that Minshang Zhihui became profitable in 2017 within two years of commencing business. As disclosed in the above section headed "2.2 Financial information of the Minshang Zhihui Group", the Target Group recorded a net profit of approximately RMB8,298,000 (equivalent to approximately HK$9,402,000) for the nine months ended 30 September 2018 and, accordingly, the annualised net profit the Target Group is approximately RMB11,064,000 (equivalent to approximately HK$12,536,000), which are higher than that of the Guaranteed Profit of approximately RMB7,500,000 (equivalent to approximately HK$8,498,000). It is also noted that the net profit growth rate of the Target Group as implied by the annualised net profit of the Target Group will be approximately 33.3%.

Taking into account that (i) the fierce competition among food and beverage industry resulting in the decrease in revenue and profit of the Group and the increasing operation costs including the rental and staff costs; (ii) the growth potential of the e-commerce industry in the PRC; (iii) the Minshang Zhihui Group became profitable after two years' of operations; and (iv) the net profit of the Minshang Zhihui Group for the nine months ended 30 September 2018 was higher than the required Guaranteed Profit, we concur with the view of the Directors that the Acquisition represents an opportunity for the Group to invest in a profitable company that engages in a rapidly developing sector in the PRC and to benefit from an expected increase in income, earnings and operating cash flows while continuing to develop its existing business, thereby diversifying business risk of the Group and maximizing Shareholders' interests in long term. As such, we concur that the Acquisition will be in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Sale and Purchase Agreement

After trading hours on 31 December 2018, the Purchaser, a wholly-owned subsidiary of the Company, entered into the conditional Sale and Purchase Agreement with the Vendor (as supplemented and amended by the Supplemental Sale and Purchase Agreement), the controlling shareholder, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share and the Sale Loan at a consideration of RMB57,200,000 (equivalent to approximately HK$64,810,000) which shall be settled by way of issue of 58,918,182 Consideration Shares at an Issue Price of HK$1.1 per Consideration Share. Details of the principal terms of the Sale and Purchase Agreement are set out in the Letter from the Board.

4.1 Consideration

As disclosed in the Letter from the Board, it is noted that the Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among others, (i) the historical financial performance of the Target Group; (ii) the future business prospect of the Target Group; (iii) the potential growth of the Target Group's sector; (iv) the trading multiples of companies in the Minshang Zhihui Group's relevant sector; (v) the profit guarantee as set out in the section headed "Profit Guarantee" in this letter (the "**Profit Guarantee**"); and (vi) price-to-earnings multiple ("**P/E Multiple(s)**") of listed companies principally engaged in the development, maintaining and/or operating e-commerce platforms or related services.

As stated in the Letter from the Board, the management of the Company could not identify public information to calculate P/E Multiples from acquisitions or disposals of companies principally engaged in the development, maintaining and /or operating e-commerce platforms or related services to form a basis for determining the valuation of the Minshang Zhihui Group.

As disclosed in the Letter from the Board, after considering the above factors, the Company and the Vendor determine the trading multiples for the Acquisition and the Guaranteed Profit in the Profit Guarantee at 15.253.

In assessing the fairness and reasonableness of the Consideration of approximately RMB57,200,000 (equivalent to approximately HK$64,810,000), we have (i) reviewed the historical financial performance of the Target Group for the years ended 31 December 2015, 2016 and 2017, and nine months ended 30 September 2017 and 2018; (ii) carried out researches on the Target Group's sector as disclosed in the section headed "1.3 Industry overview" to evaluate its future prospect and potential growth; and (iii) conducted our due diligence in relation to the trading multiple of 15.253 ("**Trading Multiple**") by reviewing the P/E Multiple of the peers as discussed in the section headed "4.6 Peers analysis". We have also reviewed the accountant's report of the Target Group as stated in Appendix IIB to the Circular, and noted that the Target Group had already achieved net profit of approximately RMB8,298,000 (equivalent to approximately HK$9,402,000) for the nine months ended 30 September 2018 which is higher than that of the Guaranteed Profit.

We were advised by the management of the Company and noted as stated in Appendix I to the Circular that the Directors are of the opinion that, taking into account the financial resources available to the Group presently, including its operating cash flow, the Completion, the Placing Completion and the provision of the shareholder's loan to Minshang Zhihui, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of the Circular. We have also reviewed the working capital forecast of the Company and noted that the cash balance for the next twelve months from the date of the Circular remains positive.

We have also discussed with the management of the Company and noted that Minshang Zhihui Group planned to develop its business using the Shareholder's Loan of approximately HK$45.0 million in the manner and timeline as discussed in the section headed "The Shareholder's Loan – Usage of loan" in the Letter from the Board.

We further noted the pro forma cash balance of the Enlarged Group would be approximately HK$111.2 million as stated in Appendix IV to the circular. As disclosed in the 2018 Interim Report, the average monthly total expenses of the Group as indicated by its total expenses for the six months ended 30 September 2018 of approximately HK$17.0 million, representing an increase of approximately 4.3% as compared to approximately HK$16.3 million for the six months ended 30 September 2017, which was mainly attributable to the increase in (i) property rentals and related expenses as a result of the increase in the monthly rentals of the Group's leased properties upon renewal of the relevant leases and new properties leased; and (ii) other operating expenses. Should the Consideration of approximately RMB57,200,000 (equivalent to approximately HK$64,810,000) be settled by cash, the Enlarged Group's pro forma cash would be reduced to approximately HK$46.4 million, which would be able to cover less than three months expenses. Given the above, we concur with the Directors' view that the issuance of Consideration Shares to settle the Consideration in order to maintain better liquidity of the Group is justifiable.

4.2 Consideration Shares

As disclosed in the Letter from the Board, the Consideration Shares, being in aggregate 58,918,182 new Shares, will be allotted and issued at the Issue Price (i.e. HK$1.1 per Consideration Share), which represents:

(i) a premium of approximately 5.36% over the average closing price of approximately HK$1.044 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Unusual Share Price Movement Announcement;

(ii) a premium of approximately 5.47% over the average closing price of approximately HK$1.043 per Share as quoted on the Stock Exchange for the ten consecutive trading days prior to the date of the Unusual Share Price Movement Announcement (the "**10-day average**");

(iii) a premium of approximately 5.10% over the average closing price of approximately HK$1.0467 per Share as quoted on the Stock Exchange for the fifteen consecutive trading days prior to the date of the Unusual Share Price Movement Announcement (the "**15-day average**");

(iv) a discount of approximately 0.90% to the average closing price of approximately HK$1.1100 per Share as quoted on the Stock Exchange for the twenty consecutive trading days prior to the date of the Unusual Share Price Movement Announcement (the "**20-day average**");

(v) a discount of approximately 28.57% to the closing price of HK$1.54 per Share as quoted on the Stock Exchange on the date of the Unusual Share Price Movement Announcement;

(vi) a discount of approximately 32.52% to the average closing price of approximately HK$1.63 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the MOU;

(vii) a discount of approximately 29.58% to the average closing price of approximately HK$1.562 per Share as quoted on the Stock Exchange for the ten consecutive trading days prior to the date of the MOU;

(viii) a discount of approximately 28.82% to the average closing price of approximately HK$1.5453 per Share as quoted on the Stock Exchange for the fifteen consecutive trading days prior to the date of the MOU;

(ix) a discount of approximately 38.89% to the closing price of HK$1.8 per Share as quoted on the Stock Exchange on the date of the MOU;

(x) a discount of approximately 11.58% to the average closing price of approximately HK$1.244 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(xi) a discount of approximately 11.86% to the average closing price of approximately HK$1.248 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(xii) a discount of approximately 17.29% to the closing price of approximately HK$1.33 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and

(xiii) a discount of approximately 18.52% to the closing price of approximately HK$1.35 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As stated in the Letter from the Board, the Issue Price of HK$1.1 per Consideration Share was determined after arm's length negotiations between the Purchaser and the Vendor before the issue of the Unusual Share Price Movement Announcement in the first half of October 2018 having considered (i) the thin trading volume of the Shares with the average daily trading volume ranging from about 0.43% to 0.73% of the number of Shares in issue as at each month end for the three months ended 30 September 2018 as discussed in the section headed "4.4 Review on trading liquidity of the Shares" below; and (ii) the historical price performance of the Shares, in particular, the daily closing price of the Shares during the 20 trading days prior to the determination of the Issue Price on 15 October 2018, i.e. from 14 September 2018 to 15 October 2018 (the "**Reviewed Period**"), in respect of, among other things, discussion concerning the entering into of the MOU regarding the possible acquisition of 50% equity interests in Minshang Zhihui. There is no restriction which applies to the subsequent sale of the Consideration Shares. The Directors consider the Issue Price and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

We noted that during the Reviewed Period, the closing prices ranged from HK$0.98 on 9 October 2018 to HK$1.4 on 14 September 2018. Accordingly, the Issue Price of HK$1.1 represents a premium of approximately 12.2% over the lowest closing price during the Reviewed Period and a discount of approximately 21.4% to the highest closing price during the Reviewed Period. The 10-day average, the 15-day average and the 20-day average are HK$1.043, HK$1.046 and HK$1.110 respectively. As such, the Issue Price represents premiums of approximately 5.47% and 5.10% over the 10-day average and the 15-day average respectively and is comparable to the 20-day average. In any event, out of an aggregate of 20 trading days during the Reviewed Period, the Issue Price of HK$1.1 represents a premium of the closing prices for 14 trading days (being 70% of the trading days during the Reviewed Period) as well. The Board considered that the Reviewed Period was long enough to capture the corresponding price movements of the Shares so as to make a reasonable comparison between the respective closing prices and the Issue Price so as to determine the Issue Price by mid-October 2018.

We further noted that from 2 October 2018 to 12 October 2018, the Shares were traded between HK$0.98 and HK$1.05. The Shares closed at HK$1.02 on 12 October 2018, surged by approximately 18.6% to HK$1.21 on 13 October 2018 and further increased by approximately 27.3% to HK$1.54 on 16 October 2018. As a result of the significant increase in Share prices, the Company issued the Unusual Share Price Movement Announcement after trading hours on 16 October 2018. As stated in the Letter from the Board, other than the discussion with Minsheng E-commerce regarding the Acquisition and the discussion with the Placing Agent in respect of the Placing, the Board confirmed that it was not aware of any reason for the increase in Share prices.

We also noted that the Share price further increased to HK$1.63 on 18 October 2018, being the first trading day following the issue of the Unusual Share Price Movement Announcement. From 18 October 2018 to 6 November 2018 (being the date of the Placing & MOU Announcement), the Shares were traded between HK$1.47 and HK$1.81, which were substantially higher than the Share prices in early October 2018. The Company did not issue any announcement during the period.

As disclosed in the Letter from the Board, having considered that (i) the Issue Price was agreed in principal with the Vendor before publication of the Unusual Share Price Movement Announcement, which had taken into consideration, among other things, the Share prices during the Reviewed Period; (ii) the Unusual Share Price Movement Announcement issued on 16 October 2018, which disclosed information in relation to the Acquisition and the Placing; (iii) the substantial increases in Share prices from 18 October 2018, being the first trading day following the publication of the Unusual Share Price Movement Announcement, to 6 November 2018, being the date of the publication of the Placing and MOU Announcement, (the "Post-announcement Period") as stated above, compared to Share prices during the Reviewed Period; and (iv) no announcement was made by the Company during the Post-announcement Period. As such, the usual share price movement after the Reviewed Period during the Post-announcement Period was attributable to the information in relation to the Acquisition and the Placing disclosed in the Placing and MOU Announcement. Despite the Issue Price represents a discount to the closing Share price of each of the trading days during the Post-announcement Period, it is not reasonable to re-determine the Issue Price based on the Share prices which had already reflected the market reaction to the Acquisition and the Placing. Accordingly, the Directors consider that the Issue Price is fair and reasonable, in particular, the determination of the Issue Price with reference to the Share prices during the Reviewed Period and the decision not to re-determine the Issue Price by making reference to the Share prices during the Post-Announcement Period.

As stated in the Letter from the Board, from the second half of October 2018 to early November 2018, the management prepared the detailed information relating to the Minshang Zhihui Group and the Placing for the Board's consideration and also addressed the queries raised by the Board. Following the obtaining of approval from the Board, the Company issued the Placing & MOU Announcement on 6 November 2018.

In assessing the fairness and reasonableness of the Issue Price, we have reviewed (i) the Share price performance as discussed in the section headed "4.3 Review on Share price performance" below; (ii) the trading liquidity of the Shares as discussed in the section headed "4.4 Review on trading liquidity of the Shares" below; and (iii) the transactions that were with similar nature with that of the Acquisition announced by companies listed on the Stock Exchange as illustrated in the section "4.5 Market comparable analysis below.

The 58,918,182 Consideration Shares represent approximately 7.36% of the issued share capital of the Company prior to the issue of the Consideration Shares and approximately 6.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. To the best knowledge and belief of the Directors, the allotment and issue of the Consideration Shares to the Vendor will not result in a change of control of the Company.

4.3 Review on Share price performance

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 3 July 2018 up to and including the last trading day immediately prior to the Sale and Purchase Agreement (the "**Share Price Review Period**"). We consider that the Share Price Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Issue Price. The historical performance of the Share price for the Share Price Review Period is as follow:

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

During the Share Price Review Period, the closing price of the Share maintained a decreasing trend in general with the lowest daily closing price per Share at HK$0.980 on 9 October 2018 and the highest closing price per Share at HK$2.353 on 3 August 2018 and the average daily closing price per Share of approximately HK$1.693. It is noted that the Issue Price is within the range of the lowest and highest closing price of the Shares as quoted on the Stock Exchange during the Share Price Review Period and represents (i) a premium of approximately 12.24% over the lowest daily closing price during the Share Price Review Period; (ii) a discount of approximately 11.58% over the average Share price of the last five trading days immediately prior to the Sale and Purchase Agreement; (iii) a discount of approximately 53.25% to the highest daily closing price during the Share Price Review Period; and (iv) a discount of approximately 35.03% over the average daily closing price per Share of HK$1.693 during the Share Price Review Period.

4.4 Review on trading liquidity of the Shares

We have further reviewed the trading liquidity of the Shares. The table below sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period:

	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of the average daily trading volume to total number of issued Shares as at the end of the month/period
2018				
July	30,572,860	21	6,002,760	0.73%
August	78,451,104	23	1,702,316	0.43%
September	102,551,000	19	6,002,760	0.67%
October	58,529,104	21	1,702,316	0.35%
November	39,032,076	22	1,774,185	0.22%
December	20,898,304	19	1,099,911	0.14%
Maximum	102,551,000	23	5,397,421	0.73%
Minimum	20,898,304	19	1,099,911	0.14%
Average	55,055,741	20.83	2,654,231	0.42%

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

As illustrated in the above table, the average daily trading volume was low during the Share Price Review Period, with a range of approximately 1,099,911 Shares to approximately 5,397,421 Shares, representing approximately 0.14% to 0.73% of the number of Shares in issue as at the end of relevant month/period. It illustrates that the trading volume of the Shares is thin.

4.5 Market comparable analysis

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the transactions announced by companies listed on the Stock Exchange, and identified comparables in which (i) the transactions were conducted by companies listed on the Stock Exchange; and (ii) the transactions involved issue of new shares under the specific mandate for acquisition during the period from 1 July 2018 to the date of the Sale and Purchase Agreement (the "**Consideration Share Comparables**"), being six-month period prior to the date of the Sale and Purchase Agreement and has not been terminated as at the date of the Sale and Purchase Agreement. Based on the aforesaid criteria and to the best of our knowledge, we have conducted search through published information on the website of Stock Exchange and could not find any comparables which has same principal business of the Minshang Zhihui Group. Hence, we have identified Consideration Share Comparables that were with similar nature with that of the Acquisition, i.e. acquisition with consideration satisfied by the issue of consideration shares. Such list of 20 Consideration Share Comparables represented an exhaustive list of relevant comparable issues of consideration shares. Shareholders should note that the businesses, operations and prospects of the Company may not be the same as, or even substantially vary from, that of the Consideration Share Comparables; and we have not conducted any detailed investigation into the respective businesses and operations of the Consideration Share Comparables. The purpose of the Consideration Share Comparables analysis is aimed to obtain a market range of the issue price of the respective consideration share as compared to the relevant closing price as indicated by precedent cases that independent shareholders in the respective cases would approve.

We consider that the Consideration Share Comparables (i) adequately covered the prevailing market conditions and sentiments of the capital market in Hong Kong; (ii) such period represented recent structure of the issue of new shares in Hong Kong; and (iii) the number of the Consideration Share Comparables identified demonstrate the market practice during the period and allow the Independent Shareholders to have a general understanding of recent issue of new shares being conducted in the capital market of Hong Kong. Our analysis on the Consideration Share Comparables is set out below.

Date of Announcement	Company name	Stock code	Premium/(discount) of the issue price over/(to) closing price per share on the last trading day prior to/on the date of announcements (%)	Premium/(discount) of the issue price over/(to) closing price per share on the last five trading day prior to/on the date of announcements (%)	Transaction nature
5 July 2018	China Baoli Technologies Holdings Limited	164	–22.58%	–15.00%	Acquisition of 25.1% of the equity interest of the target company which is principally engaged in the design, research and development, production and marketing and sales of high-tech consumer LTE electronics such as phablets and routers.
7 August 2018	HKBN Ltd.	1310	–5.38%	–5.92%	Acquisition of 100% of the equity interest of the target company which is principally engaged in the provision of telecommunication services to business communications market primarily in Hong Kong through its subsidiary in Hong Kong.
10 August 2018	ArtGo Holdings Limited	3313	8.43%	11.94%	Acquisition of 60% of the equity interest of the target company which is principally engaged in (i) provision of construction services and the trading of marble and granite materials and products; and (ii) provision of construction services through its subsidiaries in Hong Kong.
13 August 2018	China Literature Limited	772	19.40%	19.49%	Acquisition of 100% of the equity interest of the target company which is principally engaged in production and distribution of television series, web series and films.
28 August 2018	Birmingham Sports Holdings Limited	2309	–6.20%	–7.90%	Acquisition of 100% of the equity interest of the properties in Cambodia.
28 August 2018	Tongda Group Holdings Limited	698	30.08%	22.89%	Acquisition of 30% of the equity interest of the target company which is principally engaged in (i) the manufacture and sale of rubber products; and (ii) business and management consultancy services through its subsidiaries in the PRC and Singapore.
10 September 2018	Kiu Hung International Holdings Limited	381	233.33% *(Note)*	216.46% *(Note)*	Acquisition of 17.11% of the equity interest of the target company which is principally engaged in property development in the PRC.
16 September 2018	eFORCE HOLDINGS LIMITED	943	–6.10%	–4.23%	Acquisition of 100% of the equity interest of the target company which is principally engaged in primary land development projects in the PRC through its subsidiaries.

Date of Announcement	Company name	Stock code	Premium/ (discount) of the issue price over/(to) closing price per share on the last trading day prior to/on the date of announcements *(%)*	Premium/ (discount) of the issue price over/(to) closing price per share on the last five trading day prior to/on the date of announcements *(%)*	Transaction nature
19 September 2018	Jiayuan International Group Limited	2768	–5.31%	–4.25%	Acquisition of 100% of the equity interest of the target group which is principally engaged in property management business in the PRC.
21 September 2018	China Sandi Holdings Limited	910	–9.50%	–9.80%	Acquisition of 100% of the equity interest of the target company which is principally engaged in property development, holding of property for investment, sale and rental purpose in the PRC through its subsidiaries.
25 October 2018	Sheng Yuan Holdings Limited	851	45.60%	46.34%	Acquisition of 80% of the equity interest of the target group which is principally engaged in financial leasing business in the PRC.
1 November 2018	Shougang Concord International Enterprises Company Limited	697	42.05%	45.86%	Acquisition of 100% of the equity interest of the target group which is principally engaged in the provision of parking management services in Beijing, Shanghai and Chongqing.
7 November 2018	Differ Group Holding Company Limited	6878	3.77%	5.77%	Acquisition of 100% of the equity interest of the target company which is principally engaged in tours property development and management in Lishui City, Zhejiang Province through its subsidiaries.
13 November 2018	EFT Solutions Holdings Limited	8062	–0.51%	0.00%	Acquisition of 70% of the equity interest of the target company which is principally engaged in provision of software solution in retail, distribution and accounting sectors through its subsidiaries.
20 November 2018	Madison Holdings Group Limited	8057	–15.38%	7%	Acquisition of 77% of the equity interest of the target group which is principally engaged in the provision of (i) secured financing services, (ii) microfinance services, (iii) financial consulting services in the PRC and (iv) provision of loan financing services in Hong Kong.
29 November 2018	OneForce Holdings Limited	1933	21.43%	21.86%	Acquisition of 100% of the equity interest of the target company which is an investment holding company.
4 December 2018	Winto Group (Holdings) Limited	8238	87.50% *(Note)*	87.50% *(Note)*	Acquisition of 51% of the equity interest of the target company which is online advertising, online gaming and entertainment platform specializing in the development and operation of boutique internet games.

Date of Announcement	Company name	Stock code	Premium/(discount) of the issue price over/(to) closing price per share on the last trading day prior to/on the date of announcements *(%)*	Premium/(discount) of the issue price over/(to) closing price per share on the last five trading day prior to/on the date of announcements *(%)*	Transaction nature
6 December 2018	Huajun International Group Limited	377	–2.71%	0%	Acquisition of 100% of the equity interest of the target company which is principally engaged in manufacture and maintenance of hydraulic machinery and electrical engineering construction.
17 December 2018	Hao Tian International Construction Investment Group Limited	1341	–13.04%	–14.89%	Acquisition of 4.05% of the equity interest of the target group which is principally engaged in provision of financial services, including financial leasing, provision of finance, asset management, operation of an asset trading platform, financial investments, financial technology and related financial services.
21 December 2018	China Shengmu Organic Milk Limited	1432	10%	–0.60%	Acquisition of 100% of the equity interest of the target group which is principally engaged in dairy cattle breeding.
31 December 2018	The Company	1632	–17.29%	–11.58%	Acquisition of 50% of the equity interest of the target group which is principally engaged in e-commerce related industry.
Maximum			45.60%	46.34%	
Minimum			–22.58%	–15.00%	
Average			5.22%	6.59%	

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

Note: The figure has been excluded from the computations as it appears to be abnormally high as compared to the rest of the Consideration Share Comparables and is considered as outlier which may skew the overall results.

As illustrated in the above table, it is noted that the issue price of the Consideration Share Comparables ranged from (a) a discount of approximately 22.58% to a premium of approximately 45.60% over their respective closing price of their shares on their respective last trading days prior to/on the date of their respective announcements with an average of a premium of approximately 5.22%; and (b) a discount of approximately 15.00% to a premium of approximately 46.34% over their respective closing price of their shares on their respective last five trading days prior to/on the date of their respective announcements with an average of a premium of approximately 6.59% (collectively, the "**Consideration Share Market Ranges**"). The relevant discounts of the Issue Price to the closing price of the Shares are within the Consideration Share Market Ranges. Given (i) the Issue Price represented a discount of approximately 11.58%, 11.86%, 17.29% and 18.52% to the average closing price per Share as quoted on the Stock Exchange for the five and ten consecutive trading days immediately prior to the Sale and Purchase Agreement, the closing price per Shares as quoted on the Stock Exchange as at the date of the Sale and Purchase Agreement and the Latest Practicable Date, which represent the then market condition when entered into the Sale and Purchase Agreement which were most relevant to the analysis of the fairness and reasonableness of the Issue Price in our perspective; (ii) the aforementioned discount were within the range of that of the Consideration Share Market Ranges; and (iii) although the Issue Price is close to the lower end of the Consideration Share Market Range, the Acquisition would be beneficial to the Group in terms of profit sharing and future prospect such that the financial performance and thus the enterprise value of the Group would be improved in turn, we concur with the Directors' view that the Issue Price is fair and reasonable.

4.6 Peers analysis

In order to assess the fairness and reasonableness of the Trading Multiple, we have conducted research in both Bloomberg and Thomson Reuters but could not find any similar public or private company transactions in the past 12 months which were comparable to the Acquisition, and thus we reviewed the P/E Multiples of the companies that (i) are listed on the Stock Exchange; (ii) are principally engaged in developing, maintaining and/or operating e-commerce platforms or related services which contributed majority of their respective revenue in their latest annual report which is similar to the principal business of the Minshang Zhihui Group, in particular its development and operation of the e-commerce platform which contributed over 50% of its revenue in 2017 and the nine months ended 30 September 2018; and (iii) are primarily operating in Hong Kong or the PRC (which is the jurisdiction in which the Minshang Zhihui Group currently operates) (the "**P/E Comparables**") as at 31 December 2018, being the last trading day immediately prior to the Sale and Purchase Agreement. Based on the aforesaid criteria and to the best of our knowledge, we have identified 6 P/E Comparables. Shareholders should note that the businesses, operations, prospects and scale of the Target Group may not be the same as, or even substantially vary from, that of the P/E Comparables; and we have not conducted any detailed investigation into the respective businesses and operations of the P/E Comparables. Thus we have not relied only on the result of this P/E Comparables analysis to form our view. Instead, we have taken all the relevant factors and analysis (of which this analysis formed part) as a whole when making our recommendation contained in this letter. Our analysis on the P/E Comparables is set out below:

Company name	**Stock code**	**Principal Business**	**Market Capitalisation in HK$ million (as at 31 December 2018)** *(Note 1)*	**P/E Multiple**
Kingdee International Software Group Company Limited	268	Principally engaged in the provision of highly organised, stable and reliable cloud services to e-commerce operators.	22,829.9	65.17
Smartac Group China Holdings Limited	395	Principally engaged in the provision of marketing strategy and management of operation of online shop on e-commerce platform.	5,072.3	285.22 *(Note 3)*
Tradelink Electronic Commerce Limited	536	Principally engaged in e-commerce businesses including the provision of electronic front-end solutions for processing government trade-related documents and the provision of electronic logistics platform for facilitating information flows among the trade logistics and finance industries.	921.8	12.44

Company name	Stock code	Principal Business	Market Capitalisation in HK$ million (as at 31 December 2018) *(Note 1)*	P/E Multiple
Inspur International Limited	596	Principally engaged in information technology businesses including (i) software development and the provision of solutions of financial platform, procurement platform, e-commerce platform and human resource service platform, among others; and (ii) the provision of information technology outsourcing services, business process outsourcing services, data analysis services, infrastructure maintenance services and cloud services, among others.	3,860.9	34.15
Fortunet E-Commerce Group Limited	1039	Principally engaged in the e-commerce business including trading through an electronic distribution platform, mobile applications and other related means and operating an electronic platform to facilitate awards earned by customers of loyalty programs of other companies to be exchanged globally in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions.	1,231.4	N/A
Finsoft Financial Investment Holdings Limited	8018	Principally engaged in the provision of financial trading software solutions including provision of e-commerce platforms and other online consultancy services.	68.1	N/A
The Acquisition			129.6 *(Note 2)*	15.253
For the Comparable Companies				
Maximum				65.17
Minimum				12.44
Average				37.25
For the Short-listed Comparable Companies (as defined below)				
Maximum				34.15
Minimum				12.44
Average				23.30

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

Note 1: We identified the P/E Multiples with a review of their principal business, place of operation, the scale of the comparable, and the place of listing as a whole. Although the market cap of some of the P/E Comparables are not entirely comparable to the size of the Target Group, given the fact that they are the only listed companies in the Hong Kong Stock Exchange that engaged in businesses and with place of operation similar to that of the Target Group, which is the development and operation of e-commerce platform and related service, we consider that the above list could indicate a reasonable range of P/E of the implied P/E of the Acquisition.

Note 2: Being the size of the Target Group implied by the Consideration.

Note 3: The figure has been excluded from the computations as it appears to be abnormally high as compared to the rest of the P/E Comparables and Shortlisted Comparable Companies (as defined below) and is considered as outlier which may skew the overall results.

As disclosed in the Letter from the Board, taking into account the lack of marketability of shares of Minshang Zhihui as a private company with and the relatively short operating history of the Minshang Zhihui Group, the management of the Company considered that the 15.253 times to be fair and reasonable as (i) it represented a deep discount to the average of the P/E Multiples of the P/E Comparables; and (ii) although it is at a premium to the minimum P/E Multiples of the P/E Comparables, it is justified by considering the relatively higher growing rate of the Minshang Zhihui Group revenue and profit for the period/year for the three years ended 31 December 2017 and the nine months ended 30 September 2018 than Tradelink Electronic Commerce Limited.

As stated in the Letter from the Board, the Directors further reviewed the P/E Comparables' principal business and operation scale as a whole. Shortlisted comparable companies (the "**Shortlisted Comparable Companies**") were identified, details of the Directors' further analysis are set out in the following table:

Name of company	Stock code	Similar business segment in developing, maintaining and/or operating e-commerce platforms or related services as Minshang Zhihui	Proportion of revenue from the merchandise sales through e-commerce relevant business (Per the latest published annual report)
Smartac Group China Holdings Limited	395	– Provision of e-commerce platform solution	N/A
Tradelink Electronic Commerce Limited	536	– Principally engaged in e-commerce businesses including – Provision of electronic front-end solutions for trade-related procedure – Provision of electronic logistics platform	N/A
Inspur International Limited	596	– Provision of electronic platform solutions, including financial platform, procurement platform, e-commerce platform and human resource service platform	N/A
Fortunet E-Commerce Group Limited	1039	– operating an electronic platform to facilitate awards earned by customers of loyalty programmes of other companies – trading goods through electronic distribution platform, mobile applications and other related means	Approximately 80%

As mentioned in the Letter from the Board, the Directors further shortlisted companies principally engaged in e-commerce trading and/or the provision of e-commerce relevant solutions from the P/E Comparables. In the Directors' view, given the Minshang Zhihui Group's business nature and the relatively short operating history, there are only a few companies listed on the Stock Exchange that have similar business and operation scale comparable to those of the Target Group. Although the market capitalisation and operation scale of some of the Shortlisted Comparable Companies may not be the same as those of the Minshang Zhihui Group, the Directors consider that, in order to gather sufficient trading multiples to assess the trading multiples applied to the consideration of the Acquisition, it is reasonable to consider the Shortlisted Comparable Companies which are engaged in e-commerce business with annual revenue of approximately of not more than HK$1 billion. The Shortlisted Comparable Companies set out above represent an exhaustive list of relevant comparable companies based on the criteria set out above and the public information available.

The Directors noted from the analysis of the Shortlisted Comparable Companies that, the trading multiples for consideration of the Acquisition of 15.253 is lower than the average of the P/E Multiples of the Shortlisted Comparable Companies. Although the trading multiple of 15.253 is higher than the lowest P/E Multiples of the Shortlisted Comparable Companies, it is within the range of the P/E Multiples of the Shortlisted Comparable Companies.

As a result, after considering the analysis above, the Profit Guarantee, the future business prospect of the Target Group and the potential growth of the Minshang Zhihui Group's sector, the Board considers the Consideration and the Compensation (as defined below) to be fair and reasonable.

As illustrated in the above table, it is noted that the P/E Multiples of the P/E Comparables ranged from approximately 12.44 to 65.17 with the average of approximately 37.25. Given (i) the trading multiples of 15.253 applied on the Guaranteed Profit when determining the Consideration, and the historical P/E as implied by the Consideration and the net profit of the Target Group for the year ended 31 December 2017 of approximately 24.3 were within the range of the P/E Comparables; and (ii) the trading multiples of 15.253 applied on the Guaranteed Profit was below the average of the P/E Comparables and close to the lower end of the P/E Comparables which indicate the Consideration appeared to be priced at a lower end, we concur with the Directors' view that the basis of the Consideration is fair and reasonable.

Furthermore, the Directors have also considered cost approach and income approach in determining the Consideration but considered these two approaches to be inappropriate due to the following reasons:

Cost approach is not appropriate as it fails to consider the economic benefits of ownership of the business. The Directors considered the consolidated net book value of the Target Group may not truly reflect the value of its equity interests, as part of value will be attributed to future benefit of the Target Group, deriving from its services provided.

Income approach is also considered inappropriate as plenty of assumptions would have to be involved in formulating the financial projection of the Target Group, and these assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. Given that improper assumptions will have significant impact on the fair value, income approach is not adopted in determining the Consideration.

Based on the aforesaid, we concur with the Directors' view that the approach of using P/E Multiples of the P/E Comparables for appraising the value of the Target Group is appropriate.

4.7 Profit guarantee

As stated in the Letter from the Board, the Vendor shall irrevocably and unconditionally warrant to the Purchaser that the assessable net profit after tax of the Minshang Zhihui Group (after deduction of non-recurring income, special income and non-operating income as shown in its audited financial statements audited by the auditor for the financial year ended 31 December 2018) (the "**Actual Profit**") shall be no less than RMB7,500,000 (the "**Guaranteed Profit**"). Such non-recurring income, special income and non-operating income include but not limited to any infrequent one-off income and income not being generated from the ordinary course of business of the Minshang Zhihui Group. For the purpose of illustration only, "gain on remeasuring 30% interests in Shanghai Minyingju upon business combination" and "the profit from discontinued operations" disclosed in Appendix IIB to the Circular should be deducted when determining the Actual Profit. The Guaranteed Profit was agreed by the Vendor and Purchaser after considering the historical financial performance of the Minshang Zhihui Group, including (a) the historical growing trend of the financial performance for the past financial years; and (b) the financial performance as reflected in the unaudited management account for the nine months ended 30 September 2018.

In the event that the Actual Profit is lower than the Guaranteed Profit and such difference is more than 5% of the amount of the Guaranteed Profit (i.e. less than RMB7,125,000), the Vendor shall make compensation to the Company in cash (in Hong Kong dollars) in accordance with the following formula (the "**Compensation**"):

$$A = (B - C) \times D \times E \times F$$

Where:	A	=	Compensation amount
	B	=	Guaranteed Profit
	C	=	Actual Profit
	D	=	a trading multiple of 15.253, which is determined after making reference to other companies in Minshang Zhihui's sector.
	E	=	50%, being the share interest of the Minshang Zhihui owned by the Group upon Completion
	F	=	the then exchange rate of RMB to HK$ published by The Hongkong and Shanghai Banking Corporation Limited on the Compensation Date.

Should the Vendor be required to make any Compensation to the Purchaser, it shall transfer such Compensation amount to the Purchaser within 10 working days from the date of the audited financial statement of Minshang Zhihui for the year ended 31 December 2018 and upon receiving written notice from the Purchaser at least 5 Business Days prior to the Compensation Date.

As stated in the Letter from the Board, having made reasonable enquiry with the Vendor, the Company is not aware of any material adverse change in the operation of the Minshang Zhihui Group subsequent to 30 September 2018 that may result in its failure to fulfill the Profit Guarantee. Nonetheless, in the event that the Minshang Zhihui Group fails to achieve the Profit Guarantee, the Company would be adequately compensated by the Vendor and protected under the terms of the Sale and Purchase Agreement in respect of the Compensation. Based on the foregoing and our review of the management accounts of the Minshang Zhihui Group for the year ended 31 December 2018, we concur with the view of the Board.

Given that (i) the trading multiple is within range of the P/E Comparables; and (ii) the net profit of approximately RMB8,298,000 (equivalent to approximately HK$9,402,000) for the nine months ended 30 September 2018 is higher than that of the Guaranteed Profit, the we considered that the Profit Guarantee is fair and reasonable and in the interest of the Shareholders as a whole.

Taking into account the principal terms of the Sale and Purchase Agreement as highlighted above, we are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4.8 Legal due diligence review

As stated in the Letter from the Board, the Purchaser is entitled (but not obliged) to conduct due diligence review on the Target Group including but not limited to its asset, liability, contract, undertaking, business, sale, merchandising, expenses, accounts, and financial, legal and tax aspects of the Target Group. We have discussed with the PRC legal adviser of the Company, and were advised that there is no material adverse finding noted in the legal due diligence exercise.

As mentioned in the Letter from the Board, the PRC legal adviser advised that the main applicable law to e-commerce business is the E-commerce Law of the People's Republic of China (the "**E-commerce Law**"), promulgated on 31 August 2018 and came into effect on 1 January 2019, which sets out general requirements on operation of e-commerce business. The E-commerce Law does not directly lay out what kind of e-commerce business requires or does not require an Value-added Telecommunications Business License (which includes Internet Content Provider License) ("**VAT License**"), but only requires e-commerce business operators to obtain relevant licenses and permits if so required by applicable laws and regulations. On the other hand, the Telecommunication Regulation of the People's Republic of China (2016 Revision)(中華人民共和國電信條例)(the "**Telecommunication Regulation**") and Classification Catalogue of Telecommunications Services (Version 2015)(電信業務分類目錄)(the "**Classification 2015**") list out and classify the types of telecommunication business that require a VAT License. Besides, certain regulatory explanations, announcements and circulars would also apply to telecommunication business concerning the VAT License, including but not limited to the Circular of the General Office of the Ministry of Commerce on Relevant Issues Regarding Administrating Approvals for Internet and Vending Machine Foreign Investment Sales Projects (《商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知》)(the "**MOC Circular**"), issued by Ministry of Commerce on 19 August 2010, and the Cross-regional Value-added Telecommunications Business License FAQ (《跨地區增值電信業務經營許可證常見問題解答》) published by Telecommunication Research Center of Ministry of Industry and Information Technology in September 2012 (the "**MIIT Research Center FAQ**"). According to these applicable laws and regulations, generally speaking, owning e-commerce platforms and allowing third party suppliers to sell their goods directly to customers through the platforms constitutes the typical kind of e-commerce business that falls into category B21 value-added telecommunication business under Classification 2015, i.e., the business of Online Data Processing and Transaction Processing Services. Such business model requires a VAT License.

According to Administrative Provision on Foreign-funded Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by State Council and the Guidance of Examination and Approval of Telecommunications Business by Foreign-invested Enterprise (外商投資經營電信業務審批指南) published by Ministry of Industry and Information Technology ("**MIIT**"), the Department of Information and Communications Development ("**DICD**") of the MIIT is responsible for accepting VAT application by foreign-invested enterprises and issuing such VAT License. We have discussed with the PRC legal adviser, and was advised that they had consulted DICD's officer on duty for consultation on whether the business models of the Minshang Zhihui Group require VAT License, whom the PRC legal adviser believes is competent to make explanations on relevant laws and regulations regarding value-added telecommunication business, and according to relevant laws and regulations mentioned above and the consultation with DICD, the primary businesses currently conducted by Minshang Zhihui do not fall into the scope of "value-added telecommunication business" that requires a VAT License.

We have further discussed with the PRC legal adviser and noted that they are one of the largest and most recognised PRC law firm, and the engagement partner for providing the relevant legal advice had more than 10 years of experience in multiple mergers and acquisitions and initial public offering exercises in relation to Hong Kong listed companies. As such, we are satisfied that the PRC legal adviser of the Company is a competent law firm in the aspect of legal due diligence, and the relevant legal advice was provided by a competent professional team.

4.9 Board and Senior Management Composition

Including the shareholders' loan, the total investment made by Minsheng E-commerce and the Group in Minshang Zhihui will be approximately HK$30,997,621 and HK$87,310,000 respectively.

As stated in the Letter from the Board, the present management of the Group has the relevant experience in relation to the operation of the Minshang Zhihui Group given that all Board members have extensive management experience, in particular, Mr. Wu was the chairman of the board of directors and chief executive officer of Minsheng E-Commerce from December 2013 to April 2015 and has been the chairman of the board of directors of Minsheng E-Commerce since April 2015 and Mr. Lu has been the general manager of Minsheng E-Commerce since April 2015, who is responsible for the day-to-day operation and management of Minsheng E-Commerce, therefore, we concur with the Directors' view that the management team are familiar with the operation of the business of Minshang Zhihui Group.

It is further stated in the Letter from the Board, the board of directors of Minshang Zhihui is the highest authority of Minshang Zhihui which has full control over the management of Minshang Zhihui. Other than the right to appoint directors and/or supervisor of Minshang Zhihui stated above and the right to share profits of Minshang Zhihui on a pro rata basis, the articles of association of Minshang Zhihui does not specify any other shareholders rights and its shareholders are not entitled to exert any direct control over the daily management of Minshang Zhihui. Upon Completion, Minshang Zhihui will have four directors, one supervisor and one general manager. MSEC HK is entitled to appoint two directors and the supervisor of Minshang Zhihui. Minsheng E-commerce and the Limited Partnership are each entitled to appoint one director of Minshang Zhihui. General manager of Minshang Zhihui is appointed by its board. Mr. Wu and Mr. Lu are expected to be appointed by MSEC HK to the board of directors of Minshang Zhihui upon Completion.

Matters which shall be determined by the unanimous approval of the directors of Minshang Zhihui include (i) increase or decrease of registered capital of Minshang Zhihui; (ii) amendment of the articles of association of Minshang Zhihui; (iii) increase or decrease of number of directors of Minshang Zhihui; and (iv) merger, spin off, dissolution, liquidation or other forms of termination of operation of Minshang Zhihui.

Matters which shall be determined by the approval of a simple majority of the directors of Minshang Zhihui include but not limited to (i) decision to appoint or dismiss senior management members of Minshang Zhihui; (ii) review and approval of annual budget and final accounts of Minshang Zhihui; (iii) review and approval of policies for distribution profits and making up losses; (iv) review and approval of annual business plans and investment policy; (v) provision of external guarantees by Minshang Zhihui; (vi) disposal of fixed and/or material assets; and (vii) issue of any bonds or acceptance of obligation to issue any bonds.

No veto right has been given to any director of the board of Minshang Zhihui.

Having consider (i) the benefit of the Acquisition, in particular the sharing of profit and positive financial performance and market development trend of the Target Group which is expected to contribute to the improvement of the current financial performance of the Company; and (ii) MSEC HK is entitled to appoint two directors of Minshang Zhihui which enables the Group to monitor the business operation of Minshang Zhihui, we concur with the Directors' view that the proposed shareholders' right in the Target Group is fair and reasonable.

FINANCIAL EFFECT TO THE GROUP

Net asset value

Based on the 2018 Interim Report, the net assets of the Group amounted to approximately HK$128.8 million as at 30 September 2018. Following Completion, the Company directly owns the entire issued share capital of the Target Company, which in turn indirectly holds 50% equity interests in Minshang Zhihui through MSEC HK. As such, the Target Company and MSEC HK will become indirect wholly-owned subsidiaries of the Company and the financial results of the Target Company and MSEC HK will be consolidated into the financial statements of the Company, while Minshang Zhihui will only be accounted for as an Associate of the Company following Completion. Accordingly, the financial results of Minshang Zhihui will not be consolidated to the Group's accounts. In the consolidated financial statements of the Group, the investment in the Minshang Zhihui Group will be accounted for using the equity method whereby the investment is initially recognized at cost. The Group's share of the post-acquisition results will be recognized in profit or loss.

In light of the above, as discussed in the unaudited pro forma financial information of the Enlarged Group set out in the Appendix IV to the Circular, the Acquisition will result in an increase in total assets of approximately HK$119,030,000 and an increase in total liabilities of approximately HK$21,000 upon Completion.

Earnings

As the Target Group is profit making, sharing of profit will increase the earnings of the Group accordingly.

Liquidity

According to the 2018 Interim Report, the Group had cash and cash equivalent amounted to approximately HK$92.0 million at 30 September 2018. Given that the Consideration will be settled by Consideration Shares, the liquidity and cash position of the Group will not be materially adversely affected by the Acquisition. In view of the above financial effects, in particular, (i) the Acquisition will result in an increase in net asset value of the Group; (ii) the sharing of profit will increase the earnings of the Group upon Completion; and (iii) the liquidity of the Group will not be materially adversely affected, we concur with Directors' view that the Acquisition will not result in material adverse change in the Group's financials. Shareholders should note that the above analyses are for illustrative purpose only and do not purport to represent the financial position of the Group as a result of the Acquisition.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after allotment and issue of Consideration Shares and (iii) immediately after Placing Completion:

	As at the Latest Practicable Date		Immediately after the allotment and issue of Consideration Shares		Immediately after Placing Completion	
Shareholders	*Number of Shares*	*Approximate percentage*	*Number of Shares*	*Approximate percentage*	*Number of Shares*	*Approximate percentage*
The Vendor *(Note)*	428,000,000	53.5%	486,918,182	56.7%	486,918,182	53.2%
Placees	–	–	–	–	56,607,666	6.2%
Existing public Shareholders	372,000,000	46.5%	372,000,000	43.3%	372,000,000	40.6%
Total:	800,000,000	100.0%	858,918,182	100.0%	915,525,848	100.0%

Note: As at the Latest Practicable Date, these Shares were held by the Vendor as the controlling shareholder. The Vendor is wholly-owned by RUNMING International Limited (潤銘國際有限公司) which is in turn wholly-owned by Shanghai Yingzhao. Shanghai Yingzhao is wholly-owned by Beijing Ruitao which is in turn wholly-owned by Minsheng E-Commerce.

As shown in the table above, the Vendor and the existing public Shareholders held 428,000,000 Shares and 372,000,000 Shares, representing approximately 53.5% and approximately 46.5% of the issued share capital of the Company as at the Latest Practicable Date, respectively. Immediately after the allotment and issue of the Consideration Shares, the shareholding of the existing public Shareholders will decrease to approximately 43.3%. Immediately after Placing Completion, the shareholding of the existing public Shareholders will further decrease to approximately 40.6%, whereas the Placees will hold 56,607,666 Shares, representing approximately 6.2% of the issued share capital of the Company. Therefore, the existing public Shareholders will experience a dilution of approximately 12.7% immediately after allotment and issue of the Consideration Shares and the Placing Completion.

Although the shareholding interest of the existing public Shareholders will be diluted, considering (i) the reasons for and the possible benefits of the Acquisition, details of which are set out under the sections headed "3. Reasons for and benefits of the Acquisition" of this letter; and (ii) the terms of the Sale and Purchase Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we consider that such dilution effect on the shareholding interests of the existing public Shareholders resulting from the issue of the Consideration Shares and Placing Shares is acceptable.

RECOMMENDATION

Having considered the principal factors and reasons described above,

in particular:

1. the challenges facing the existing business of the Group which necessitates the Group to explore other business opportunities;

2. the positive market outlook of the e-commerce industry;

3. the positive trend of the financial performance of the Target Group, and that the Target Group was able to meet the Profit Guarantee as indicated by its management account;

4. the Acquisition would be beneficial to the Group in terms of profit sharing, and will not have material impact on the Group's liquidity;

5. the terms of the Acquisition, including the Consideration, the settlement method and the Issue Price, are fair and reasonable; and

6. the dilution impact to the existing Shareholders are acceptable in view of the aforementioned benefit;

we are of the opinion that (i) the terms of the Sale and Purchase Agreement are fair and reasonable and in normal commercial terms or better, and the entering into of the Sale and Purchase Agreement, although not in ordinary course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Joshua Liu
Managing Director

Mr. Joshua Liu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the securities and investment banking industry.

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The financial information of the Group is disclosed in the following documents which have been published on the website of the Stock Exchange at (http://www.hkexnews.hk) and the Company at (http://www.minshangct.com):

- The annual report of the Company for the year ended 31 March 2018 published on 26 July 2018 (pages 81 to 147):

  (http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0726/LTN20180726654.pdf);

- The annual report of the Company for the year ended 31 March 2017 published on 20 July 2017 (pages 75 to 147):

  (http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0720/LTN20170720851.pdf);

- The financial information of the Company for the three years ended 31 March 2016 and five months ended 31 August 2016 as set out in Appendix I to the prospectus of the Company published on 17 November 2016 (pages I-4 to I-55):

  (http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/1117/LTN20161117007.pdf)

2. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, taking into account the financial resources available to the Enlarged Group presently, including our operating cash flow, the Completion, the Placing Completion and the provision of the Shareholder's Loan to Minshang Zhihui, the Enlarged Group has sufficient working capital for our present requirements for at least the next twelve months from the date of this circular.

3. MATERIAL ADVERSE CHANGE

For the six months ended 30 September 2018, due to (i) the decrease in revenue of the Group caused by (a) the intense competition among food and beverage industry and (b) decrease in revenue from the newly replaced restaurants as compared to the closed restaurants, (ii) the increase in depreciation as a result of the increase in capital expenditure in previous years and (iii) the increase in monthly rental of the Group's leased properties upon renewal of the relevant leases and new properties leased, the overall business performance of the Group was adversely affected. For details, please refer to the profit warning announcement issued by the Company on 14 November 2018.

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 March 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is a food and beverage group primarily operating Vietnamese-style casual dining restaurant chains in Hong Kong under "Viet's Choice（越棧）" and "Five Spice（5越）brands.

Since 2017, in the food and beverage sector, restaurant operators continued to encounter various challenges, including rising rental and staff costs, as well as difficulty in retaining talent in an increasingly competitive market. Furthermore, the Hong Kong economy started to grow at a slower pace in early 2018 and the United States-China trade war is expected to be a threat to the worldwide economy as well as Hong Kong in the short term. During the six months after the year ended 31 March 2018, the Group opened two Viet's Choice restaurants and closed three Viet's Choice restaurants as the Group and the landlords could not reach agreements on commercially sound terms for renewal.

As disclosed in the annual report of the Company for the year ended 31 March 2018 and the 2018 Interim Report, the Group reported a net loss of approximately HK$1.5 million and HK$6.1 million respectively. The loss for such period was primarily due to intense competition among food and beverage industry, and decrease in revenue from the newly replaced restaurants as compared to the closed restaurants. Further, the Board was of the view that the reported loss attributable to the Shareholders was further contributed by the combined net effect of, among others, increase in depreciation as a result of the increase in capital expenditure in 2017 and during the period under review; and the inclusion of legal and professional expenses for share subdivision. In this connection, the Board considers that with the competitive nature of the catering industry and the increasing costs, it is necessary for the Group to explore other business opportunities which remains as one of the business strategies implemented by the Group as disclosed in the 2018 Interim Report.

Further, as stated in the composite offer document dated 15 June 2018 issued by the Company, the Group intends to continue its existing principal business and no major changes are expected in respect of the redeployment of the assets of the Group other than those in its ordinary course of business upon completion of the mandatory unconditional cash offer. In addition, the Group will continue to review the business activities/operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group.

The Board is of the view that e-commerce industry is a rising industry in the PRC. With factors including: (i) change in consumer trends from in-store retail shopping to online mobile shopping; (ii) growth in use of digital online-to-offline marketing by retailers and brands; and (iii) digitization and integration of the entire retail value chain as new retail model; it is expected to see continuing growth in the e-commerce market in the PRC.

Further, the Minshang Zhihui Group is an e-commerce related enterprise in the PRC, specializing in providing e-commerce services to financial institutions and other customers in the PRC by relying on its scene marketing system and supply chain management capabilities. Despite Minshang Zhihui's establishment in 2015, it has been recognised as High and New Technology Enterprise, enjoying corresponding preferential tax treatment since 2016. Moreover, Minshang Zhihui became profitable in 2017 within two years of commencing business.

Having considered that the Minshang Zhihui Group became profitable after two years of operations and the growth potential of the e-commerce sector in the PRC, the Board considers that the Acquisition is an opportunity for the Group to invest in a profitable company that engages in a fast developing sector in the PRC while continuing to develop its existing business, thereby diversifying business risk of the Group and maximizing Shareholders' interests in long term.

After trading hours on 6 November 2018, the Purchaser entered into the MOU with Minsheng E-commerce in relation to the possible acquisition of the target interests, representing 50% equity interests in Minshang Zhihui. Further, after trading hours on 6 November 2018, the Company and the Placing Agent entered into the Placing Agreement in relation to the Placing. As discussed in the section headed "2. The Placing" in the "Letter from the Board" setting out on pages 71 to 80 in this circular, the Company intends to (i) use 38.3% of the net proceeds from the Placing for funding future development of the Target Group; (ii) 51.7% of the net proceeds from the Placing for potential acquisition; and (iii) 10% of the net proceeds from the Placing for general working capital. As such, the Group has, through the Acquisition, expanded into the technology and e-commerce related market in the PRC.

As discussed in the section headed "Financial effect of the Acquisition" in the "Letter from the Board" setting out on page 68 in this circular, the Minshang Zhihui will be accounted for as an Associate of the Company following Completion. Accordingly, the financial results of the Minshang Zhihui will not be consolidated to the Group's accounts. In the consolidated financial statements of the Group, the investment in Minshang Zhihui will be accounted for using the equity method whereby the investment is initially recognised at cost. The Group's share of the post-acquisition results will be recognised in profit or loss.

Given that the Acquisition is an investment of the Company and Minshang Zhihui will not become a subsidiary of the Company following Completion as well as the respective equity interests in the Target Group will only account for less than 30% of the total assets of the Group, the Group will continue to focus on its existing principal business after the Acquisition. As mentioned in the annual report of the Company for the year ended 31 March 2018 and the 2018 Interim Report, the Group's strategic objective is to become a leading full-service casual dining restaurant chain operator in Hong Kong and will continue to maintain the Group's market share of Vietnamese-style casual dining restaurants in Hong Kong. Such strategic objective will remain unchanged after the Acquisition.

5. INDEBTEDNESS STATEMENT

As at 31 January 2019, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had no bank borrowings.

As at the close of business on 31 January 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, apart from the intra-group liabilities, the Enlarged Group did not have any loan capital issued and outstanding, or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or contingent liabilities.

The Directors confirm that there had not been any material change in the indebtedness or contingent liabilities of the Enlarged Group since 31 January 2019 and up to the Latest Practicable Date.

The following is the text of a report set out on pages IIA-1 to IIA-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MINSHANG CREATIVE TECHNOLOGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of MSEC Investment Limited (the "Target Company") and its subsidiary, MSEC Investment (HK) Limited (the "MSEC HK") (together, the "Target Company and MSEC HK") set out on pages IIA-4 to IIA-21, which comprises the consolidated and company statement of financial position as at 30 November 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 16 October 2018 (date of incorporation) to 30 November 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-4 to IIA-21 forms an integral part of this report, which has been prepared for inclusion in the circular of Minshang Creative Technology Holdings Limited (the "Company") dated 25 March 2019 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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The financial statements of the Target Company and MSEC HK for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements of the Target Company and MSEC HK for the Track Record Period. The directors of the Target Company are responsible for the preparation of the previously issued financial statements of the Target Company and MSEC HK that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Company as at 30 November 2018 and consolidated financial position of the Target Company and MSEC HK as at 30 November 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
25 March 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY AND MSEC HK

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Target Company and MSEC HK for the Track Record Period, on which the Historical Financial Information is based, was audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in HK dollars ("HK$") except when otherwise indicated.

Consolidated Statement of Financial Position

	Note	As at 30 November 2018 HK$
Equity		
Paid-in capital	*11*	8
Accumulated deficits		(21,091)
Equity attributable to owners of the Target Company		(21,083)
Liabilities		
Current liabilities		
Amount due to an intermediate holding company	*10*	21,083
Total liabilities		21,083
Total equity and liabilities		–

Statement of financial position of the Target Company

	Note	**As at 30 November 2018** *HK$*
Equity		
Paid-in capital	*11*	8
Accumulated deficits		(9,390)
Equity attributable to owners of the Company		**(9,382)**
Liabilities		
Current liabilities		
Amount due to an intermediate holding company		9,382
Total liabilities		**9,382**
Total equity and liabilities		–

Consolidated Statement of Comprehensive Income

	Note	**For the period from 16 October 2018 (date of incorporation) to 30 November 2018** *HK$*
General and administrative expenses	*6*	(21,091)
Loss before income tax		(21,091)
Income tax expense	*8*	–
Loss for the period		(21,091)
Loss attributable to:		
– Owners of the Target Company		(21,091)
Other comprehensive income, net of tax		–
Total comprehensive income for the period		(21,091)
Total comprehensive income for the period contributed to:		
– Owners of the Target Company		(21,091)

Consolidated Statements of Changes in Equity

	Attributable to owner of the Company		
	Paid-in capital *(Note 11)*	**Accumulated deficits**	**Total**
	HK$	*HK$*	*HK$*
Balance at 16 October 2018	–	–	–
Loss for the period	–	(21,091)	(21,091)
Other comprehensive income	–	–	–
Total comprehensive loss for the period	–	(21,091)	(21,091)
Transaction with owners of the Target Company			
Capital injection from shareholders	8	–	8
Total transactions with owners of the Target Company	8	–	8
Balance at 30 November 2018	8	(21,091)	(21,083)

Consolidated Statement of Cash Flows

	Note	For the period from 16 October 2018 (date of incorporation) to 30 November 2018 HK$
Loss before income tax	8	(21,091)
Change in working capital:		
Increase in amount due to an intermediate holding company		21,083
Net cash used in operating activities		21,083
Issuance of shares		8
Net cash used in financing activities		8
Net changes in cash and cash equivalents		–
Cash and cash equivalents at beginning of the period		–
Cash and cash equivalents at end of the period		–

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

MSEC Investment Limited (the "Target Company") is a limited liability company incorporated in the British Virgin Islands on 16 October 2018. The address of its registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The principal activity of the Target Company and its directly wholly owned subsidiary, MSEC Investment (HK) Limited ("MSEC HK") (together, the "Target Company and MSEC HK") are investment holding.

The Target Company is a wholly-owned subsidiary of MSEC Holdings Limited, a company incorporated in the British Virgin Islands. The Target Company is ultimately controlled by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd ("Minsheng E-Commerce") incorporated in the People's Republic of China.

Particulars of the subsidiary at 30 November 2018 is as follows:

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital	As at 30 November 2018	As of the date of this report	Principal activities
MSEC Investment (HK) Limited	Hong Kong	HK$1,000	100%	100%	Investment Holding

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Target Company and MSEC HK have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Company and MSEC HK's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 5.

At 30 November 2018, the Target Company and MSEC HK is at a net current liability position amounting to HK$21,083 and it is at a total deficit position amounting to HK$21,083. Minsheng E-Commerce, the ultimate holding company of the Target Company, has indicated its intention to provide sufficient financial support to the Target Company and MSEC HK so as to enable the Target Company and MSEC HK to meet its liability as and when they fall due and to enable the Target Company and MSEC HK to continue its operations for the foreseeable future. Consequently, the directors of the Target Company have prepared the Historical Financial Information on a going concern basis.

(a) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Target Company and MSEC HK

The following new standards and amendments to existing standards have been published and are mandatory for accounting periods beginning after 1 January 2019 or later periods and have not been early adopted by the Target Company and MSEC HK:

		Effective for the accounting period beginning on or after
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRIC-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements Project (Amendment)	Annual Improvements 2015-2017 Cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The directors of the Target Company are in the process of assessing the impact of these new standards and amendments, and are not yet in a position to state whether these new and amended standards and interpretations would have any significant impact on the Target Company and MSEC HK's results and financial position.

2.2 Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Target Company and MSEC HK has control. The Target Company and MSEC HK controls an entity when the Target Company and MSEC HK is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Company and MSEC HK. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Target Company and MSEC HK (refer to note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between Target Company and MSEC HK companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Company and MSEC HK.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

(i) fair values of the assets transferred

(ii) liability incurred to the former owners of the acquired business

(iii) equity interests issued by the Target Company and MSEC HK

(iv) fair value of any asset or liability resulting from a contingent consideration arrangement, and

(v) fair value of any pre-existing equity interest in the subsidiary

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Any contingent consideration to be transferred by the Target Company and MESC HK is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Target Company and MSEC HK are measured using the currency of the primary economic environment in which the Target Company and MSEC HK operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where item are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liability denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2.6 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life – for example, goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Share capital

Ordinary shares are classified as equity.

2.8 Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liability attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Target Company and MSEC HK operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liability and their carrying amounts in the financial statements. However, deferred tax liability are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

(c) Offsetting

Deferred income tax assets and liability are offset when there is a legally enforceable right to offset current tax assets against current tax liability and when the deferred income taxes assets and liability relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Financial risk management

3.1 Financial risk factors

The Target Company and MSEC HK's activities expose it to a variety of financial risks: liquidity risk and foreign exchange risk. The Target Company and MSEC HK's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company and MSEC HK's financial performance. Management regularly monitors the financial risk of the Target Company and MSEC HK. The Target Company does not use derivative financial instruments to hedge its risk exposures.

(i) Market risk

Cash flow and fair value interest rate risk

The Target Company and MSEC HK is not exposed to interest rate risk through the impact of rate changes on interest bearing assets and liability.

(ii) Liquidity risk

The Target Company and MSEC HK adopts prudent liquidity risk management by maintaining sufficient cash balances and the availability of the funding from related companies to meet the financial commitments when they fall due. Accordingly, the directors are of the opinion that the Target Company and MSEC HK does not have significant liquidity risk.

The table below analyses the Target Company and MSEC HK's financial liability into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year or repayable on demand	**More than 1 year**	**Total**
	HK$	*HK$*	*HK$*
As at 30 November 2018			
Amount due to an intermediate holding company	21,083	–	21,083

3.2 Fair value estimation

The Target Company and MSEC HK does not have any financial instruments measured in the statement of financial position at fair value which requires disclosure of fair value measurement by level of the fair value measurement hierarchy as mentioned in the amendment to HKFRS 7. The carrying amounts of the Target Company and MSEC HK's current financial liability, including amount due to an immediate holding company approximate their fair values due to their short maturities.

4. Capital risk management

The Target Company and MSEC HK's objectives when managing capital are to safeguard the Target Company and MSEC HK's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain or adjust the capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Target Company and MSEC HK may adjust the amount of dividends paid to shareholder, drawdown new borrowings or sell assets to early repay borrowings.

5. Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated by the Target Company and MSEC HK and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Company and MSEC HK makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liability are as follows:

(i) Current and deferred income tax

The Target Company and MSEC HK is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

6. Expenses by nature

Operating loss is stated after charging the following:

	Period from 16 October 2018 (date of incorporation) to 30 November 2018
	HK$
Cost of incorporation	21,092

7. Director's remuneration

The director did not receive any fees or emoluments in respect of their services to the Target Company and MSEC HK during the period.

8. Income tax expense

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Target Company has no assessable profit in Hong Kong for the period.

The tax on the Target Company and MSEC HK's loss before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Period from 16 October 2018 (date of incorporation) to 30 November 2018
	HK$
Loss before income tax	21,091
Calculated at a taxation rate of 16.5%	3,480
Effect of different taxation rates in other tax jurisdiction	(1,384)
Unused tax losses for which no deferred tax assets has been recognised	(2,096)
Income tax expense	–

9. Financial instruments by category

	2018
	HK$
Financial liability	
Liability at amortised cost	
Amount due to an intermediate holding company	21,083

The amount due to an intermediate holding company is unsecured, interest-free and repayable on demand. The carrying amounts approximate their fair values and are denominated in HK$.

10. Share capital

	Number of ordinary shares	Share capital
		HK$
Ordinary shares, issued and fully paid:		
At 16 October 2018 and 30 November 2018	1	8

Movement in ordinary shares:

	Number of ordinary shares	Total
		HK$
Opening balance as at 16 October 2018	–	–
Capital injection from shareholder	1	8
Balance as at 30 November 2018	1	8

On 16 October 2018, the Target Company was incorporated in the British Virgin Islands with limited liability. On the date of incorporation, 1 share of the Target Company was allotted and issued at par value of HK$8.

11. Related party transactions

In addition to those disclosed elsewhere in the financial statements, there is no significant transactions were carried out with related parties.

(a) Balances with related company:

	2018
	HK$
Amount due to an intermediate holding company	21,083

Balances with related company are unsecured, interest-free and repayable on demand. The carrying amounts approximate their fair values and are denominated in HK$.

Key management personnel compensation

Key management includes directors of the Target Company and MSEC HK. No compensation paid or payable to key management by the Target Company and MSEC HK.

12. Reserve movement of the Target Company

		As at 30 November 2018
	Note	*HK$*
Equity		
Paid-in capital	*11*	8
Accumulated deficits		(9,390)
Equity attributable to owners of the Company		(9,382)
Liabilities		
Current liabilities		
Amount due to an intermediate holding company		9,382
Total liabilities		9,382
Total equity and liabilities		–

Note (a) Reserve movement of the Company

	Attributable to owner of the Company		
	Paid-in capital *(Note 11)*	Accumulated deficits	Total
	HK$	*HK$*	*HK$*
Balance at 16 October 2018	–	–	–
Loss for the period	–	(9,390)	(9,390)
Other comprehensive income	–	–	–
Total comprehensive loss for the period	–	(9,390)	(9,390)
Transaction with owners			
Capital injection from shareholders	8	–	8
Total transactions with owners	8	–	8
Balance at 30 November 2018	8	(9,390)	(9,382)

13. Subsequent events

On 13 December 2018, MSEC HK acquired 50% equity interest in Beijing Minshang Zhihui E-commerce Co., Ltd. for a consideration of approximately RMB57,200,000 (equivalent to approximately HK$64,810,000).

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or MSEC HK in respect of any period subsequent to 30 November 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company or MSEC HK in respect of any period subsequent to 30 November 2018.

The following is the text of a report set out on pages IIB-1 to IIB-4, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MINSHANG CREATIVE TECHNOLOGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Beijing Minshang Zhihui E-commerce Co., Ltd. (北京民商智惠電子商務有限公司) ("Minshang Zhihui") and its subsidiaries (together, the "Minshang Zhihui Group"), set out on pages IIB-5 to IIB-67, which comprises consolidated and company balance sheets as at 31 December 2015, 2016, 2017 and 30 September 2018, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIB-5 to IIB-67, forms an integral part of this report, which has been prepared for inclusion in the circular of Minshang Creative Technology Holdings Limited (the "Company", formally known as Food Wise Holding Limited) dated 25 March 2019 (the "Circular") in connection with the proposed acquisition of Minshang Zhihui by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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The financial statements of the Minshang Zhihui Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of Minshang Zhihui. The directors of the Minshang Zhihui are responsible for the preparation of the Underlying Financial Statements of the Minshang Zhihui Group that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Minshang Zhihui and the consolidated financial position of the Minshang Zhihui Group as at 31 December 2015, 2016 and 2017 and 30 September 2018, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Minshang Zhihui Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
25 March 2019

I. FINANCIAL INFORMATION OF MINSHANG ZHIHUI GROUP

The following is the financial information of Beijing Minshang Zhihui E-commerce Co., Ltd. ("Minshang Zhihui") and its subsidiaries (collectively, the "Minshang Zhihui Group") prepared by the directors of the Company as at 31 December 2015, 2016 and 2017 and 30 September 2018 and for the period from 15 April 2015 (the date of incorporation of Minshang Zhihui) to 31 December 2015, each of the years ended 31 December 2016 and 2017, and nine months ended 30 September 2017 and 2018 (the "Financial Information").

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

(A) BALANCE SHEETS

(i) Consolidated Balance Sheets

			As at 31 December		As at 30 September
	Note	**2015**	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property, plant and equipment	*6*	210	727	801	546
Intangible assets	*7*	–	286	4,863	22,348
Investments accounted for using equity method	*8*	–	1,385	1,148	1,221
Deferred income tax assets	*9*	2,653	2,673	1,805	967
Restricted cash	*15*	–	–	4,206	1,505
Total non-current assets		2,863	5,071	12,823	26,587
Current assets					
Trade and other receivables	*10*	2,546	21,041	31,901	26,358
Inventories	*11*	–	1,662	227	9,849
Other current assets	*12*	128	1,127	5,209	60,412
Financial assets at fair value through profit or loss	*13*	–	40,129	96,952	12,317
Cash and cash equivalents	*14*	18,025	25,523	34,537	12,429
Restricted cash	*15*	–	–	30	2,510
Total current assets		20,699	89,482	168,856	123,875
Total assets		23,562	94,553	181,679	150,462

	Note	As at 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	As at 30 September 2018 RMB'000
Equity					
Paid-in capital	*16*	20,000	36,137	100,000	50,000
Other reserves	*17*	2,066	2,066	14,566	2,066
Accumulated deficits		(7,974)	(15,301)	(10,602)	(2,304)
Equity attributable to owners of Minshang Zhihui		14,092	22,902	103,964	49,762
Liabilities					
Current liabilities					
Trade and other payables	*19*	7,717	35,196	36,549	33,755
Contract liabilities	*20*	1,753	36,455	41,166	66,180
Current income tax liabilities		–	–	–	194
Total current liabilities		9,470	71,651	77,715	100,129
Deferred income tax liability	*9*	–	–	–	571
Non-current liabilities		–	–	–	571
Total liabilities		9,470	71,651	77,715	100,700
Total equity and liabilities		23,562	94,553	181,679	150,462

(ii) Company Balance Sheets

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Property, plant and equipment	210	727	801	546
Intangible assets	–	286	4,863	9,298
Investment in subsidiaries	–	–	12,000	18,400
Investments accounted for using equity method	–	1,385	1,148	1,221
Deferred income tax assets	2,653	2,673	1,635	958
Restricted cash	–	–	4,006	1,505
Total non-current assets	2,863	5,071	24,453	31,928
Current assets				
Trade and other receivables – current portion	2,546	21,041	33,046	33,877
Inventories	–	1,662	227	110
Other current assets	128	1,127	5,207	58,639
Financial assets at fair value through profit or loss	–	40,129	91,835	4,930
Cash and cash equivalents	18,025	25,523	32,302	3,235
Restricted cash	–	–	30	2,510
Total current assets	20,699	89,482	162,647	103,301
Total assets	23,562	94,553	187,100	135,229
Equity				
Paid-in capital	20,000	36,137	100,000	50,000
Reserves	2,066	2,066	14,566	2,066
Accumulated deficits	(7,974)	(15,301)	(9,829)	(8,943)
Total equity	14,092	22,902	104,737	43,123
Liabilities				
Current liabilities				
Trade and other payables	7,717	35,196	48,131	28,275
Contract liabilities	1,753	36,455	34,232	63,831
Total current liabilities	9,470	71,651	82,363	92,106
Non-current liabilities	–	–	–	–
Total liabilities	9,470	71,651	82,363	92,106
Total equity and liabilities	23,562	94,553	187,100	135,229

(B) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the period from 15 April 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Nine months ended 30 September 2017	Nine months ended 30 September 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*5*	4,406	22,458	56,599	40,217	80,818
Cost of sales	*21*	(2,687)	(11,865)	(34,372)	(24,701)	(67,386)
Gross profit		1,719	10,593	22,227	15,516	13,432
Distribution and selling expenses	*21*	(9,044)	(9,351)	(10,026)	(6,972)	(4,384)
General and administrative expenses	*21*	(3,332)	(9,156)	(10,589)	(6,816)	(7,992)
Other gains, net	*25*	–	452	3,649	1,431	7,178
Operating (loss)/profit		(10,657)	(7,462)	5,261	3,159	8,234
Finance income		30	35	820	814	590
Share of profit/(loss) for the investment accounted for using equity method		–	80	(237)	(657)	(277)
(Loss)/Profit before income tax		(10,627)	(7,347)	5,844	3,316	8,547
Income tax credit/(expense)	*26*	2,653	20	(937)	(527)	(1,118)
(Loss)/Profit from continuing operations		(7,974)	(7,327)	4,907	2,789	7,429
(Loss)/Profit from discontinued operations	*22*	–	–	(208)	(35)	869
(Loss)/Profit for the period/year		(7,974)	(7,327)	4,699	2,754	8,298
(Loss)/Profit attributable to:						
– Owners of Minshang Zhihui		(7,974)	(7,327)	4,699	2,754	8,298
Other comprehensive income, net of tax		–	–	–	–	–
Total comprehensive income for the period/year		(7,974)	(7,327)	4,699	2,754	8,298
Total comprehensive income for the period/year contributed to:						
– Owners of Minshang Zhihui		(7,974)	(7,327)	4,699	2,754	8,298

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Minshang Zhihui			
	Paid-in capital	**Other reserves**	**Accumulated deficits**	**Total**
	(Note 16)	*(Note 17)*		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 15 April 2015 (date of incorporation)	–	–	–	–
Loss for the period	–	–	(7,974)	(7,974)
Other comprehensive income	–	–	–	–
Total comprehensive loss	–	–	(7,974)	(7,974)
Transaction with owners				
Capital injection from shareholder	20,000	–	–	20,000
Deemed contribution from immediate holding company	–	2,066	–	2,066
Total transactions with owners	20,000	2,066	–	22,066
Balance at 31 December 2015	20,000	2,066	(7,974)	14,092
Balance at 1 January 2016	20,000	2,066	(7,974)	14,092
Loss for the year	–	–	(7,327)	(7,327)
Other comprehensive income	–	–	–	–
Total comprehensive loss	–	–	(7,327)	(7,327)
Transaction with owners				
Capital injection from shareholders	16,137	–	–	16,137
Total transactions with owners	16,137	–	–	16,137
Balance at 31 December 2016	36,137	2,066	(15,301)	22,902
Balance at 1 January 2017	36,137	2,066	(15,301)	22,902
Profit for the year	–	–	4,699	4,699
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	4,699	4,699
Transaction with owners				
Capital injection from shareholders	63,863	12,500	–	76,363
Total transactions with owners	63,863	12,500	–	76,363
Balance at 31 December 2017	100,000	14,566	(10,602)	103,964

	Attributable to owners of Minshang Zhihui			
	Paid-in capital	**Other reserves**	**Accumulated deficits**	**Total**
	(Note 16)	*(Note 17)*		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)				
Balance at 1 January 2017	36,137	2,066	(15,301)	22,902
Profit for the period	–	–	2,754	2,754
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	2,754	2,754
Transaction with owners				
Capital injection from shareholders	63,863	12,500	–	76,363
Total transactions with owners	63,863	12,500	–	76,363
Balance at 30 September 2017	100,000	14,566	(12,547)	102,019
Balance at 1 January 2018	100,000	14,566	(10,602)	103,964
Profit for the period	–	–	8,298	8,298
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	8,298	8,298
Transaction with owners				
Reduction of registered capital and capital reserve *(Note 22)*	(50,000)	(12,500)	–	(62,500)
Total transactions with owners	(50,000)	(12,500)	–	(62,500)
Balance at 30 September 2018	50,000	2,066	(2,304)	49,762

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the period from 15 April 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Nine months ended 30 September 2017	Nine months ended 30 September 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities						
Cash (used in)/generated from operations	*27*	(3,856)	33,175	(5,439)	(33,949)	(41,550)
Interest received		30	35	751	745	366
Income tax paid		–	–	–	–	(23)
Net cash (used in)/generated from operating activities of continuing operations		(3,826)	33,210	(4,688)	(33,204)	(41,207)
Net cash (used in)/generated from operating activities of discontinued operations		–	–	(276)	(46)	1,054
Net cash (used in)/generated from operating activities		(3,826)	33,210	(4,964)	(33,250)	(40,153)
Cash flows from investing activities						
Acquisition of a subsidiary, net of cash acquired		–	–	–	–	(5,914)
Acquisition of associates		–	(1,305)	–	–	(350)
Purchase of financial assets at fair value through profit or loss		–	(68,000)	(238,950)	(204,910)	(284,500)
Proceeds from financial assets at fair value through profit or loss		–	28,318	185,160	145,606	372,250
Purchases of property, plant and equipment		(215)	(571)	(396)	(308)	(40)
Addition of intangible assets		–	(291)	(4,731)	(2,984)	(5,182)
Loans to other parties		–	–	(49,588)	(49,588)	(51,500)
Repayments from other parties		–	–	46,120	45,120	55,037
Net cash (used in)/generated from investing activities of continuing operations		(215)	(41,849)	(62,385)	(67,064)	79,801
Net cash generated from investing activities of discontinued operations		–	–	–	–	744
Net cash (used in)/generated from investing activities		(215)	(41,849)	(62,385)	(67,064)	80,545

	Note	For the period from 15 April 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	Nine months ended 30 September 2017	Nine months ended 30 September 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from financing activities						
Capital injection from shareholders		20,000	16,137	76,363	76,363	–
Deemed contribution from immediate holding company *(Note 17)*		2,066	–	–	–	–
Reduction of registered capital and capital reserve		–	–	–	–	(62,500)
Net cash generated from/(used in) financing activities of continuing operations		22,066	16,137	76,363	76,363	(62,500)
Net cash generated from financing activities of discontinued operations		–	–	–	–	–
Net cash generated from/(used in) financing activities		22,066	16,137	76,363	76,363	(62,500)
Net increase/(decrease) in cash and cash equivalents		18,025	7,498	9,014	(23,951)	(22,108)
Cash and cash equivalents at beginning of the period/year		–	18,025	25,523	25,523	34,537
Cash and cash equivalents at end of the period/year		18,025	25,523	34,537	1,572	12,429

1. General information

(a) Minshang Zhihui is a limited liability company incorporated in Beijing, the People's Republic of China (the "PRC"). The address of its registered office is Room 205, 37th East Building, No.19 Chegongzhuang West Road, Haidian District, Beijing, the PRC.

As at 30 September 2018, Minshang Zhihui is owned by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd ("Minsheng E-Commerce") and Beijing Dandeliang Consulting Management Center (Limited Partnership) ("Beijing Dandeliang") as to 70% and 30% respectively. Minshang Zhihui Group primarily engages in providing online sales and related services through the marketplace built in the websites or mobile apps of commercial banks and other customers.

The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

(b) Minshang Zhihui has direct interest in the following subsidiaries as at the date of this report.

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital	Attributable equity interest of Minshang Zhihui					Principal activities
			At 31 December			At 30 September	As of the date of this report	
			2015	2016	2017	2018		
横琴普惠優選供應鏈管理有限公司 (Hengqin Puhui Youxuan Supply Chain Management Co., Ltd.)	The PRC, 16 May 2017 Limited liability company	RMB10,000,000	–	–	100%	100%	100%	Supply chain management
上海民映居網絡科技有限公司 (Shanghai Minyingju Internet Technology Co., Ltd.,"Shanghai Minyingju")	The PRC, 24 August 2016 Limited liability company	RMB1,000,000	–	–	–	100%	100%	Technical consultation and, supply chain management
上海民映居智能科技有限公司 (Shanghai Minyingju Intelligence Technology Limited.)	The PRC, 8 February 2018 Limited liability company	RMB1,000,000	–	–	–	100%	100%	Technical consultation and, supply chain management
上海民映居信息科技有限公司 (Shanghai Minyingju Information Technology Limited.)	The PRC, 8 February 2018 Limited liability company	RMB1,000,000	–	–	–	100%	100%	Technical consultation and, supply chain management
香港藍海之音貿易有限公司 (Hong Kong Sound of Ocean Trading Co., Ltd.)	Hong Kong, 21 March 2018 Limited liability company	–	–	–	–	100%	100%	Trading

2. Summary of significant accounting policies and accounting estimates

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") which are issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2.1.1 New/revised standards, amendments to standards and interpretations

Impact of standards issued but not yet applied by the Minshang Zhihui Group.

New standards, interpretations and amendments	Effective date
HKFRS16 "Leases"	1 January 2019
Hong Kong International Financial Reporting Interpretations Committee (HK(IFRIC) Interpretation 23) "Uncertainty over income tax treatment"	1 January 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associates or joint ventures"	To be determined

HKFRS 16 Leases

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Minshang Zhihui Group's operating leases. As of 30 September 2018, Minshang Zhihui Group has no significant non-cancellable operating lease (Note 28), and some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Minshang Zhihui anticipates that the initial adoption of HFRS16 in the future is unlikely to have material impact on Minshang Zhihui Group's financial position. Minshang Zhihui also anticipates that the net impact (as a result of the combination of the interest expenses arising from the lease liabilities and the amortisation of the right-to-use assets as compared to the rental expenses under existing standard) on Minshang Zhihui Group's financial performance will not be material.

The standard is mandatory for annual reporting periods beginning on or after 1 January 2019. Minshang Zhihui Group does not intend to adopt the standard before its effective date.

2.2 *Subsidiaries*

2.2.1 Consolidation

A subsidiary is an entity over which Minshang Zhihui Group has control. Minshang Zhihui Group controls an entity when Minshang Zhihui Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to Minshang Zhihui Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Minshang Zhihui Group.

Minshang Zhihui applies the acquisition method to account for business combinations except for business combinations under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Minshang Zhihui Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Minshang Zhihui Group recognises any non-controlling interest in the acquiree on an acquisition by- acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by Minshang Zhihui on the basis of dividend received and receivables.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

2.2.3 Disposal of subsidiaries

When the Minshang Zhihui ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Minshang Zhihui Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3 Investments accounted for using equity method

Associates are all entities over which Minshang Zhihui Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Minshang Zhihui determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Minshang Zhihui calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount to other gains/(losses) in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between Minshang Zhihui Group and its associate are recognised in Minshang Zhihui Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been aligned where necessary to ensure consistency with the policies adopted by Minshang Zhihui Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive director of Minshang Zhihui.

2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Minshang Zhihui Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Equipment and furniture	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses" in the consolidated statements of comprehensive income.

2.6 Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2.7. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Domain name and copy right

Domain name and copy right acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Software

Acquired software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

(iv) Research and development costs

Research cost is recognised in profit or loss in the period in which it is incurred. Development cost is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software

- it can be demonstrated how the software will generate probable future economic benefits

- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and

- the expenditure attributable to the software during its development can be reliably measured.

The development cost of an internally generated intellectual property rights is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. Directly attributable costs that are capitalised as part of the intellectual property rights include outsourcing labor costs.

Capitalised development costs are recorded as intellectual property rights and amortised using the straight-line method over their estimated useful lives from the point at which the asset is ready for use.

(v) Amortisation methods and periods

Minshang Zhihui Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

• Domain name and copy right	5 years
• Software	5 years
• Intellectual property rights	5 years

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

(a) Classification

Minshang Zhihui Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether Minshang Zhihui Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

Minshang Zhihui Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, Minshang Zhihui Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on Minshang Zhihui Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which Minshang Zhihui Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income within other gains/(losses) in the period in which it arises.

Equity instruments

Minshang Zhihui Group subsequently measures all equity instruments at fair value. Where Minshang Zhihui Group's management has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other gains, net when Minshang Zhihui Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

Minshang Zhihui Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Minshang Zhihui or the counterparty.

2.10 Inventories

Inventories are these merchandises in Minshang Zhihui Group's warehouse available for sales to customers. Costs are assigned to individual items of inventory on the basis of actual costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Trade receivables and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

Minshang Zhihui Group assesses on a forward looking basis the expected credit losses associated with trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

- For trade receivables, Minshang Zhihui Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

- Impairment on other receivables are measured as 12-month expected credit losses, if, at the reporting date, the credit risk on these receivables has not increased significantly since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand and other short-term highly liquid investments with original maturities of three months or less.

2.13 Paid-in capital

Paid-in capital are classified as equity. Incremental costs directly attributable to the additions of paid-in capital are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Contract liability

A contract liability is recognised when Minshang Zhihui Group has received considerations from the customers before the control of the merchandises transferred. For revenue generated from provision of services, a contract liability is recognised when Minshang Zhihui Group has received considerations from the customers before the services rendered.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Minshang Zhihui and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by Minshang Zhihui Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only where there is an agreement in place that gives Minshang Zhihui Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

In accordance with the rules and regulations in the PRC, Minshang Zhihui Group has arranged for its PRC employees to join defined contribution plans including pension, medical, housing and other welfare benefits, organised by the PRC government. According to the relevant regulations, the monthly contributions that should be borne by Minshang Zhihui Group are calculated based on percentages of the total salary of employees, subject to a certain ceiling. The assets of these plans are held separately from those of Minshang Zhihui Group in independent funds managed by the PRC government.

Minshang Zhihui Group's contributions to these plans are charged in the consolidated statements of comprehensive income as incurred.

2.18 Share-based payments

The fair value of options or shares granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options or shares granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2.19 Provision

Provisions for legal claims, service warranties and make good obligations are recognised when Minshang Zhihui Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivables for goods supplied or serviced provided, stated net of discounts and the relevant business taxes or value added taxes.

(a) Online sales

Minshang Zhihui Group sells merchandises to the cardholders of commercial banks through the online marketplace, where was built in the websites or mobile apps of these commercial banks and operated by Minshang Zhihui Group. The commercial banks also purchase merchandises for their employees as they ordered through online marketplace operated by Minshang Zhihui Group.

(b) Wholesales

The commercial banks or other enterprises make wholesales arrangements with Minshang Zhihui Group, and the merchandises were purchased for customer incentives and loyalty programs, or employee welfare programs.

The revenue from the online sales and wholesales is recognised when the merchandises are delivered to customers, and on a gross basis as Minshang Zhihui Group is primarily obligated in these transactions, is subject to inventory risk, has latitude in establishing prices or has met several but not all of these indicators.

(c) Technology services

The technology services are primarily offered to commercial banks and other enterprises for developing, maintaining and operating the online marketplace. Revenue from providing such services is recognised in the period in which the services are rendered.

(d) Commission from third-party sellers

A fixed rate commission fee based on the sales amount is charged by Minshang Zhihui Group to the third-party sellers for their successful sales in either the online marketplace or the promotion events implemented by Minshang Zhihui Group. Commission income is recognised for transactions where Minshang Zhihui Group is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices. Commission income is recognised at the point of time that the successful sales have been consummated by the third-party sellers.

(e) Online marketplace to third-party sellers

Minshang Zhihui Group charges third-party sellers for offering an online marketplace that enables them to promote and sell their merchandises to the consumers. The revenue is recognised ratably in the contractual period.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.22 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

3. Financial risk management

3.1 Financial risk factors

Minshang Zhihui Group's activities expose it to a variety of financial risks, primarily the credit risk and liquidity risk. Minshang Zhihui Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Minshang Zhihui Group's financial performance.

(a) Credit risk

Minshang Zhihui Group is exposed to credit risk in relation to its cash and cash equivalent, financial assets at fair value through profit or loss and trade and other receivables.

The carrying amounts of each class of the above financial assets represent Minshang Zhihui Group's maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and cash equivalent and financial assets at fair value through profit or loss, Minshang Zhihui Group only transacts with reputable commercial banks and high-credit-quality financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

Trade receivables and other receivables at the end of each reporting period were mainly due from commercial banks in relation to the sales or service arrangements, including those amounts that the commercial banks collect the payments from buyers on behalf of Minshang Zhihui Group. Minshang Zhihui Group has one related party which accounted for 100.0%, 88.4%, 71.9%, 40.8% of its trade receivables balance as of 31 December 2015, 2016, 2017 and 30 September 2018, respectively, and has one related party which accounted for 98.7%, 71.5% and 68.0% of its other receivable balance as of 31 December 2016, 2017 and 30 September 2018, respectively. Ageing analysis of Minshang Zhihui Group's trade receivables is disclosed in Note 10. The director of Minshang Zhihui believed that the credit risk inherent in Minshang Zhihui Group's outstanding trade and other receivables balances is low.

(b) Liquidity risk

Minshang Zhihui Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, Minshang Zhihui Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

Cash flow forecasting is performed by the finance department of Minshang Zhihui Group. The finance department of Minshang Zhihui Group monitors rolling forecasts of Minshang Zhihui Group's liquidity requirements to ensure it has sufficient cash to meet operational needs as well as the liabilities to other parties.

The table below analyses Minshang Zhihui Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	More than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2015			
Trade and other payables	7,097	–	7,097
As at 31 December 2016			
Trade and other payables	32,139	–	32,139
As at 31 December 2017			
Trade and other payables	31,862	–	31,862
As at 30 September 2018			
Trade and other payables	28,473	–	28,473

3.2 Capital risk management

Minshang Zhihui Group's objectives when managing capital are to safeguard Minshang Zhihui Group's ability to continue as a going concern in order to provide returns for owners of Minshang Zhihui and to maintain an optimal capital structure to enhance owners' value in the long term.

Minshang Zhihui Group monitors capital (including paid-in capital and reserves) by regularly reviewing the capital ratios. As a part of this review, Minshang Zhihui considers the cost of capital and the risks associated with paid-in capital, and believes the capital risk as low.

3.3 Fair value estimation

Minshang Zhihui Group analyses the financial instruments carried at fair value, by valuation method. The different level have been defined as follow:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

There is no financial assets that is measured at fair value at 31 December 2015 in Minshang Zhihui Group.

The following table presents Minshang Zhihui Group's financial assets that are measured at fair value at 31 December 2016.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss				
– Investment in financial instruments	–	–	40,129	40,129

The following table presents Minshang Zhihui Group's financial assets that are measured at fair value at 31 December 2017.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss				
– Investment in financial instruments	–	–	96,952	96,952

The following table presents Minshang Zhihui Group's financial assets that are measured at fair value at 30 September 2018.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss				
– Investment in financial instruments	–	–	12,317	12,317

There were no transfers between Level 1, 2 and 3.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Minshang Zhihui Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Minshang Zhihui Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will be reflected in the income tax expense and deferred tax provisions in the period in which such determination is made. In addition, the realisation of future income tax assets is dependent on Minshang Zhihui Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on the income tax expenses.

(b) Estimation of the useful life of intangible asset

Minshang Zhihui Group has completed the development of intellectual property rights that is primarily used to build and operate the online marketplace of commercial banks. Minshang Zhihui Group estimates the useful life of these intellectual property rights to be 5 years based on the expected economic and technical obsolescence of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on the market competition and technical innovations.

5. Revenue and segment information

Management determines the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions. Minshang Zhihui Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to online sales and related services which are considered as one operating segment. All of Minshang Zhihui Group's revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no geographical information is presented.

Breakdown of revenue by product category is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Online sales	–	2,826	18,279	12,121	51,419
Wholesales	–	4,571	15,107	11,866	11,432
Technology services	3,143	6,413	5,015	2,216	9,024
Commission from third-party sellers	906	4,262	7,862	5,536	5,369
Online marketplace to third-party sellers	357	4,386	10,336	8,478	3,574
Total	4,406	22,458	56,599	40,217	80,818

6. Property, plant and equipment

	Equipment and furniture *RMB'000*
As at 15 April 2015 (date of incorporation) and Year ended 31 December 2015	
Opening net book amount	–
Additions	215
Depreciation charge *(Note 21)*	(5)
Closing net book amount	210
As at 31 December 2015	
Cost	215
Accumulated depreciation	(5)
Net book amount	210
Year ended 31 December 2016	
Opening net book amount	210
Additions	571
Depreciation charge *(Note 21)*	(54)
Closing net book amount	727
As at 31 December 2016	
Cost	786
Accumulated depreciation	(59)
Net book amount	727
Year ended 31 December 2017	
Opening net book amount	727
Additions	396
Depreciation charge *(Note 21)*	(322)
Closing net book amount	801

	Equipment and furniture
	RMB'000
As at 31 December 2017	
Cost	1,182
Accumulated depreciation	(381)
Net book amount	801
Nine months ended 30 September 2017 (unaudited)	
Opening net book amount	727
Additions	308
Depreciation charge *(Note 21)*	(231)
Closing net book amount	804
As at 30 September 2017 (unaudited)	
Cost	1,094
Accumulated depreciation	(290)
Net book amount	804
Nine months ended 30 September 2018	
Opening net book amount	801
Additions	40
Depreciation charge *(Note 21)*	(295)
Closing net book amount	546
As at 30 September 2018	
Cost	1,222
Accumulated depreciation	(676)
Net book amount	546

Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Distribution and selling expenses	4	45	185	96	287
General and administrative expenses	1	9	137	135	8
	5	54	322	231	295

7. Intangible assets

	Intellectual property rights	Domain name and copy rights	Software	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015 and 2016					
Opening net book amount	–	–	–	–	–
Additions	291	–	–	–	291
Amortisation charge *(Note 21)*	(5)	–	–	–	(5)
Closing net book amount	286	–	–	–	286
At 31 December 2016					
Cost	291	–	–	–	291
Accumulated amortisation	(5)	–	–	–	(5)
Net book amount	286	–	–	–	286
Year ended 31 December 2017					
Opening net book amount	286	–	–	–	286
Additions	4,824	–	111	–	4,935
Amortisation charge *(Note 21)*	(338)	–	(20)	–	(358)
Closing net book amount	4,772	–	91	–	4,863
At 31 December 2017					
Cost	5,115	–	111	–	5,226
Accumulated amortisation	(343)	–	(20)	–	(363)
Closing net book amount	4,772	–	91	–	4,863

	Intellectual property rights	Domain name and copy rights	Software	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2017 (unaudited)					
Opening net book amount	286	–	–	–	286
Additions	2,873	–	111	–	2,984
Amortisation charge *(Note 21)*	(186)	–	(12)	–	(198)
Closing net book amount	2,973	–	99	–	3,072
At 30 September 2017 (unaudited)					
Cost	3,164	–	111	–	3,275
Accumulated amortisation	(191)	–	(12)	–	(203)
Closing net book amount	2,973	–	99	–	3,072
Nine months ended 30 September 2018					
Opening net book amount	4,772	–	91	–	4,863
Additions	5,381	601	–	–	5,982
Acquisition of a subsidiary *(Note 29)*	–	326	4,691	7,974	12,991
Amortisation charge *(Note 21)*	(922)	(73)	(493)	–	(1,488)
Closing net book amount	9,231	854	4,289	7,974	22,348
At 30 September 2018					
Cost	10,496	927	4,802	7,974	24,199
Accumulated amortisation	(1,265)	(73)	(513)	–	(1,851)
Closing net book amount	9,231	854	4,289	7,974	22,348

Amortisation of intangible assets has been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of sales	–	5	338	186	1,464
General and administrative expenses	–	–	20	12	24
	–	5	358	198	1,488

8. Investments accounted for using equity method

Set out below are the associates of the Minshang Zhihui Group as of 31 December 2015, 2016, 2017 and 30 September 2018 that are immaterial to the Minshang Zhihui Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Minshang Zhihui Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of incorporation	Principle activities	% of the ownership interest 2015	2016	2017	Nine months ended 2018	Nature of relationship	Measurement method	Carrying amount As at 31 December 2015	2016	2017	At 30 September 2018
			%	%	%	%			RMB'000	RMB'000	RMB'000	RMB'000
Shanghai Maiche Network Technology Co., Ltd. (上海麥車網絡科技有限公司)	The PRC	Online advertising	–	33.5%	33.5%	33.5%	Associate	Equity method	–	1,005	1,148	1,089
Shanghai Minyingju *(Note 29)*	The PRC	Technical consultation and, supply chain management	–	30%	30%	100%	Associate before April 2018	Equity method before April 2018	–	380	–	–
Shanghai Minsheng Network Technology Co., Ltd. (上海民聖網絡科技有限公司)	The PRC	Trading and supply chain management	–	–	–	35%	Associate	Equity method	–	–	–	132
Total equity method accounted investments									–	1,385	1,148	1,221

The Minshang Zhihui Group uses the equity method for accounting on these investments. The table below provides the aggregate carrying amount information.

	Year ended 31 December 2015	2016	2017	Nine months ended 30 September 2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Opening balance	–	–	1,385	1,385	1,148
New investments	–	1,305	–	–	350
Share of profit/(loss) for the year/period	–	80	(237)	(657)	(277)
Transferred to subsidiary *(Note 29)*	–	–	–	–	–
Dividend received	–	–	–	–	–
Closing balance	–	1,385	1,148	728	1,221

9. Deferred income tax

	As at 31 December			At 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:				
Tax losses	2,653	2,583	1,711	1,157
Accrued expenses	–	108	352	465
Amortisation differences	–	–	43	200
Provision of trade and other receivables	–	1	5	6
Total deferred tax assets	2,653	2,692	2,111	1,828
Set-off deferred tax liabilities	–	(19)	(306)	(861)
Net deferred tax assets	2,653	2,673	1,805	967

	As at 31 December			At 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:				
Fair value changes of investments in financial assets	–	19	306	993
Valuation surplus upon acquisition of a subsidiary *(Note 29)*	–	–	–	439
Total deferred tax liabilities	–	19	306	1,432
Set-off deferred tax assets	–	(19)	(306)	(861)
Net deferred tax liabilities	–	–	–	571

The movement in deferred income tax assets and liabilities of the Minshang Zhihui Group is as follows:

Deferred income tax assets	**Amortisation differences**	**Accrued expenses**	**Provision of trade and other receivables**	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 15 April 2015 (date of incorporation)	–	–	–	–	–
Credited to the consolidated statements of comprehensive income	–	–	–	2,653	2,653
As at 31 December 2015	–	–	–	2,653	2,653
Credited/(Charged) to the consolidated statements of comprehensive	–	108	1	(70)	39
As at 31 December 2016	–	108	1	2,583	2,692
Credited/(Charged) to the consolidated statements of comprehensive income	43	244	4	(872)	(581)
As at 31 December 2017	43	352	5	1,711	2,111
As at 1 January 2017	–	108	1	2,583	2,692
Credited/(Charged) to the consolidated statements of comprehensive income	24	234	1	(705)	(446)
As at 30 September 2017 (unaudited)	24	342	2	1,878	2,246
As at 1 January 2018	43	352	5	1,711	2,111
Credited/(Charged) to the consolidated statements of comprehensive income	157	113	1	(554)	(283)
As at 30 September 2018	200	465	6	1,157	1,828

Deferred income tax liabilities	**Fair value changes of investments in financial assets**	**Valuation surplus upon acquisition of a subsidiary**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 15 April 2015 (date of incorporation) and as at 31 December 2015	–	–	–
Charged to the consolidated statements of comprehensive income	(19)	–	(19)
As at 31 December 2016	(19)	–	(19)
Charged to the consolidated statements of comprehensive income	(287)	–	(287)
As at 31 December 2017	(306)	–	(306)
As at 1 January 2017	(19)	–	(19)
Charged to the consolidated statements of comprehensive income	(70)	–	(70)
As at 30 September 2017 (unaudited)	(89)	–	(89)
As at 1 January 2018	(306)	–	(306)
Charged to the consolidated statements of comprehensive income	(687)	–	(687)
Valuation surplus upon acquisition of a subsidiary *(Note 29)*	–	(439)	(439)
As at 30 September 2018	(993)	(439)	(1,432)

10. Trade and other receivables

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(a)*	2,366	6,441	14,309	17,113
Other receivables *(b)*	180	14,600	17,592	9,245
Trade and other receivables	2,546	21,041	31,901	26,358

(a) Trade receivables

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Third parties	–	481	681	2,085
Related parties	2,366	5,964	13,629	15,058
Less: provision for impairment	–	(4)	(1)	(30)
Trade receivables – net	2,366	6,441	14,309	17,113

At 31 December 2015, 2016, 2017 and 30 September 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	2,366	6,441	12,529	7,915
3 month to 1 year	–	–	1,780	9,198
Total	2,366	6,441	14,309	17,113

Contract assets are not material at 31 December 2015, 2016, 2017 and 30 September 2018.

The trade receivable due from related parties of Minshang Zhihui are mainly derived from the business cooperation with Minsheng E-Commerce, China Minsheng Banking Co., Ltd. and its branches in respect of online sales, wholesales and technology services.

As of 31 December 2017 and 30 September 2018, trade receivable of RMB1,672,000 and RMB6,666,000 respectively were past due but not impaired. These relate to whom there is no significant financial difficulty and based on past experience, the overdue amounts can be received. The aging analysis of these trade receivables is as follows:

	As at 31 December			At 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
3 months to 1 year	–	–	1,672	6,666

(b) Other receivables

	As at 31 December			At 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Collection from commercial banks on behalf of the third-party sellers (i)	–	14,459	12,627	6,326
Deposits	–	–	642	939
Receivables from disposal of Beijing Infinite Travel Agency Co., Ltd. ("Wujixian")	–	–	–	807
Loans to other parties	–	–	3,537	224
Others	180	142	821	966
Less: provision for impairment	–	(1)	(35)	(17)
Total other receivables	180	14,600	17,592	9,245

Notes:

(i) The balance represents the receivables due from commercial banks arising after the completion of sales conducted by third-party sellers on the online marketplace of the commercial banks as operated by Minshang Zhihui Group. Minshang Zhihui Group collects the amount from commercial banks and settles with third-party sellers after deduction of commission income earned by Minshang Zhihui Group.

(ii) As at 31 December 2015, 2016 and 2017 and 30 September 2018, all the trade and other receivables are denominated in RMB.

(iii) As at 31 December 2015, 2016 and 2017 and 30 September 2018, the fair values of trade and other receivables approximated their carrying amounts.

(iv) The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade receivables and other receivables mentioned above.

11. Inventories

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	–	1,662	227	9,849

The cost of inventories recognised as cost of sales amounted to approximately RMB147,000, RMB6,456,000, RMB27,241,000, RMB19,750,000 and RMB61,706,000 for the period from incorporation of Minshang Zhihui to the year ended 31 December 2015, 2016 and 2017, and the nine months ended 30 September 2017 and 2018 respectively.

12. Other current assets

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments *(a)*	124	1,127	5,208	60,396
Deductible value added tax input	4	–	1	16
Other current assets	128	1,127	5,209	60,412

(a) Prepayments

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments				
Prepayments for inventories	–	9	4,758	57,515
Prepayments for services	124	1,118	428	2,656
Prepayments for rental	–	–	22	178
Prepayments for others	–	–	–	47
Total	124	1,127	5,208	60,396

13. Financial assets at fair value through profit or loss

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in financial instruments	–	40,129	96,952	12,317

Financial assets at fair value through profit or loss are all denominated in RMB.

Financial assets at fair value through profit or loss represent investment in financial instruments issued by financial institutions in the PRC and redeemable within one year. The principals and returns of the above investment are not guaranteed.

The fair values of financial assets at fair value through profit or loss are based on cash flow discounted using the expected return based on management judgement and are within level 3 of the fair value hierarchy. As at 31 December 2016, 2017 and 30 September 2018, the fair values of financial assets at fair value through profit of loss approximated their carrying amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of these financial assets at fair value through profit or loss.

None of these financial assets at fair value through profit or loss is either past due or impaired.

14. Cash and cash equivalents

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	18,025	25,523	34,537	12,429

Cash and cash equivalents are all denominated in RMB.

15. Restricted cash

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted cash				
– Current	–	–	30	2,510
– Non-current	–	–	4,206	1,505
	–	–	4,236	4,015

Restricted cash mainly represents the deposits in the designated bank accounts requested by the commercial banks for their business cooperation with Minshang Zhihui Group.

16. Paid-in capital

	RMB'000
As at 15 April 2015 (date of incorporation) and as at 31 December 2015	20,000
Capital injection from shareholders	16,137
As at 31 December 2016	36,137
Capital injection from shareholders	63,863
As at 31 December 2017	100,000
As at 1 January 2017	36,137
Capital injection from shareholders	63,863
As at 30 September 2017	100,000
As at 1 January 2018	100,000
Registered capital reduction *(Note 22)*	(50,000)
As at 30 September 2018	50,000

17. Other Reserves

	Capital reserves *RMB'000*	Statutory reserves *RMB'000*	Total *RMB'000*
As at 15 April 2015 (date of incorporation)	–	–	–
Deemed contribution from immediate holding company *(Note (a))*	2,066	–	2,066
As at 31 December 2015	2,066	–	2,066
As at 1 January 2016 and 31 December 2016	2,066	–	2,066
As at 1 January 2017	2,066	–	2,066
Capital injection from shareholders of the Company	12,500	–	12,500
As at 31 December 2017	14,566	–	14,566
As at 1 January 2017	2,066	–	2,066
Capital injection from shareholders of the Company	12,500	–	12,500
As at 30 September 2017 (unaudited)	14,566	–	14,566
As at 1 January 2018	14,566	–	14,566
Reduction of registered capital and capital reserve *(Note 22)*	(12,500)	–	(12,500)
As at 30 September 2018	2,066	–	2,066

Notes:

(a) Capital reserve

The capital reserve represents the difference between the fair value of the capital injection and the registered capital, and the deemed contribution from equity holder which represented net balance waived by Min Sheng E-commence in respect of net amount earned by Min Sheng E-commence before the incorporation of Minshang Zhihui.

(b) Statutory reserves

In accordance with the relevant laws and regulations of the PRC, when distributing the net profit of each year, Minshang Zhihui shall set aside 10% of its profit after income tax (based on the PRC statutory financial statements and after offsetting accumulated losses from prior years) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the paid-in capital).

Statutory reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities.

18. Dividends

No dividends were declared and paid to owners during the Track Record Period.

19. Trade and other payables

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(a)*	34	665	3,379	15,207
Other payables and accruals *(b)*	7,683	34,531	33,170	18,548
	7,717	35,196	36,549	33,755

(a) Trade payables

Trade payables were mainly arising from the purchase of merchandises from suppliers. The credit terms of trade payables granted by the suppliers are usually current to 60 days. At 31 December 2015, 2016 and 2017 and 30 September 2018, the ageing analysis of the trade payables based on invoice date were as follows:

	As at 31 December			At 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 60 days	34	665	3,356	11,277
60 days to 1 year	–	–	23	3,930
	34	665	3,379	15,207

(b) Other payables and accruals

	As at 31 December			At 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Collection from commercial banks on behalf of third-party sellers (i)	4,941	27,661	21,859	3,761
Deposits from third-party sellers	1,620	3,570	5,912	7,327
Wages, salaries and other employee benefits	401	2,522	3,874	4,046
Tax payables (excluding current income tax liabilities)	219	535	813	1,236
Payables for intangible asset	–	–	204	800
Others	502	243	508	1,378
	7,683	34,531	33,170	18,548

Notes:

(i) The balance represents the payable to third-party sellers for their successful sales accomplished on the online marketplace of commercial banks as operated by Minshang Zhihui Group. Minshang Zhihui Group collects the amount from commercial banks and settles with third-party sellers after deduction of commission income earned by Minshang Zhihui Group.

(ii) As at 31 December 2015, 2016 and 2017 and 30 September 2018, all trade and other payables are denominated in RMB.

(iii) As at 31 December 2015, 2016 and 2017 and 30 September 2018, the fair values of trade and other payables approximated their carrying amounts.

20. Contract Liabilities

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	1,753	36,455	41,166	66,180

(i) Revenue recognised in relation to contract liabilities:

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the period	–	1,667	36,169	40,033

21. Expenses by nature

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost of inventories sold	147	6,456	27,241	19,750	61,706
Employee salary and benefit expenses	9,503	18,749	17,972	12,274	10,032
Daily operating expense	229	1,957	4,049	2,472	3,152
Internet and server custody costs	80	440	2,310	1,720	1,665
Amortisation of intangible assets	–	5	358	198	1,488
Rental expenses	1,510	1,986	1,794	1,348	1,037
Auditors' remuneration	–	–	–	–	300
Depreciation of property, plant, and equipment	5	54	322	231	295
Advertising and other marketing expenses	3,549	687	846	424	46
Others	40	38	95	72	41
	15,063	30,372	54,987	38,489	79,762

22. Disposal and discontinued operations

(i) Description

On 30 August 2018, Minshang Zhihui completed its spin-off and a new company, Beijing Minshang Kehui Technology Co., Ltd. ("Minshang Kehui") was established and became a wholly owned subsidiary of Minsheng E-Commerce. On 19 September 2018, Minshang Zhihui Group disposed of its 100% equity interest in Wujixian, the wholly owned subsidiary of Minshang Zhihui that undertook travel management business to Minshang Kehui, with a cash consideration of RMB2.8 million. In this connection, the registered capital and capital reserve of Minshang Zhihui have been reduced by RMB50 million and RMB12.5 million, respectively. Minshang Zhihui Group no longer has operation and cash flows from travel management business. Since the travel management business was managed together with other business of the Minshang Zhihui Group before disposal, Wujixian is reported as a discontinued operation during the nine months ended 30 September 2018. Financial Information relating to the discontinued operation for the nine months ended 30 September 2018 is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented below are for the period from 3 July 2017, the incorporation date of Wujixian to the year ended 31 December 2017, and the period from 1 January 2018 to 19 September 2018, the date of disposal of Wujixian.

	2017	**2018**
	RMB'000	*RMB'000*
Revenue	–	781
Expenses	(277)	(720)
(Loss)/profit before income tax	(277)	61
Income tax expense	69	(21)
(Loss)/profit after income tax of discontinued operation	(208)	40
Gain on sale of the subsidiary net of income tax	–	829
(Loss)/profit from discontinued operation	(208)	869

(iii) Details of the sale of the subsidiary

	As at 19 September 2018 *RMB'000*
Cash consideration receivable	2,807
Carrying amount of net assets sold	(1,832)
Gain on sale before income tax	975
Income tax expense on the disposal	(146)
Gain on sale net of income tax	829

The carrying amounts of assets and liabilities as at the date of disposal (19 September 2018) were:

	As at 19 September 2018 *RMB'000*
Cash and cash equivalent	1,256
Trade and other receivables	945
Other current asset	1
Deferred tax assets	48
Total assets	2,250
Trade and other payables	227
Contract liability	191
Total liabilities	418
Net assets	1,832

23. Employee incentive arrangement

Beijing Dandeliang was founded in September 2016, and its general partner comprised of executive director and other key management personnel of the Minshang Zhihui Group. In September 2016, Beijing Dandeliang agreed to invest RMB15 million into Minshang Zhihui for 30% equity interests in Minshang Zhihui. The RMB15 million of registered capital have been fully paid in 2017.

In December 2016, as approved by the shareholders of Minshang Zhihui, Beijing Dandeliang offered to a selected number of employees of the Minshang Zhihui Group the interests in Beijing Dandeliang and the purchase price is equivalent to the same amount of registered capital in Minshang Zhihui. The rights of purchase for these employees were granted without any future service requirements in the Minshang Zhihui Group. No additional share based expenses arising from such arrangement given the fair value of interests in Beijing Dandeliang representing equity interests in Minshang Zhihui that was assessed not in excess of the purchase price paid by the employees.

24. Wages, salaries and other employee benefits

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wages and salaries	6,395	13,414	11,852	7,635	6,014
Staff benefit and welfare	3,108	5,335	6,120	4,639	4,018
	9,503	18,749	17,972	12,274	10,032

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in Minshang Zhihui Group for the period from the incorporation of Minshang Zhihui to the year ended 31 December 2015, for each of the years ended 31 December 2016 and 2017, and for the nine months ended 30 September 2017 and 2018 do not include director. The emoluments payables to the five highest paid individuals for the period from the incorporation of Minshang Zhihui to the year ended 31 December 2015, for each of the years ended 31 December 2016 and 2017, and for the nine months ended 30 September 2017 and 2018, respectively, are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wages, salaries and other employee benefits	964	1,890	2,329	2,025	1,860
Contributions to retirement benefits schemes	118	222	226	180	129
	1,082	2,112	2,555	2,205	1,989

The emoluments fell within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017** (unaudited)	**2018**
Emolument bands *(in HKD)*					
Nil – HKD1,000,000	5	5	5	5	5

(b) No director of Minshang Zhihui waived any emoluments and no emoluments were paid by Minshang Zhihui Group to director of Minshang Zhihui as an inducement to join or upon joining Minshang Zhihui Group or as a compensation for loss of office as director.

(c) Director's retirement benefits

No retirement benefits were paid to or receivable by director in respect of their other services in connection with the management of the affairs of Minshang Zhihui or its subsidiaries undertaking.

(d) Director's termination benefits

No payment was made to director as compensation for the early termination of the appointment during the year.

(e) Consideration provided to third parties for making available director's services

No payment was made to the former employer of director for making available the services of them as a director of Minshang Zhihui.

(f) Information about loans, quasi-loans and other dealings in favour of director, controlled bodies corporate by and connected entities with such director

There are no loans, quasi-loans and other dealings in favour of director, controlled bodies corporate by and connected entities with such director during the Track Record Period.

(g) Director's material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to Minshang Zhihui Group's business to which Minshang Zhihui was a party and in which a director of Minshang Zhihui had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

25. Other gains, net

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fair value gains on financial assets at fair value through profit or loss	–	447	3,033	1,431	3,115
Gain on remeasuring 30% interests in Shanghai Minyingju upon business combination *(Note 29)*	–	–	–	–	3,690
Others	–	5	616	–	373
	–	452	3,649	1,431	7,178

26. Income tax expense

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current income tax expense	–	–	–	–	217
Deferred income tax (credit)/expense *(Note 9)*	(2,653)	(20)	937	527	901
	(2,653)	(20)	937	527	1,118

PRC Corporate Income Tax ("CIT")

Minshang Zhihui and its subsidiaries in the PRC are generally subject to CIT on the taxable income for the Track Record Period at statutory rate of 25%.

Minshang Zhihui was qualified as "High and New Technology Enterprises" ("HNTE") under relevant PRC laws and regulations from 2017. Accordingly, Minshang Zhihui was entitled to a preferential tax rate of 15% on its estimated assessable profits from 2017 to 2019.

Shanghai Mingyingju was accredited as a "Software enterprise" under the relevant PRC laws and regulations from 2018 and accordingly, Shanghai Minyingju is exempted from CIT for two years, followed by a 50% reduction of taxation, i.e. 12.5% for the next three years, commencing from the first year of profitable operation after offsetting tax losses generated from prior years.

Hengqin Puhui Youxuan Supply Chain Management Co., Ltd. is entitled to a preferential tax rate of 15% from its incorporation in 2017 under the regional laws and regulations.

The reconciliation between Minshang Zhihui Group's actual tax charges and the amount which is calculated based on the statutory income tax rate of 25% in the PRC is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/Profit before income tax	(10,627)	(7,347)	5,844	3,316	8,547
Tax calculated at applicable tax rates of 25%	(2,657)	(1,837)	1,461	829	2,137
Preferential tax rates on profit or loss	–	735	(584)	(332)	(1,084)
Expenses not deductible for taxation purposes	4	21	60	30	65
Effect on deferred income tax assets due to change in enacted tax rates	–	1,061	–	–	–
Taxation (credit)/charge	(2,653)	(20)	937	527	1,118

27. Notes to the consolidated statements of cash flows

Cash generated from/used in operations of continuing operations:

	For the period from 15 April 2015 (date of incorporation) to 31 December	Year ended 31 December		Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit before income tax	(10,627)	(7,347)	5,844	3,316	8,547
Adjustments for:					
Depreciation of property, plant and equipment *(Note 6)*	5	54	322	231	295
Amortisation of intangible assets *(Note 7)*	–	5	358	198	1,488
Gain on remeasuring 30% interests in Shanghai Minyingju upon business combination *(Note 29)*	–	–	–	–	(3,690)
Share of (profit)/loss for the investment accounted for using equity method	–	(80)	237	657	277
Finance income	(30)	(35)	(820)	(814)	(590)
Fair value gains on financial assets at fair value through profit or loss	–	(447)	(3,033)	(1,431)	(3,115)
Provision for trade and other receivables	–	5	36	16	47
Changes in working capital:					
(Increase)/decrease in inventories	–	(1,662)	1,435	1,331	(9,622)
Increase in trade and other receivables and other current assets	(2,674)	(19,499)	(11,440)	(15,651)	(50,269)
(Increase)/decrease in restricted deposits	–	–	(4,236)	(4,230)	221
Decrease/(increase) in trade and other payables and contract liabilities	9,470	62,181	5,858	(17,572)	14,861
Net cash (used in)/generated from operations of continuing operations	(3,856)	33,175	(5,439)	(33,949)	(41,550)

28. Commitments

(a) Operating lease commitments

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	As at 31 December			At 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	–	–	–	1,695
Later than 1 year	–	–	–	424
	–	–	–	2,119

29. Business combination

Shanghai Minyingju was incorporated in August 2016, and its paid in capital was RMB1,000,000 with 30% and 70% contributed by Minshang Zhihui and other shareholders, respectively. In April 2018, Minshang Zhihui acquired 70% equity interests in Shanghai Minyingju from other shareholders with a cash consideration of RMB8,400,000 and thereby obtained 100% equity interests in Shanghai Minyingju which became a subsidiary of Minshang Zhihui since then.

The following table summarises the consideration paid for Shanghai Minyingju, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
Consideration:	
Cash	8,400
Fair value of 30% equity interests in Shanghai Minyingju at acquisition date	3,690
	12,090
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2,486
Intangible assets *(Note 7)*	5,017
Trade and other receivables	2,713
Other current assets	353
Other receivables	1,025
Trade and other payable	(3,530)
Contract liabilities	(3,509)
Deferred tax liability *(Note 9)*	(439)
Net identifiable assets acquired	4,116
Goodwill *(Note 7)*	7,974
Net assets acquired	12,090

(a) The goodwill is primarily arised from the workforces and synergy from the combination of two enterprises.

(b) Minshang Zhihui Group recognised a gain of approximately RMB3,690,000 as a result of remeasuring at fair value of its 30% equity interests in Shanghai Minyingju held before the business combination. The gain is included in other gains in Minshang Zhihui Group's statement of comprehensive income for the nine months period ended 30 September 2018.

30. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of Minshang Zhihui Group are also considered as related parties.

Except for the disposal of Wujixian to Min Shang Ke Hui, which is one of the subsidiaries of immediate holding company as disclosed in Note 22, the following transactions were carried out in the ordinary course of Minshang Zhihui Group's business and were determined based on mutually agreed terms during the Track Record Period.

Name and relationship with related parties:

Names of the related parties	**Nature of relationship**
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Immediate holding company
Shenzhen Ruifu Technology Co., Ltd.	Subsidiary of immediate holding company
Shenzhen Ruiyun Technology Co., Ltd.	Subsidiary of immediate holding company
Minsheng Yidai Internet Financing Information Service Co., Ltd.	Subsidiary of immediate holding company
Minshang Network Technology Holding Co., Ltd.	Subsidiary of immediate holding company
Shanghai Minyingju Internet Technology Co., Ltd.	Associate of Minshang Zhihui (before changing to subsidiary in April 2018)
Shanghai Maiche Network Technology Co., Ltd.	Associate of Minshang Zhihui
Shanghai Minsheng Network Technology Co., Ltd.	Associate of Minshang Zhihui
Minhui E-Commerce Business Co., Ltd.	Subsidiary of immediate holding company
Beijing Ruitao Technology Co., Ltd.	Subsidiary of immediate holding company

Names of the related parties	Nature of relationship
Zhuhai Minshang Factoring Co., Ltd.	Subsidiary of immediate holding company
China Minsheng Banking Co., Ltd.	Shareholder of immediate holding company
Dalian Zhihuijia E-Commerce Co., Ltd.	Subsidiary of immediate holding company
Zhuhai Minshang Hongbo Technology Co., Ltd.	Subsidiary of immediate holding company
Beijing Dandeliang Consulting Management Center (Limited Partnership)	Shareholder of Minshang Zhihui
Shenzhen Tairui Financing Service Co., Ltd.	Subsidiary of immediate holding company
Beijing Minshang Kehui Technology Co., Ltd.	Subsidiary of immediate holding company

(a) Sales of goods to

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Immediate holding company	–	760	2,933	1,655	21,160
Shareholder of immediate holding company	–	4,851	25,632	19,181	16,077
Associate of Minshang Zhihui	–	–	345	125	402
Subsidiaries of immediate holding company	–	911	1,194	1,106	5,794
	–	6,522	30,104	22,067	43,433

(b) Service provided to

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Immediate holding company	–	1,633	1,138	5	3
Shareholder of immediate holding company	706	3,291	2,461	1,763	6,807
Associates of Minshang Zhihui	–	1,262	843	573	752
Subsidiaries of immediate holding company	–	375	221	217	812
	706	6,561	4,663	2,558	8,374

(c) Expenses charged by

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Immediate holding company	2,029	2,442	641	506	632
Subsidiaries of immediate holding company	–	166	989	749	1,387
	2,029	2,608	1,630	1,255	2,019

(d) Interest income received from

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Subsidiaries of immediate holding company	–	447	3,825	2,223	3,667

(e) Key managements include executive director, general manager and chief financial officer. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	436	1,107	2,609	1,811	1,913
Contributions to retirement benefits schemes	39	122	266	135	160
	475	1,229	2,875	1,946	2,073

(f) Year-end/period-end balances with related parties were as follows:

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss				
– Shareholder of immediate holding company	–	–	5,047	–
– Subsidiaries of immediate holding company	–	40,129	91,905	12,317
Trade receivables				
– Immediate holding company	–	93	3,197	3,069
– Shareholder of immediate holding company	2,366	5,694	10,284	9,512
– Subsidiaries of immediate holding company	–	177	148	2,477
Other receivables				
– Immediate holding company	–	–	50	55
– Shareholder of immediate holding company	–	14,407	12,576	6,288
– Subsidiaries of immediate holding company	–	–	–	1,031
– Shareholder of Minshang Zhihui	–	–	–	50
Other current assets				
– Immediate holding company	–	–	–	30
– Associate of Minshang Zhihui	–	–	–	55,000

	As at 31 December			At 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Accounts Payable				
– Subsidiary of immediate holding company	–	–	–	2,349
– Associates of Minshang Zhihui	–	–	556	56
Other Payables				
– Immediate holding company	80	870	–	–
– Shareholder of immediate holding company	329	–	–	–
– Subsidiaries of immediate holding company	–	–	26	400
– Associates of Minshang Zhihui	–	69	3,509	120
Contract liabilities				
– Shareholder of immediate holding company	899	28,144	34,741	3,106

31. Reserve movement of Minshang Zhihui

Reserve movement of Minshang Zhihui is as set out below:

	Paid in capital	Other reserves	Accumulated deficits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 15 April 2015 (the incorporation date)	–	–	–	–
Loss for the year	–	–	(7,974)	(7,974)
Capital injection from shareholder	20,000	–	–	20,000
Deemed contribution from immediate holding company	–	2,066	–	2,066
Balance at 31 December 2015	20,000	2,066	(7,974)	14,092
Balance at 1 January 2016	20,000	2,066	(7,974)	14,092
Loss for the year	–	–	(7,327)	(7,327)
Capital injection from shareholder *(Note 16)*	16,137	–	–	16,137
Balance at 31 December 2016	36,137	2,066	(15,301)	22,902
Balance at 1 January 2017	36,137	2,066	(15,301)	22,902
Profit for the year	–	–	5,472	5,472
Capital injection from shareholder *(Note 16)*	63,863	12,500	–	76,363
Balance at 31 December 2017	100,000	14,566	(9,829)	104,737

	Paid in capital *RMB'000*	Other reserves *RMB'000*	Accumulated deficits *RMB'000*	Total *RMB'000*
Balance at 1 January 2017	36,137	2,066	(15,301)	22,902
Profit for the period	–	–	2,928	2,928
Capital injection from shareholder *(Note 16)*	63,863	12,500	–	76,363
Balance at 30 September 2017 (unaudited)	100,000	14,566	(12,373)	102,193
Balance at 1 January 2018	100,000	14,566	(9,829)	104,737
Profit for the period	–	–	886	886
Reduction of registered capital and capital reserve *(Note 22)*	(50,000)	(12,500)	–	(62,500)
Balance at 30 September 2018	50,000	2,066	(8,943)	43,123

III. SUBSEQUENT FINANCIAL STATEMENTS

Except for the audited financial statements of Minshang Zhihui for the year ended 31 December 2018 prepared in accordance with China Accounting Standards for Business Enterprises, no audited financial statements have been prepared by Minshang Zhihui or its subsidiaries in respect of any period subsequent to 30 September 2018 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by Minshang Zhihui or its subsidiaries in respect of any period subsequent to 30 September 2018.

The following discussion is based on the historical financial information of the Target Group for the three financial years ended 31 December 2017 and the nine months ended 30 September 2018 included in the accountant's report of the Target Company and MSEC HK and the accountant's report of the Minshang Zhihui Group as set out in Appendix IIA and Appendix IIB to this circular respectively.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

General Information

The Target Company was incorporated on 16 October 2018 and is engaged in investment holding. MSEC HK, a wholly-owned subsidiary of the Target Company, was incorporated on 30 October 2018 and is engaged in investment holding. The Target Company and MSEC HK do not have any material assets as at the Latest Practicable Date and the major assets of the Target Company is its investment in the Minshang Zhihui Group through its shareholding in MSEC HK. Set out below is the management discussion and analysis of the Minshang Zhihui Group for each of the three financial years ended 31 December 2017 and the nine months ended 30 September 2018.

Management discussion and analysis of the Minshang Zhihui Group from 15 April 2015 (date of incorporation of Minshang Zhihui) to the three financial years ended 31 December 2015, 2016 and 2017, and for the nine months ended 30 September 2017 and 2018

Business review

The Minshang Zhihui Group is principally engaged in the technology and e-commerce related industry focusing on providing e-commerce services to financial institutions (including several major banks in the PRC) and other customers in the PRC by relying on its scene marketing system and supply chain management capabilities. Further, it provides a one-stop solution for its customers for their customer reward programmes as it could provide both the e-commerce platforms for its customers and its supply chain management services so that Minshang Zhihui could operate those platforms for its customers without resorting to other suppliers or technology companies. In particular, the principal activities of Minshang Zhihui include, among others, (i) developing e-commerce platforms for banks, which are embedded in websites or mobile apps of banks; (ii) providing services to banks in maintaining and operating e-commerce platforms; (iii) procuring and selling merchandise to customers of banks through its self-developed e-commerce platforms; and (iv) selling merchandise to financial institutions and other large corporations through biddings.

Segment Information

The Minshang Zhihui Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to online sales and related services which are considered as one operating segment.

Prospect

The Group is principally engaged in the operation of Vietnamese-style casual dining restaurant chains in Hong Kong. With the competitive nature of the catering industry and the increasing costs, it is necessary for the Group to explore other business opportunities. Having considered the business of the Target Company and the growth potential in the e-commerce sector, the Company considers that the Acquisition is an opportunity for the Group to invest in a profitable company that engages in a fast developing sector in the PRC that would enhance the Group's earnings base and is beneficial to the Company and its Shareholders as a whole.

Financial review

Revenue

The following table sets forth the sources of revenue of the Minshang Zhihui Group:

	For the period from 15 April 2015 (date of incorporation) to 31 December 2015	Year ended 31 December		Nine months ended 30 September	
		2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Online sales	–	2,826	18,279	12,121	51,419
Wholesales	–	4,571	15,107	11,866	11,432
Technology services	3,143	6,413	5,015	2,216	9,024
Commission from third-party sellers	906	4,262	7,862	5,536	5,369
Online marketplace to third-party sellers	357	4,386	10,336	8,478	3,574
Total	**4,406**	**22,458**	**56,599**	**40,217**	**80,818**

For the three financial years ended 31 December 2015, 2016 and 2017, and for the nine months ended 30 September 2017 and 2018, the Minshang Zhihui Group's revenue was mainly generated from:

(i) Online sales: revenue from the sales of merchandises to the cardholders of commercial banks through the online marketplace and to the commercial banks for their employees as they ordered through online marketplace;

(ii) Wholesales: revenue from the wholesales of merchandise to the commercial banks;

(iii) Technology services: service fees charged to commercial banks and other enterprises for the technology services rendered by the Minshang Zhihui Group in developing, maintaining and operating e-commerce platforms;

(iv) Commission from third-party sellers: sales commissions charged to third-party sellers for their sales on the Minshang Zhihui Group's e-commerce platforms or the promotion events implemented by the Minshang Zhihui Group; and

(v) Online marketplace to third-party sellers: fees charged to third-party sellers for using the Minshang Zhihui Group's e-commerce platforms as online marketplace.

For the financial year ended 31 December 2016, revenue increased over 5 times to approximately RMB22,458,000 (2015: RMB4,406,000). Such significant growth is attributable to the expansion of the business scale and scope of business of the Minshang Zhihui Group, which led to an overall increase in revenue.

For the financial year ended 31 December 2017 revenue increased over 2 times to approximately RMB56,599,000 (2016: RMB22,458,000). The growth was driven mainly by (i) an increase in revenue from the online sales and the wholesales of merchandise and (ii) an increase in income for offering online marketplace to third-party sellers, both of these factors were attributable to the continuing development of the Minshang Zhihui Group's operation and customer base.

For the nine months ended 30 September 2018, the revenue increased to approximately RMB80,818,000 (for the nine months ended 30 September 2017: RMB40,217,000). The growth was driven mainly by an increase in revenue from the online sales of merchandise, which was attributable to the continuing development of the Minshang Zhihui Group's operation and customer base. The effect was partially offset by a decrease in revenue from the online marketplace to third-party sellers, which was mainly attributable to the reduction in operating activities in offering online marketplace to third-party sellers resulting from the shift in core business and revenue model of the Minshang Zhihui Group (from offering online marketplace to third-party sellers through its e-commerce platforms to online sales and wholesales of merchandise).

Financial income

Financial income mainly consisted of the interest income from the investments in financial products issued by a non-bank financial institution in the PRC.

For the three financial years ended 31 December 2017, and the nine months ended 30 September 2017 and 2018, financial income amounted to approximately RMB30,000, RMB35,000, RMB820,000, RMB814,000 and RMB590,000 respectively.

Costs of sales

Costs of sales mainly consisted of costs of inventories, mainly for, among others, the merchandises for the online sales and the wholesales.

For the financial year ended 31 December 2016, costs of sales increased over 4 times to approximately RMB11,865,000 (2015: RMB 2,687,000), which was aligned with the increase in the online sales and the wholesales of merchandise.

For the financial year ended 31 December 2017, costs of sales amounted to approximately RMB34,372,000. The significant increase was mainly attributable to the increased scale in the online sales and the wholesales of merchandise.

For the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: RMB 24,701,000), costs of sales amounted to approximately RMB67,386,000. The increase was mainly attributable to the continuing increased scale in the online sales of merchandise.

Gross profit and gross profit margin

The Minshang Zhihui Group's gross profit amounted to approximately RMB1,719,000, RMB10,593,000, RMB22,227,000, RMB15,516,000 and RMB13,432,000 for financial year ended 31 December 2015, 2016, 2017, and for the nine months ended 30 September 2017 and 2018, respectively, representing gross profit margin of approximately 39.01%, 47.17%, 39.27%, 38.58% and 16.62%, respectively.

The increase in gross margin for the financial year ended 31 December 2016 was principally attributable to the improved cost effectiveness benefited from the economies of scale achieved by the Minshang Zhihui Group.

The decrease in gross margin for the financial year ended 31 December 2017 and the nine months ended 30 September 2018 was principally attributable to the increased proportion of revenue generated from the online sales and wholesales which were with relatively lower gross profit margin than the service-related businesses, resulting from the shift in core business and revenue model of the Minshang Zhihui Group as discussed above.

Distribution and selling expenses

Distribution and selling expenses mainly consisted of wages and salaries of employees carrying out sales and marketing function and other relevant costs.

Distribution and selling expenses of approximately RMB9,044,000 was first recorded in 2015 which was primarily incurred for wages and salaries of employees carrying out sales and marketing function. For the year ended 31 December 2016, distribution and selling expenses increased to approximately RMB9,351,000, which was mainly attributable to the expansion in business scale of Minshang Zhihui.

For the financial year ended 31 December 2017, distribution and selling expenses further increased to approximately RMB10,026,000, which was generally aligned with the further business growth of the Minshang Zhihui Group.

For the nine months ended 30 September 2018, distribution and selling expenses decreased to approximately RMB4,384,000 (for the nine months ended 30 September 2017: RMB6,972,000) as less involvement in ordinary promotion and marketing activities of the Minshang Zhihui Group throughout the period.

General and administrative expenses

General and Administrative expenses mainly consisted of office staff salaries, office rental and other office expenses.

For the three financial years ended 31 December 2015, 2016 and 2017, general and administrative expenses amounted to approximately RMB3,332,000, RMB9,156,000 and RMB10,589,000 respectively. There was a significant increase for the year ended 31 December 2016 due to substantial expenses incurred for the increase in wages, salaries and employee benefits of the management in line with the general growth in the business scale of the Minshang Zhihui Group.

For the nine months ended 30 September 2017 and 2018, general and administrative expenses amounted to approximately RMB6,816,000 and RMB7,992,000, respectively, which is generally in line with the growth in the business scale of the Minshang Zhihui Group.

Taxation

There were no income tax expenses for the two financial years ended 31 December 2015 and 2016 as no assessable profits were recorded. Income tax expenses of RMB937,000, RMB527,000 and RMB1,118,000 were recorded for the year ended 31 December 2017, and the nine month ended 30 September 2017 and 2018, upon the Minshang Zhihui Group recorded assessable profits for these periods.

Loss/profit for the years

Taking into account the aforementioned, the Minshang Zhihui Group recorded loss of approximately RMB7,974,000 and RMB7,327,000 for the two financial years ended 31 December 2015 and 2016. Profits of approximately RMB4,699,000, RMB2,754,000 and RMB8,298,000 were recorded for the financial year ended 31 December 2017, and for the nine months ended 30 September 2017 and 2018, principally attributable to the continued expansion of the Minshang Zhihui Group's businesses.

Related parties transactions

The table below sets forth our major related parties transactions for the periods indicated:

a) Sales of goods to

		Year ended 31 December			Nine months ended 30 September
		2015	2016	2017	2018
	Nature of relationship	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Minsheng E-Commerce Holdings Limited	Immediate holding company	–	760	2,933	21,160
China Minsheng Banking Co. Ltd	Shareholder of immediate holding company	–	4,851	25,632	16,077
Shanghai Minyingju Internet Technology Co., Ltd	Associate of Minshang Zhihui	–	–	345	402
Minsheng Yidai Internet Financing Information Service Co., Ltd.	Subsidiaries of immediate holding company	–	850	433	17
Minshang Network Technology Holding Co., Ltd.	Subsidiaries of immediate holding company	–	50	307	–
Minsheng Royal Asset Management Co., Ltd.	Subsidiaries of shareholder of immediate holding company	–	–	265	–

	Nature of relationship	Year ended 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	Nine months ended 30 September 2018 RMB'000
Minhui E-Commerce Business Co., Ltd.	Subsidiaries of immediate holding company	–	–	–	5,704
Others	Subsidiaries of immediate holding company	–	11	189	72
Total sales of goods to related parties			**6,522**	**30,104**	**43,432**

b) Services provided to

	Nature of major services provided	Nature of relationship	Year ended 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	Nine months ended 30 September 2018 RMB'000
Minsheng E-Commerce Holdings Limited	Development, operation and maintenance of e-commerce platform	Immediate holding company	–	1,633	1,138	3
China Minsheng Banking Co. Ltd	Development, operation and maintenance of e-commerce platform	Shareholder of immediate holding company	706	3,291	2,461	6,807
Shanghai Minyingju Internet Technology Co., Ltd	Provision of e-commerce platform	Associate of Minshang Zhihui	–	314	843	390
Shanghai Maiche Network Technology Co., Ltd.	Provision of e-commerce platform	Associate of Minshang Zhihui	–	948	–	–
Shanghai Minsheng Network Technology Technology	Provision of e-commerce platform	Associate of Minshang Zhihui	–	–	–	361
Minsheng Yidai Internet Financing Information Service Co., Ltd.	Provision of e-commerce platform	Subsidiaries of immediate holding company	–	206	214	189
Minshang Network Technology Holding Co., Ltd.	Provision of e-commerce platform	Subsidiaries of immediate holding company	–	–	–	188
Minhui E-Commerce Business Co., Ltd.	Provision of e-commerce platform	Subsidiaries of immediate holding company	–	–	1	436
Others	Provision of e-commerce platform	Subsidiaries of immediate holding company	–	169	6	–
Total revenue from services provided to related parties			**706**	**6,561**	**4,663**	**8,374**

As Minsheng E-commerce has been the largest shareholder of Minshang Zhihui, it has entered into certain service contracts for development, operation and maintenance of e-commerce platforms with China Minsheng Banking Co. Ltd. and assigns most of the obligations to Minshang Zhihui. Therefore, most of the dealings between Minshang Zhihui and Minsheng E-commerce are indeed for services provided to China Minsheng Banking Co. Ltd..

As such, the sales of goods attributed to Minsheng E-commerce and China Minsheng Banking Co. Ltd. came from online sales on the e-commerce platforms, including Juhui Shangcheng and other e-commerce platforms where credits gained from usage of credit cards and bank services can be used to purchase merchandise, and wholesale of merchandise.

For other related parties, all the sales of goods attributed to them came from wholesale of merchandise.

The Board expects that the revenue contributed by China Minsheng Banking Co. Ltd. to be steady in the future.

Analysis of financial position

Non-current assets

Non-current assets mainly included property, plant and equipment, investments in associate, deferred income tax assets, intangible assets (including software licenses, domain names, intellectual property rights and goodwill) and restricted cash in the designated bank accounts requested by the commercial banks for their business cooperation with the Minshang Zhihui Group. As at 31 December 2015, 2016 and 2017, and 30 September 2018, non-current assets amounted to approximately RMB2,863,000, RMB5,071,000, RMB12,823,000, RMB26,587,000, respectively.

The increase in non-current assets as at 31 December 2016 was principally attributable to the additional investments in two Associates during the financial year ended 31 December 2016.

The increase in non-current assets as at 31 December 2017 was principally attributable to the acquisition of certain intellectual property rights during the financial year ended 31 December 2017.

The increase in non-current assets as at 30 September 2018 was principally attributable to the addition of intangible assets (mainly the software and goodwill) upon the completion of the acquisition of a subsidiary, Shanghai Minyingju during the nine months ended 30 September 2018.

Intangible assets

Intangible assets mainly included (a) intellectual property rights (mainly includes the patent of self-developed systems and technologies) and software, which are either purchased or developed by the Minshang Zhihui Group for their business operation, among others, the operation of e-commerce platform and technology services provision; and (b) goodwill of Shanghai Minyingju. Minshang Zhihui's intangible assets amounted to RMB0.3 million, RMB4.9 million and RMB22.3 million as of 31 December 2016 and 2017 and 30 September 2018, respectively.

Current assets

Current assets mainly comprised of trade and other receivables, financial assets at fair value through profit or loss, inventories, and other current assets (including prepayments for inventories for online sales, prepayments for advertising and prepayment for rental). As at 31 December 2015, 2016 and 2017, and 30 September 2018, current assets amounted to approximately RMB20,699,000, RMB89,482,000 and RMB168,856,000 and RMB123,875,000, respectively.

The significant increase of current assets by RMB68,783,000 or 332.3% in the financial year ended 31 December 2016 was mainly due to: (i) the increase in financial assets at fair value through profit or loss to RMB40,129,000 attributable to the acquisition of financial instruments issued by financial institutions in the PRC; and (ii) the increase in other receivables due from commercial banks on behalf of the third-party sellers in the online marketplaces of about RMB14,459,000.

The further increase of current assets by RMB79,374,000 or 88.7% in the financial year ended 31 December 2017 was mainly due to: (i) the increase in financial assets at fair value through profit or loss to RMB96,952,000 attributable to the additional investments in financial instruments issued by financial institutions in the PRC; and (ii) the increase in trade receivables and the prepayments for inventory, which were attributable to the business expansion of the Minshang Zhihui Group.

The current assets decreased by RMB44,981,000 or 26.6% in the nine months ended 30 September 2018 was mainly due to: (i) the reduction in investment in financial assets at fair value through profit or loss by about RMB84,635,000; and (ii) the decrease in cash and cash equivalent attributable to the net cash outflow of about RMB22,108,000. These effects were partially offset by an increase in prepayment for inventory for online sales and wholesales, attributable to the expansion of business scale in these business sectors.

The accounts receivables as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018 amounted to approximately RMB2,366,000, RMB6,441,000, RMB14,309,000 and RMB17,113,000, respectively, which were the balances mainly due from the customers in online sales, wholesales and technology services. The increase in accounts receivables balances is generally in line with the growth in the business scale of the Minshang Zhihui Group.

Out of the accounts receivables, the Minshang Zhihui Group had balances due from related parties of approximately RMB2,366,000, RMB5,964,000, RMB13,629,000 and RMB15,058,000 as of 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, respectively. The increase in these balances was mainly attributable to the increased sales from the related parties.

The following table sets forth the average turnover days of our trade receivables for the periods indicated:

	Year ended 31 December			Nine months ended 30 September
	2015	**2016**	**2017**	**2018**
		days		
Average turnover days of trade receivables *Note*	70	72	67	53

Note: Average turnover days of trade receivables for a period equal average trade receivables divided by revenue for the period and multiplied by 365 for a 12-month period, or 273 for a nine-month period and 260 for the first financial year from 15 April 2015 to 31 December 2015. Average trade receivables are calculated as trade receivables at the beginning of the period plus trade receivables at the end of the period, divided by two.

The average turnover days of trade receivables remain relatively stable at 70 days and 72 days in 2015 and 2016. For the year ended 31 December 2017 and the nine months ended 30 September 2018, the Minshang Zhihui Group recorded a downward trend in the average turnover days of trade receivables, it was mainly attributable to the increased proportion of revenue generated from the online sales and wholesales, of which the customers were generally granted a shorter credit period than those technology services customers.

Included in the other receivables, the balances of collection from commercial banks on behalf of the third-party sellers represented the receivables due from commercial banks arising after the completion of sales conducted by third-party sellers on the online marketplace of the commercial banks operated by the Minshang Zhihui Group. On the online marketplace, the third-party sellers directly offer their merchandises. The employees may redeem the credits allocated by the commercial banks on the marketplace for the merchandises offered by the third-party sellers, the purchase price to those sellers are settled by the commercial banks through the Minshang Zhihui Group. The Minshang Zhihui Group settles the purchase price with third-party sellers net of its commission income. As disclosed in page 47 of the Letter from the Board, this mode of sale only applies in Juhui Shangcheng. For the detailed process flow, please refer to pages 47 to 48 of the Letter from the Board.

Current liabilities

Current liabilities included trade and other payables and contract liabilities. As at 31 December 2015, 2016 and 2017, and 30 September 2018, current liabilities amounted to approximately RMB9,470,000, RMB71,651,000, RMB77,715,000 and RMB100,129,000.

The increase of current liabilities by RMB62,181,000 or 656.61% in the financial year ended 31 December 2016 was mainly due to: (i) the increase in other payables and accruals due to third-party sellers in the online marketplaces; (ii) the increase in other payables and accruals for wages, salaries and other employee benefits; and (iii) the increase in advance from customers. All these were in line with the business development of the Minshang Zhihui Group.

The increase of current liabilities by RMB6,064,000 or 8.46% in the financial year ended 31 December 2017 was mainly due to (i) the increase in other payables and accruals for wages, salaries and other employee benefits; and (ii) the increase in advance from customers.

The increase of current liabilities by RMB22,414,000 or 28.84% in the nine months ended 30 September 2018 was mainly due to the further increase in advance from customers.

Advance from customers mainly represents the prepayment made by the customers for the online sales and wholesales. Along with the increased scale in online sales and wholesales, advances from customers of Minshang Zhihui recorded an upward trend and recorded approximately RMB1,753,000, RMB36,455,000, RMB41,166,000 and RMB66,180,000 as of 31 December 2015, 2016 and 2017 and 30 September 2018, respectively. For certain merchandise, such as liquor and the latest mobile phones, customers can pre-order these merchandises. In such circumstances, Minshang Zhihui is required by the suppliers to make prepayments. Therefore, Minshang Zhihui would require these customers to make prepayments for the merchandises they pre-order. As at 30 September 2018, due to the launch of certain popular mobile phones, huge amount of pre-orders were made for such mobile phones. As such, Minshang Zhihui recorded a large amount of advance from customers on that date.

Liquidity, financial resources and capital structure

For the three financial years ended 31 December 2017 and the nine months ended 30 September 2018, the Minshang Zhihui Group funded its working capital mainly through a combination of capital contribution from shareholders and internally generated funds from its operating activities. As at 31 December 2015, 2016 and 2017, and 30 September 2018, the Minshang Zhihui Group had cash and cash equivalents denominated in RMB amounting to approximately RMB18,025,000, RMB25,523,000, RMB34,537,000 and RMB12,429,000 respectively. The current ratio for the respective years/period, expressed as the ratio of the currents assets over the current liabilities, were 2.19 times, 1.25 times, 2.17 times and 1.24 times respectively. No borrowing was made by the Minshang Zhihui Group as at 31 December 2015, 2016 and 2017, and 30 September 2018.

As at 31 December 2015, 2016 and 2017, and 30 September 2018, the paid up capital of Minshang Zhihui was RMB20,000,000, RMB36,137,000, RMB100,000,000 and RMB50,000,000, respectively.

Funding and treasury policies and objectives

For the three financial years ended 31 December 2015, 2016 and 2017 and the nine months ended 30 September 2018, the Minshang Zhihui Group generally financed its operations with a combination of capital contribution from shareholders and internally generated resources and had no formal treasury policies or objectives.

Capital commitments

As at 31 December 2015, 2016 and 2017, and 30 September 2018, the Minshang Zhihui Group did not have any material capital commitment.

Charges on assets

There was no charge on assets as at 31 December 2015, 2016 and 2017, and 30 September 2018.

Material acquisitions and disposals of subsidiaries and associated companies

In September 2016, Minshang Zhihui made an investment in 33.5% equity interests in 上海麥車網路科技有限公司 (Shanghai Maiche Network Technology Co., Ltd.*) ("**Shanghai Maiche**") with an investment cost of RMB1,005,000, thereby Shanghai Maiche became an Associate of Minshang Zhihui.

In January 2018, Minshang Zhihui made an investment in 35% equity interests in 上海民聖網路科技有限公司 (Shanghai Minsheng Network Technology Co., Ltd.*) ("**Shanghai Minsheng**") with an investment cost of RMB350,000, thereby Shanghai Minsheng became an Associate of Minshang Zhihui.

In April 2018, Minshang Zhihui, holding 30% equity interests in Shanghai Minyingju since the establishment of Shanghai Minyingju in August 2016, acquired the remaining 70% equity interests in Shanghai Minyingju from other shareholders at a cash consideration of RMB 8,400,000 and thereby obtained 100% equity interest in Shanghai Minyingju which became a wholly-owned subsidiary of Minshang Zhihui since then.

Wujixian, a former wholly-owned subsidiary of Minshang Zhihui, mainly operates an offline travel management business. As Minshang Zhihui intends to focus on its business in developing and operating online e-commerce platforms, it has decided to restructure the company by completing the spin off on 30 August 2018, whereby the registered capital of Minshang Zhihui has been reduced by half and a new entity, Minshang Kehui was established and was wholly-owned by Minsheng E-Commerce.

On 19 September 2018, Minshang Zhihui disposed its 100% equity interest in Wujixian with a cash consideration of RMB2.8 million. Wujixian was as at the Latest Practicable Date wholly-owned by Minshang Kehui, which was in turn wholly-owned by Minsheng E-commerce.

Save as discussed above, for each of the three financial years ended 31 December 2015, 2016 and 2017, and the nine months ended 30 September 2018, the Minshang Zhihui Group did not have any material acquisition and disposal.

Significant investments

Save as disclosed under the section headed "Material acquisitions and disposals of subsidiaries and associated companies" in this Appendix as at 31 December 2015, 2016 and 2017, and 30 September 2018, the Minshang Zhihui Group did not have any significant investment. Further, the Minshang Zhihui Group does not have any future plans for material investments or capital assets in the coming year.

Contingent liabilities

As at 31 December 2015, 2016 and 2017, and 30 September 2018, the Minshang Zhihui Group did not have any material contingent liabilities.

Exchange risk and hedging

For the three financial years ended 31 December 2015, 2016 and 2017, and the nine months ended 30 September 2018, as the functional currency and the reporting currency were both denominated in RMB and the currency risk was minimal, the Minshang Zhihui Group did not have a foreign currency hedging policy and did not use any financial arrangement for hedging.

Employee and remuneration policies

As at 31 December 2015, 2016 and 2017, and 30 September 2018, the Minshang Zhihui Group employed 89, 75, 82 and 98 employees respectively. The total remuneration of employees amounted to approximately RMB6,395,000, RMB13,414,000, RMB11,852,000 and RMB6,014,000 respectively for the three financial years ended 31 December 2017, and for the nine months ended 30 September 2018. The employees were remunerated based on their working performance and experience, with reference to the prevailing market conditions. For the year ended 31 December 2016, the total remuneration of employees increased was generally aligned with the increase in headcounts and the business scale expansion. For the year ended 31 December 2017, despite the increase in headcount, the total remuneration of employees decreased to RMB11,852,000. It was mainly due to the stricter performance assessment on the employees imposed by Minshang Zhihui during the year.

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group, including the unaudited pro forma consolidated statement of financial position and the unaudited pro forma statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information"), has been prepared to illustrate the effect of the proposed acquisition of the sales share and sale loan of the Target Company (the "Acquisition") involving issue of consideration shares under specific mandate and the provision of the shareholder's loan with the placing of new shares under specific mandate (the "Placing"), assuming the transaction had been completed as at 30 September 2018, might have affected the financial position of the Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the unaudited condensed consolidated interim statement of financial position of the Group as at 30 September 2018 as extracted from the interim report of the Group for the six months ended 30 September 2018 after making certain pro forma adjustments relating to the Acquisition and the Placing.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition and the Placing actually occurred on 30 September 2018. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Target Company and MSEC HK and the Minshang Zhihui Group as set out in Appendices IIA and IIB of this circular respectively and other financial information included elsewhere in this circular.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

		Pro forma adjustments					
	The Group as at 30 September 2018	The Target Company and MSEC HK as at 30 November 2018	Other Pro forma adjustments				Pro forma Enlarged Group after the Acquisition and the Placing
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
NON-CURRENT ASSETS							
Property, plant and equipment	23,251	–					23,251
Intangible assets	10	–					10
Investment in an associate	–	–	64,810				64,810
Rental and utilities deposits	14,620	–					14,620
Loan to an associate	–	–		22,500			22,500
Prepayments for property, plant and equipment	139	–					139
Deferred income tax assets	5,901	–					5,901
	43,921	–					131,231
CURRENT ASSETS							
Inventories	1,927	–					1,927
Trade receivables	655	–					655
Prepayments, deposits and other receivables	9,578	–					9,578
Current income tax recoverable	3,009	–					3,009
Cash and cash equivalents	91,974	–		(22,500)	(4,484)	58,704	123,694
	107,143	–					138,863
Total assets	151,064	–					270,094

	The Group as at 30 September 2018	The Target Company and MSEC HK as at 30 November 2018	Pro forma adjustments — Other Pro forma adjustments				Pro forma Enlarged Group after the Acquisition and the Placing
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
EQUITY							
Share capital	2,000	–*	147			142	2,289
Other reserves	126,847	(21)	64,663		(4,484)	58,562	245,567
Total equity	128,847	–					247,856
NON-CURRENT LIABILITIES							
Other payables	4,295	–					4,295
Deferred income tax liabilities	545	–					545
	4,840	–					4,840
CURRENT LIABILITIES							
Trade payables	3,786	–					3,786
Amount due to an intermediate holding company	276	21					297
Other payables and accruals	11,656	–					11,656
Current income tax liabilities	1,659	–					1,659
	17,377	21					17,398
Total liabilities	22,217	21					22,238
Total equity and liabilities	151,064	–					270,094

* *Amounts less than HK$1,000.*

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

	Unaudited consolidated net tangible assets of the Group as at 30 September 2018	Unaudited consolidated net tangible assets of the Group per share as at 30 September 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group as at 30 September 2018	Unaudited pro forma adjusted consolidated net tangible asset per share of the Enlarged Group as at 30 September 2018
	HK$'000	*HK$*	*HK$'000*	*HK$*
	(Note 7)	*(Note 8)*	*(Note 9)*	*(Note 10)*
Consolidated net tangible assets attributable to shareholders of the Company	128,837	0.16	247,846	0.27

Notes to the Unaudited Pro Forma Financial Information

1. The balances have been extracted from the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2018 as set forth in the 2018 interim report of the Company.

2. The balances have been extracted from the consolidated financial statements of the Target Company and MSEC HK for the period from date of incorporation of the Target Company to 30 November 2018 as set out in Appendix IIA to this circular.

3. The adjustment represents the MSEC Acquisition which took place on 13 December 2018 by MSEC HK to acquire Minshang Zhihui Group from Minsheng E-commerce with the consideration of approximately RMB57,200,000 (equivalent to approximately HK$64,180,000) funded by the same amount of shareholder's loan due and owing to the Vendor by MSEC HK (the "Sale Loan"), the total consideration for the Acquisition of the Sale Share and Sale Loan amounting to approximately RMB57,200,000 (equivalent to approximately HK$64,810,000) which was satisfied by issuance of 58,918,182 Consideration Shares at an Issue Price of HK$1.1 per Consideration Share, and elimination of the Sale Share and Sale Loan with the Group's investment in the Target Company and receivables of the Sale Loan upon Completion.

   Upon the Completion, the Target Company and MSEC HK will be accounted as subsidiaries and consolidated in the consolidated financial statements of the Enlarged Group, while the Minshang Zhihui Group will be accounted for as an associate of the Target Company and MSEC HK as well as the consolidated financial statements of the Enlarged Group.

   According to the Group's accounting policy, the carrying amount of the interest in an associate is tested for impairment at the end of each reporting period when there is objective evidence that the associate is impaired. If the recoverable amount of an associate is estimated to be less than its carrying amount, the carrying amount of the interest in an associate is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

   In the opinion of the directors of the Company, no impairment loss on interest in an associate should be recognised for the purpose of this Unaudited Pro Forma Financial Information, as the recoverable amount of the associate is higher than its carrying amount.

4. The adjustment represents the Shareholder's Loan of HK$22,500,000 to Minsheng Zhihui. The Shareholder's Loan will be delivered on three specified date stated in the lending agreements. The Group will receive repayment 24 months after each fund delivery date with the stated interest rate 8% per annum.

5. The adjustment represents the transaction costs of the Acquisition incurred by the Group including expenses charged by professional parties. The total amount is estimated at HK$4,484,000.

6. The adjustment represents the net proceeds from the Placing upon fulfilment of condition precedent of Placing Completion pursuant to the Placing Agreement dated 6 November 2018 (as supplemented and amended by the side letter dated 20 March 2019) between the Company and CCB International Capital Limited as placing agent for the placing of maximum of 56,607,666 Placing Shares under Specific Mandate at a price of HK$1.1 per Placing Share, as part of the conditions precedent for the Shareholder's Loan Agreement (as supplemented and amended by the Supplemental Shareholder's Loan Agreement). The maximum proceeds from the placing will amount to approximately HK$62,268,000. The transaction costs of the Placing including placing commission of 3.3% and other expenses charge by professional parties are estimated at HK$3,568,000.

7. The unaudited consolidated net tangible assets of the Group as at 30 September 2018 is based on the amount of unaudited consolidated net tangible assets attributable to the shareholders of the Company as at 30 September 2018 of approximately HK$128,847,000 after deducting intangible assets of the Group as at 30 September 2018 of approximately HK$10,000, which are extracted from the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2018 as set forth in the 2018 interim report of the Company.

8. The number of Shares used for the calculation of the unaudited consolidated net tangible assets of the Group per Share is 800,000,000, being the number of Shares in issue as at 30 September 2018.

9. The unaudited pro forma adjusted consolidate net tangible assets of the Enlarged Group as at 30 September 2018 is calculated based on the amount of the unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company as at 30 September 2018, which is extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group of approximately HK$247,856,000 after deducting intangible assets of the of approximately HK$10,000.

10. The number of Shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group is 915,525,848, comprising 800,000,000 Shares in issue as at 30 September 2018, and 115,525,848 new Shares (representing 58,918,182 Consideration Shares and 56,607,666 placing of new shares) to be issued upon the Completion and the Placing Completion as described in note 3 and 6 above.

11. No other adjustment has been made to this Unaudited Pro Forma Financial Information to reflect any trading results or other transaction of the Group and the Target Group entered into subsequent to 30 September 2018.

12. For the purpose of this Unaudited Pro Forma Financial Information, the amounts stated in Renminbi ("RMB") are converted into Hong Kong dollars ("HK$") at a rate of HK$1 to RMB0.8826. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

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

To the Directors of Minshang Creative Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Minshang Creative Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), and MSEC Investment Limited (the "Target Company"), MSEC Investment (HK) Limited ("MSEC HK") and Beijing Minshang Zhihui E-commerce Co., Ltd. and its subsidiaries ("Minshang Zhihui Group") (the Target Company, MSEC HK and the Minshang Zhihui Group are collectively referred to as the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position and the unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Group as at 30 September 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-7 of the Company's circular dated 25 March 2019, in connection with the proposed acquisition of the Target Group and the placing of new shares under specific mandate (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-7.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 September 2018 as if the Transaction had taken place at 30 September 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the six months ended 30 September 2018, on which no audit or review report has been published.

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Directors' Responsibility 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 (the "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 requirements 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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 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 Accountant's 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 accountant plans and performs 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 a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 Transaction at 30 September 2018 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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 has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2019

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 herein or this circular misleading.

2. SHARE CAPITAL

Authorised and issued share capital of the Company as at the Latest Practicable Date:

	HK$
Authorised:	
4,000,000,000 Shares	10,000,000.00
Issued and fully paid:	*HK$*
800,000,000 Shares	2,000,000.00

Authorised and issued share capital of the Company upon issuance of the Consideration Shares:

		HK$
Authorised:		
4,000,000,000 Shares		10,000,000.00
Issued and fully paid:		*HK$*
800,000,000 Shares	Shares in issue as at the Latest Practicable Date	2,000,000.00
58,918,182 Shares	Consideration Shares to be allotted and issued upon Completion	147,295.46
858,918,182Shares	Shares in total	2,147,295.46

Authorised and issued share capital of the Company upon Placing Completion:

Authorised:		*HK$*
4,000,000,000 Shares		10,000,000.00
Issued and fully paid:		*HK$*
858,918,182 Shares	Shares in issue upon Completion	2,147,295.46
Up to 56,607,666 Shares	Maximum number of Placing Shares to be allotted and issued upon Placing Completion	141,519.17
Up to 915,525,848 Shares	Shares in total	2,288,814.62*

* *Figures may not add up due to rounding*

3. DISCLOSURE OF INTERESTS

a) Directors and/or chief executive's interests in the Company and its associated corporations

Interests in Shares and underlying Shares:

Name of Director	Name of associated corporation	Nature of interest	Number of shares held/interested *(Note 1)*	Approximate percentage of shares in associated corporations
Mr. Wu *(Note 2)*	Minsheng E-commerce	Interests in controlled corporation	20,000,000 (L)	11.29%

Note:

(1) The letter "L" denotes the person's long position in the relevant shares or equity interests.

(2) As at the Latest Practicable Date, these equity interests in Minsheng E-commerce were held by 深圳民商創業投資中心(有限合夥)(Shenzhen Minshang Chuangye Investment Center (Limited Partnership)*) ("**Shenzhen Minshang Limited Partnership**") which was owned by, among others, 深圳民商發展投資管理有限公司 (Shenzhen Minshang Development Investment Management Co., Ltd.*) ("**Shenzhen Minshang**") as to 98.4% and Mr. Wu as to 0.8%. Shenzhen Minshang is owned by, among others, Mr. Wu as to 76.92%. As such, Mr. Wu was deemed to be interested in 11.29% equity interests in Minsheng E-commerce.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in any Shares or underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, (i) Mr. Wu was the chairman of the board of directors of Minsheng E-commerce; (ii) Mr. Lu was the general manager of Minsheng E-commerce; and (iii) Ms. Li was the general manager of the Hong Kong business of Minsheng E-commerce. Minsheng E-commerce is an indirect holding company of the Vendor, a controlling shareholder of the Company. Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

b) Substantial Shareholders and other persons' interest in the Company and its associated corporations

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Interests in Shares and underlying Shares:

Name of substantial shareholder	Nature of Interest	Number of Shares held/ interested *(Note 1)*	Approximate percentage of Shares in issue
The Vendor *(Note 2)*	Beneficial owner	486,918,182(L) 20,000,000(S)	60.86% 2.5%
RUNMING International Limited ("**Runming**") *(Note 2)*	Interests in controlled corporation	486,918,182(L) 20,000,000(S)	60.86% 2.5%
Shanghai Yingzhao *(Note 2)*	Interests in controlled corporation	486,918,182(L) 20,000,000(S)	60.86% 2.5%
Beijing Ruitao *(Note 2)*	Interests in controlled corporation	486,918,182(L) 20,000,000(S)	60.86% 2.5%
Minsheng E-commerce *(Note 2)*	Interests in controlled corporation	486,918,182(L) 20,000,000(S)	60.86% 2.5%
Kilmorey Funds SPC Limited – Kilmorey Global Opportunity Fund SP ("**Kilmorey Fund**") *(Note 3)*	Beneficial owner	70,794,652(L)	8.85%

Name of substantial shareholder	**Nature of Interest**	**Number of Shares held/ interested** *(Note 1)*	**Approximate percentage of Shares in issue**
Kilmorey Asset Management Limited *(Note 3)*	Investment manager	70,794,652(L)	8.85%
Kilmorey International Holdings Limited *(Note 3)*	Interests in controlled corporation	70,794,652(L)	8.85%
	Beneficial owner	41,530,116(L)	5.19%
R.G. Investment Limited *(Note 3)*	Interests in controlled corporation	112,324,768(L)	14.04%
Xu Lingyan *(Note 3)*	Interests in controlled corporation	112,324,768(L)	14.04%
Kaiser Financial Group Company Limited ("**Kaiser**") *(Note 4)*	Interests in controlled corporation	73,338,652(L)	9.17%
Kaiser Financial Group International Limited ("**Kaiser International**") *(Note 4)*	Interests in controlled corporation	73,338,652(L)	9.17%
Plenty Champion Limited ("**Plenty Champion**") *(Note 4)*	Interests in controlled corporation	73,338,652(L)	9.17%
Zhu Lina *(Note 4)*	Interests in controlled corporation	73,338,652(L)	9.17%
Zhang Keqiang *(Note 4)*	Interest of spouse	73,338,652(L)	9.17%

Note:

(1) The letter "L" denotes the person's long position in the relevant shares. The letter "S" denotes the person's short position in the relevant shares.

(2) As at the Latest Practicable Date, among 486,918,182 Shares, 428,000,000 Shares were held by the Vendor and the Vendor was also interested in 58,918,182 Consideration Shares. In addition, the Vendor has a short position of 20,000,000 Shares. The Vendor is wholly-owned by Runming which is in turn wholly-owned by Shanghai Yingzhao. Shanghai Yingzhao is wholly-owned by Beijing Ruitao which is in turn wholly-owned by Minsheng E-commerce. As such, Minsheng E-commerce, Beijing Ruitao, Shanghai Yingzhao and Runming were deemed to be interested in the Shares interested by the Vendor.

(3) As at the Latest Practicable Date, Kilmorey Fund was interested in 70,794,652 Shares. Kilmorey Asset Management Limited is the investment manager of Kilmorey Fund. Kilmorey International Holdings Limited is interested in 41,530,116 Shares, representing 5.19% of the entire issued share capital of the Company and is the holder of management shares of Kilmorey Fund. Kilmorey International Holdings Limited is wholly-owned by R.G. Investment Limited which is in turn wholly-owned by Ms. Xu Lingyan. As such, Kilmorey Asset Management Limited, Kilmorey International Holdings Limited, R.G. Investment Limited and Ms. Xu Lingyan were deemed to be interested in the Shares interested by Kilmorey Fund. R.G. Investment Limited and Ms. Xu Lingyan were also deemed to be interested in the abovementioned 41,530,116 Shares.

(4) As at the Latest Practicable Date, Kilmorey Fund was interested in 70,794,652 Shares. Kaiser is the holder of participating shares of Kilmorey Fund and is interested in 2,544,000 Shares through its wholly-owned subsidiary, Kaiser Credit Limited, representing 0.32% of the entire issued share capital of the Company. Kaiser is wholly-owned by Kaiser International which is in turn owned by Plenty Champion as to 83.32%. Plenty Champion is wholly-owned by Ms. Zhu Lina who is a spouse of Mr. Zhang Keqiang. As such, Kaiser, Kaiser International, Plenty Champion, Ms. Zhu Lina and Mr. Zhang Keqiang were deemed to be interested in the Shares held by both Kilmorey Fund and Kaiser Credit Limited.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete, either, directly or indirectly, with the business of the Group.

5. INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which, since 31 March 2018, the date to which the latest published audited financial statements of the Enlarged Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Enlarged Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group is 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 any member of the Enlarged Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, were entered into by the Company or its subsidiaries within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the Placing Agreement (as supplemented and amended by the Side Letter);

(b) the sale and purchase agreement dated 13 December 2018 entered into between Minsheng E-Commerce and MSEC HK for the purchase of 50% equity interests in Minshang Zhihui for a consideration of RMB57,200,000;

(c) the Payment Arrangement Tri-party Agreement dated 21 December 2018 entered into among Minsheng E-commerce, MSEC HK and the Vendor, pursuant to which, the Vendor agreed to pay the consideration for the MSEC Acquisition to Minsheng E-commerce for and on behalf of MSEC HK;

(d) the Sale and Purchase Agreement (as supplemented and amended by the Supplemental Sale and Purchase Agreement); and

(e) the Shareholder's Loan Agreement (as supplemented and amended by the Supplemental Shareholder's Loan Agreement).

10. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the text of its report or statements and references to its name in the form and context in which they respectively appear.

11. GENERAL

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is located at Units 4428 to 4430, 44/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

(c) The principal share registrar and transfer office of the Company is located at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(d) The branch share registrar and transfer office of the Company in Hong Kong is located at Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The company secretary of the Company is Ms. So Shuk Yi Betty. She is a Chartered Secretary registered under The Institute of Chartered Secretaries and Administrators.

(f) In case of any discrepancy, the English text of this circular and the form of proxy shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Units 4428 to 4430, 44/F, Champion Tower, 3 Garden Road, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (other than Saturday, Sunday and public holidays) from the date of this circular up to and including the date of the EGM:

(a) the amended and restated memorandum and articles of association of the Company;

(b) the prospectus of the Company dated 17 November 2016 and the annual reports of the Company for the two financial years ended 31 March 2017 and 31 March 2018;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 84 to 85 of this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out on pages 86 to 127 of this circular;

(e) the accountant's report of the Target Company and MSEC HK and the accountant's report of the Minshang Zhihui Group, the text of which are set out in Appendix IIA and Appendix IIB to this circular, respectively;

(f) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the written consents of experts referred to in the section headed "10. Experts and Consents" in this Appendix;

(h) the material contracts referred to in the section headed "9. Material Contracts" in this Appendix; and

(i) this circular.

Minshang Creative Technology Holdings Limited
民商創科控股有限公司

(formerly known as Food Wise Holdings Limited 膳源控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1632)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of Minshang Creative Technology Holdings Limited (the "**Company**") will be held at Units 4428 to 4430, 44/F, Champion Tower, 3 Garden Road, Central, Hong Kong on Thursday, 11 April 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing and approving the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the conditional sale and purchase agreement dated 31 December 2018 (as supplemented and amended by a supplemental sale and purchase agreement dated 20 March 2019 entered into between the same parties) (the "**Sale and Purchase Agreement**") entered into between MSCT Investment Limited, a wholly owned subsidiary of the Company, as the purchaser (the "**Purchaser**") and MSEC Holdings Limited, as the vendor (the "**Vendor**") in relation to, among other matters, the acquisition (the "**Acquisition**") of the entire issued share capital of MSEC Investment Limited (the "**Target Company**") and the shareholder's loan due and owing from the Target Company to the Vendor as at the date of completion of the Sale and Purchase Agreement upon and subject to the terms and conditions as set out therein (a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM (the "**Chairman**") for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the listing committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, an aggregate of 58,918,182 shares (the "**Consideration Share(s)**") of HK$0.0025 each in the share capital of the Company credited as fully paid at an issue price of HK$1.1 per Consideration Share, the allotment and issue of Consideration Shares ("**Consideration Shares Specific Mandate**") to the Vendor being the full consideration under the Sale and Purchase Agreement be and is hereby approved and the Consideration Shares Specific Mandate is in addition to, and shall not prejudice nor revoke the existing general mandate granted to the directors of the Company (the "**Director(s)**") by the shareholders of the Company in the annual general meeting of the Company held on 24 August 2018 or such other general or specific mandate(s) that may have been granted to the Directors prior to the passing of this resolution;

(c) the Directors be and are hereby granted the Consideration Shares Specific Mandate to exercise all the powers of the Company to allot and issue the Consideration Shares, subject to and in accordance with the terms and conditions set out in the Sale and Purchase Agreement; and

(d) any one Director be and is hereby authorized for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for the purposes of or in relation to implementing, completing and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares and to agree to such variations of the terms of the Sale and Purchase Agreement as he/she may in his/her absolute discretion consider necessary or desirable."

2. "**THAT**

(a) the conditional placing agreement dated 6 November 2018 (the "**Placing Agreement**") (as supplemented and amended by the side letter dated 20 March 2019 entered into between the same parties) (a copy of which is marked "B" and initialled by the chairman of the EGM for the purpose of identification has been produced to the EGM) entered into between the Company as the issuer and CCB International Capital Limited as the placing agent in relation to the placing of up to 56,607,666 new ordinary shares of the Company (the "**Placing Share(s)**") at the placing price of HK$1.1 per Placing Share, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares, the allotment and issue of the Placing Shares to the relevant placees pursuant to the Placing Agreement (the "**Placing Specific Mandate**") be and is hereby approved and the Placing Specific Mandate is in addition to, and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 24 August 2018 or such other general or specific mandate(s) that may have been granted to the Directors prior to the passing of this resolution;

(c) the Directors be and are hereby granted the Placing Specific Mandate to exercise all the powers of the Company to allot and issue the Placing Shares, subject to and in accordance with the terms and conditions set out in the Placing Agreement; and

(d) any Director(s) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not and in the case of execution under the common seal, the common seal be affixed in accordance with the articles of association of the Company) and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Placing Agreement as he/she/they consider(s) necessary, desirable or expedient for the implementation of and giving effect to the Placing Agreement and all transactions contemplated thereunder (including but not limited to the allotment and issue of the Placing Shares)."

By order of the Board
Minshang Creative Technology Holdings Limited
WU Jiangtao
Chairman

Hong Kong, 25 March 2019

1. A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxy(ies) (if he/she/it is the holder of two or more shares) to attend and on a poll, vote instead of him/her/it at the EGM and the appointment shall specify the number of shares in respect of which such proxy is so appointed. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

3. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

4. For determining the entitlement of the shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 8 April 2019 to Thursday, 11 April 2019 (both dates inclusive), during which period no transfer of shares of the Company will be effected. To qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 April 2019.

5. In case of joint holders of any share, any one of such joint holders may vote, whether in person or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders are present at the EGM, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

6. The resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at the date of this notice, the executive Directors are Mr. Wu Jiangtao, Mr. Lu Sheng Hong, Ms. Li Jia and Mr. Wat Tat Fei; the non-executive Director is Mr. Wong Stacey Martin; and the independent non-executive Directors are Mr. Ko Po Ming, Mr. Choi Tze Kit, Sammy, Mr. Cheung Miu and Mr. Cheung Pak To, Patrick.