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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this Circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Rich Goldman Holdings Limited, you should at once hand this Circular and the enclosed proxy form to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This Circular appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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**金粵控股有限公司**

**Rich Goldman Holdings Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00070)**

**(I) PROPOSED OPEN OFFER ON THE BASIS OF NINE (9)  
OPEN OFFER SHARES FOR EVERY FIVE (5) EXISTING SHARES  
HELD ON THE RECORD DATE;  
(II) CONNECTED TRANSACTION;  
(III) WHITEWASH WAIVER; AND  
(IV) NOTICE OF EGM**

**Independent Financial Adviser to the Listing Rules IBC,  
Takeovers Code IBC and the Independent Shareholders**



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Capitalised terms used on this cover shall have the same meanings as those defined in this Circular, unless the context requires otherwise. A letter from the Board is set out on pages 9 to 42 of this Circular. A letter from the Listing Rules IBC is set out on page 43 of this Circular. A letter from the Takeovers Code IBC is set out on page 44 of this Circular. A letter from Opus Capital, containing its advice to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders, is set out on pages 45 to 76 of this Circular.

The Shares will be dealt in on an ex-entitlements basis from Monday, 23 December 2019. Any Shareholder or other person dealing in the Shares from the Latest Practicable Date up to the date on which all conditions of the Open Offer becomes unconditional (which is expected to be Wednesday, 29 January 2020), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating dealings in the securities of the Company are recommended to consult their own professional advisers.

The Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events, including force majeure, summarised in the section headed "Termination of the Underwriting Agreement" on pages 7 to 8 of this Circular. If the Underwriting Agreement is terminated or does not become unconditional, the Open Offer will not proceed.

A notice convening the EGM to be held at Meeting Room of Soho 2, 6/F, Ibis Hong Kong Central & Sheung Wan, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong at 11:00 a.m. on Thursday, 19 December 2019 is set out on pages EGM-1 to EGM-3 of this Circular. A proxy form for use at the EGM is enclosed with this Circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 11:00 a.m. on Tuesday, 17 December 2019). Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

2 December 2019

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## EXPECTED TIMETABLE

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Set out below is the expected timetable for the Open Offer which is indicative only and is subject to change. Further announcement(s) will be made by the Company should there be any changes to the expected timetable.

All times in this Circular refer to Hong Kong time.

### Events

Despatch date of the Circular, proxy form and notice of the EGM. . . . . Monday, 2 December 2019

Latest time for registration of Shares to qualify for  
attendance and voting at the EGM. . . . . 4:30 p.m. on Friday, 13 December 2019

Closure of register of members of the Company to determine  
the qualification for attendance and voting at the EGM. . . . . From Monday, 16 December 2019 to  
Thursday, 19 December 2019  
(both dates inclusive)

Latest time for lodging proxy forms for the EGM . . . . . 11:00 a.m. on Tuesday, 17 December 2019

Record date for attending and voting at the EGM . . . . . Thursday, 19 December 2019

Time and date of the EGM . . . . . 11:00 a.m. on Thursday, 19 December 2019

Announcement of poll results of the EGM. . . . . Thursday, 19 December 2019

Re-opening of the register of members of the Company . . . . . Friday, 20 December 2019

Last day of dealings in the Shares on a cum-entitlements basis . . . . . Friday, 20 December 2019

First day of dealings in the Shares on an ex-entitlements basis . . . . . Monday, 23 December 2019

Latest time for lodging transfers of the Shares in order  
for the transferees to qualify for the Open Offer . . . . . 4:30 p.m. on Friday, 27 December 2019

Closure of register of members to determine the entitlements  
to the Open Offer. . . . . From Monday, 30 December 2019 to  
Friday, 3 January 2020  
(both dates inclusive)

Record Date for the Open Offer . . . . . Friday, 3 January 2020

Re-opening of the register of members of the Company . . . . . Monday, 6 January 2020

Despatch of Prospectus Documents (in the case of  
the Non-Qualifying Shareholders, the Prospectus only). . . . . Monday, 6 January 2020

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## EXPECTED TIMETABLE

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Latest Time for Application and payment for the Open Offer Shares. . . . .	4:00 p.m. on Monday, 20 January 2020
Announcement of the number of the Unsubscribed Shares subject to the Unsubscribed Arrangements . . . . .	Tuesday, 21 January 2020
Commencement of placing of the Unsubscribed Shares by the Placing Agent, on best effort basis. . . . .	Wednesday, 22 January 2020
Placing End Date for placing the Unsubscribed Shares . . . . .	4:00 p.m. on Thursday, 23 January 2020
Latest time for termination of the Underwriting Agreement by the Underwriter. . . . .	4:00 p.m. on Wednesday, 29 January 2020
Open Offer Settlement Date and the Open Offer becomes unconditional. . . . .	4:00 p.m. on Wednesday, 29 January 2020
Announcement of the results of the Open Offer (including the results of placing of the Unsubscribed Shares) . . . . .	Wednesday, 29 January 2020
Despatch of certificates for the fully-paid Open Offer Shares . . . . .	Thursday, 30 January 2020
Despatch of refund cheques if the Open Offer is terminated . . . . .	Thursday, 30 January 2020
First day of dealings in the fully-paid Open Offer Shares . . . . .	9:00 a.m. on Friday, 31 January 2020

### EFFECT OF BAD WEATHER ON THE LATEST TIME FOR APPLICATION

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

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 20 January 2020, being the date of the Latest Time for Application. Instead the Latest Time for Application will be extended to 5:00 p.m. on the same Business Day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 20 January 2020, being the date of the Latest Time for Application. Instead the Latest Time for Application will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Application does not take place on Monday, 20 January 2020, the dates mentioned in the section headed “Expected Timetable” in this Circular may be affected. The Company will notify the Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 18 October 2019 in relation to, among other things, the Open Offer and the Whitewash Waiver
“Application Form”	the application form to be used in connection with the Open Offer in such form as the Company may approve
“associate(s)”	has the meaning ascribed to it under the Listing Rules or the Takeovers Code (as the case maybe)
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday, a public holiday or days on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 2 December 2019 in respect of, among other things, the Open Offer (including the transactions contemplated under the Underwriting Agreement), the Whitewash Waiver and the transactions contemplated thereunder
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Company”	Rich Goldman Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 70)
“connected person(s)”	the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened at 11:00 a.m. at Meeting Room of Soho 2, 6/F, Ibis Hong Kong Central & Sheung Wan, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 19 December 2019 to consider and, if thought fit, to approve the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder

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## DEFINITIONS

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“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Faith Mount” or “Underwriter”	Faith Mount Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Ms. Lin Yee Man
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to (i) the Listing Rules IBC and the Independent Shareholders in relation to the Open Offer (including the transactions contemplated under the Underwriting Agreement); and (ii) the Takeovers Code IBC and the Independent Shareholders in relation to the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) Faith Mount, its ultimate beneficial owners and parties acting in concert with any of them; and (ii) those who are involved or have interests in the Open Offer, the Underwriting Agreement and the Whitewash Waiver and required under the Listing Rules and/or Takeovers Code (as the case may be) to abstain from voting in the EGM
“Independent Third Parties”	third parties independent of and not connected with the Company and its connected persons
“Irrevocable Undertaking”	the irrevocable undertaking given by Faith Mount under the Underwriting Agreement to procure, among others, that application is made for the entire assured allotment of Open Offer Shares relating to Shares of which it is the beneficial owner
“Last Trading Day”	14 October 2019, being the last trading day for the Shares immediately prior to the publication of the Announcement

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## DEFINITIONS

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“Latest Practicable Date”	29 November 2019, being the latest practicable date for ascertaining certain information for inclusion in this Circular
“Latest Time for Application”	4:00 p.m. on Monday, 20 January 2020 or such other date as may be agreed between the Company and the Underwriter in writing, being the last time for application of and payment for the Open Offer Shares
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Rules IBC”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Miss Yeung Hoi Ching, which has been established to advise the Independent Shareholders in respect of the Open Offer (including the transactions contemplated under the Underwriting Agreement)
“Mr. Niglio”	Mr. Nicholas J. Niglio, the non-executive Director
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not apply for the Open Offer Shares (whether partially or fully) in their assured allotments or Non-Qualifying Shareholders (as the case may be)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude from the Open Offer
“Open Offer”	the proposed offer for subscription of the Open Offer Shares at the Open Offer Price on the basis of nine (9) Open Offer Shares for every five (5) existing Shares held by the Shareholders on the Record Date and subject to the conditions precedent set out in the section headed “Conditions of the Open Offer” in the “Letter from the Board” in this Circular and to be set out in the Prospectus
“Open Offer Completion”	completion of the Open Offer
“Open Offer Price”	the Open Offer Price of HK\$0.12 per Open Offer Share
“Open Offer Settlement Date”	Wednesday, 29 January 2020, or such other date as the Underwriter and the Company may agree in writing

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## DEFINITIONS

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“Open Offer Shares”	the new Share(s) to be allotted and issued under the Open Offer, being 1,246,386,015 Shares (assuming no other change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date)
“Optionholder(s)”	holder(s) of the Share Option(s)
“Optionholders’ Undertakings”	the irrevocable undertakings given by the Optionholders as mentioned in the paragraph headed “The Optionholders’ Undertakings” under the section headed “The Irrevocable Undertakings” in the “Letter from the Board” in this Circular
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“Placing Agent” or “Ferran Securities”	Ferran Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, which will place the Unsubscribed Shares, on a best effort basis, to investors who are Independent Third Parties under the Unsubscribed Arrangements
“Placing Agreement”	the agreement dated 14 October 2019 entered into between the Company and the Placing Agent in respect of the Unsubscribed Arrangements
“Placing End Date”	Thursday, 23 January 2020, being the third Business Day following and excluding the day on which the Latest Time for Application falls
“Placing Period”	the period from Wednesday, 22 January 2020 up to 4:00 p.m. on Thursday, 23 January 2020, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements
“Placing Price”	HK\$0.12 per Unsubscribed Share
“Posting Date”	Monday, 6 January 2020, or such other date as the Company may determine and announce for the despatch of the Prospectus Documents
“Prospectus”	the offering circular to be issued by the Company in relation to the Open Offer which it proposes to register as a prospectus
“Prospectus Documents”	the Prospectus and the Application Form



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## DEFINITIONS

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“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	the date by reference to which assured allotments under the Open Offer are expected to be determined, which is Friday, 3 January 2020 or such later date as may be determined and announced by the Company
“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s share registrar and transfer office
“Relevant Period”	the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share Option Scheme”	the share option scheme adopted by the Company on 18 September 2007
“Share Option(s)”	the share options of the Company granted pursuant to the Share Option Scheme
“Share(s)”	ordinary share(s) of in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Takeovers Code IBC”	the independent committee of the Board comprising the non-executive Director and all the independent non-executive Directors, namely Mr. Niglio, Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Miss Yeung Hoi Ching, which has been established to advise the Independent Shareholders in respect of the Whitewash Waiver under Rule 2.1 of the Takeovers Code
“Underwriting Agreement”	the underwriting agreement dated 14 October 2019 and entered into between the Company and the Underwriter in relation to the Open Offer (as amended and supplemented by a letter of extension dated 29 November 2019)

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## DEFINITIONS

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“Unsubscribed Arrangements”	arrangements to place the Unsubscribed Shares by the Placing Agent on a best effort basis to investors who (or as the case maybe, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties pursuant to Rule 7.26A(1)(b) of the Listing Rules
“Unsubscribed Shares”	Open Offer Shares that are not subscribed by the Qualifying Shareholders, aggregated fractional Open Offer Shares, and Open Offer Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be)
“Untaken Offer Shares”	all such Unsubscribed Shares that have not been placed by the Placing Agent or they have been placed but the placees have not paid therefore at 4:00 p.m. on the Placing End Date
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of Faith Mount to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by Faith Mount and any parties acting in concert with it as a result of the issue of the Open Offer Shares subject to the terms and conditions as set out in this Circular
“%”	per cent.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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The Underwriter shall be entitled by a notice in writing to the Company, served prior to 4:00 p.m. on the Open Offer Settlement Date, to terminate the Underwriting Agreement if:

- (i) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs which in the sole and reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the sole and reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (v) the Circular, Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the sole and reasonable opinion of the Underwriter are material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the relevant Open Offer Shares offered to it.

The Underwriter shall be entitled by a notice in writing to rescind the Underwriting Agreement if prior to 4:00 p.m. on the Open Offer Settlement Date, there is any material breach of any of the representations, warranties or undertakings as set out in the Underwriting Agreement comes to the knowledge of the Underwriter. Any such notice shall be served prior to 4:00 p.m. on the Open Offer Settlement Date.

If prior to 4:00 p.m. on the Open Offer Settlement Date, any such notice as is referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement (save and except for certain clauses which shall remain in full force and effect as set out in the Underwriting Agreement) shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

**If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.**

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## LETTER FROM THE BOARD

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### 金 粵 控 股 有 限 公 司

Rich Goldman Holdings Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00070)**

*Executive Directors:*

Mr. Lin Chuen Chow, Andy (*Chairman*)

Ms. So Wai Yin

*Non-executive Director:*

Mr. Nicholas J. Niglio

*Independent non-executive Directors:*

Mr. Cheung Yat Hung, Alton

Mr. Yue Fu Wing

Miss Yeung Hoi Ching

*Registered Office:*

Room 1807, 18/F

West Tower

Shun Tak Centre

168–200 Connaught Road

Central

Hong Kong

2 December 2019

*To the Shareholders*

Dear Sir or Madam,

**(I) PROPOSED OPEN OFFER ON THE BASIS OF NINE (9)  
OPEN OFFER SHARES FOR EVERY FIVE (5) EXISTING SHARES  
HELD ON THE RECORD DATE;  
(II) CONNECTED TRANSACTION;  
(III) WHITEWASH WAIVER; AND  
(IV) NOTICE OF EGM**

#### **INTRODUCTION**

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

The Company has established the Listing Rules IBC, comprising all the independent non-executive Directors, to advise the Independent Shareholders in respect of the Open Offer (including the transactions contemplated under the Underwriting Agreement) and as to the voting actions therefor. The Company has also established the Takeovers Code IBC, comprising the non-executive Director and all the independent non-executive Directors, to advise the Independent Shareholders in respect of, the Whitewash Waiver and as to the voting action therefor.

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## LETTER FROM THE BOARD

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Opus Capital has been appointed as the Independent Financial Adviser to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Open Offer (including the transactions contemplated under the Underwriting Agreement); and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Whitewash Waiver. The appointment of Opus Capital has been approved by the Takeovers Code IBC under Rule 2.1 of the Takeovers Code.

The purpose of this Circular is to provide you with, among other things, (i) information regarding the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder; (ii) the recommendation from the Listing Rules IBC; (iii) the recommendation from the Takeovers Code IBC; (iv) the advice from Opus Capital; (v) other information required under the Listing Rules and the Takeovers Code; and (vi) the notice of the EGM.

### PROPOSED OPEN OFFER

The Board proposes to offer by way of the Open Offer to the Shareholders a total of 1,246,386,015 Open Offer Shares at a price of HK\$0.12 per Open Offer Share. The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK\$145.07 million. Faith Mount, a substantial Shareholder beneficially holding 205,125,000 Shares, representing approximately 29.62% of the existing number of Shares in issue as at the Latest Practicable Date, has agreed to be the Underwriter for the Untaken Offer Shares on the terms and conditions set out in the Underwriting Agreement.

### Issue statistics

Basis of the Open Offer	:	Nine (9) Open Offer Shares for every five (5) existing Shares held by the Shareholders on the Record Date
Open Offer Price	:	HK\$0.12 per Open Offer Share
Number of Shares in issue as at the Latest Practicable Date	:	692,436,675 Shares
Number of Open Offer Shares	:	1,246,386,015 Open Offer Shares (assuming no change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date)
Underwriter	:	Faith Mount Limited

## LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has 8,356,000 outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 8,356,000 new Shares. Details of the Share Options outstanding and the Optionholders are set out below:

Name	Date of grant	Exercise period	Exercise price (HK\$)	Number of Share Options held as at the Latest Practicable Date	Percentage to issued Shares as at the Latest Practicable Date
Mr. Niglio, a non-executive Director	1 April 2016	1 April 2016 to 31 March 2026	0.61	4,178,000	0.60
Mr. Lin Chuen Chow, Andy, an executive Director	1 April 2016	1 April 2016 to 31 March 2026	0.61	4,178,000	0.60

Save for the above, the Company has no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

On 14 October 2019, each of the Optionholders has given his irrevocable undertaking to the Company and Faith Mount to the effect that he will not exercise any of his Share Options on or before the Record Date. Accordingly, it is not expected that there will be any change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date. On this basis, the aggregate number of the Open Offer Shares that will be allotted and issued represents (i) not more than 180% of the existing number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 64.29% of the number of Shares in issue as enlarged by the allotment and issue of the Open Offer Shares.

### The Open Offer Price

The Open Offer Price of HK\$0.12 per Open Offer Share, payable in full by a Qualifying Shareholder upon application for the assured allotment of Open Offer Shares under the Open Offer, represents:

- (i) a discount of approximately 13.67% over the closing price of HK\$0.139 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 28.57% over the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 30.64% over the average of the closing prices per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.173;

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## LETTER FROM THE BOARD

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- (iv) a discount of approximately 29.41% over the average of the closing prices per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.170;
- (v) a discount of approximately 31.82% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.176;
- (vi) a discount of approximately 12.41% to the theoretical ex-entitlement price of approximately HK\$0.137 per Share based on the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Open Offer Shares;
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 19.44% represented by the theoretical diluted price of approximately HK\$0.139 to the benchmarked price of approximately HK\$0.172 per Share (as defined under Rule 7.27B of the Listing Rules), taking into account the closing price on the Last Trading Date of HK\$0.168 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of HK\$0.172 per Share; and
- (viii) a discount of approximately 93.02% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2019 of approximately HK\$1.72 per Share calculated based on the consolidated net assets of the Group attributable to the Shareholders of approximately HK\$1,191,821,000 as at 30 June 2019 as extracted from the annual report of the Company for the year ended 30 June 2019 and 692,436,675 Shares then in issue.

The terms of the Open Offer, including the Open Offer Price, were determined by the Board with reference to (i) the prevailing market condition; (ii) the prevailing market prices of the Shares; and (ii) the capital required for the Group's business development as detailed in the section headed "Reasons for the Open Offer and the Use of Proceeds" in the "Letter from the Board" in this Circular.

While the Board noted from Appendix II as set out on pages II-1 to II-5 of this Circular that the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share would decrease from approximately HK\$1.62 to approximately HK\$0.66 as at 30 June 2019, the Board was aware that that the Shares had been traded at a significant discount to the consolidated net asset value per Share in the past year. The closing price of the Shares during the period from 15 October 2018 (i.e. one year prior to the Last Trading Day) up to the Last Trading Day ranged from a maximum of HK\$0.32 per Share on 14 December 2018 to a minimum of HK\$0.15 per Share on 11 September 2019, which was trading at a discount of approximately 81.40% and 91.28% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2019, respectively. Taking into account that each Qualifying Shareholder will be given an equal opportunity to participate in the Company's future development by subscribing for his/her/its assured entitlements under the Open Offer on the same offer terms, the Board considered that the significant discount of the Open Offer Price to the consolidated net asset value per Share is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.



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## LETTER FROM THE BOARD

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The Open Offer Shares will be offered to all Shareholders and each Qualifying Shareholder will be entitled to apply for the Open Offer Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors (including members of the Listing Rules IBC whose view is set forth in this Circular after having reviewed the advice from the Independent Financial Adviser) consider that the terms of the Open Offer, including the Open Offer Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Open Offer**

The Open Offer is conditional upon (i) the obtaining of the Independent Shareholders' approval at the EGM; (ii) the Whitewash Waiver having been granted to Faith Mount (and such waiver not having been revoked or withdrawn); and (iii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. For details of the conditions of the Underwriting Agreement, please refer to the paragraphs headed "Conditions of the Underwriting Agreement" under the section headed "The Underwriting Arrangement for the Open Offer" in the "Letter from the Board" in this Circular.

**If any of the conditions of the Underwriting Agreement are not fulfilled or waived (as the case may be), the Underwriting Agreement will be terminated and the Open Offer will not proceed.**

### **Basis of assured allotment**

Under the Open Offer, the basis of the assured allotment shall be nine (9) Open Offer Shares for every five (5) existing Shares held by the Shareholders as at the close of business on the Record Date.

The original offer basis suggested by the Company was two (2) Open Offer Shares for every (1) existing Share. However, on such offer ratio, and if (i) there is no acceptance by the Qualifying Shareholders (other than Faith Mount) under the Open Offer; and (ii) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares are taken up by Faith Mount, the Company will not have sufficient public float required under the Listing Rules (i.e. less than 25%).

If this is the case, given that the Open Offer may not comply with the requirement on public float under the Listing Rules, at the request by Faith Mount, the Board then considered various alternative offer basis and, after due consideration of Faith Mount's compliance requirements, the Company's need of fund raising and the capital required to be raised, amended the basis of the Open Offer to nine (9) Open Offer Shares for every five (5) existing Shares. Hence, the Board considers the existing offer basis is in the interests of the Company and its Shareholders.

### **Fractional assured allotment of the Open Offer Shares**

Open Offer Shares in assured allotment will be rounded down to the nearest whole number. No fractional Open Offer Shares will be issued under the Open Offer. All fractions of Open Offer Shares will be aggregated and first placed by the Placing Agent under the Unsubscribed Arrangements (see details set out in the paragraphs headed "Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements" below) to Independent Third Parties.

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## LETTER FROM THE BOARD

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### Status of the Open Offer Shares

The Open Offer Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank pari passu in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the Open Offer Shares.

### Qualifying Shareholders and Non-Qualifying Shareholders

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and a Qualifying Shareholder.

In order for the transferees to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar (i.e. Computershare Hong Kong Investor Services Limited) at Room 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Friday, 27 December 2019.

The Company expects to send the Prospectus Documents to Qualifying Shareholders on or before Monday, 6 January 2020. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus only, to Non-Qualifying Shareholders for information purposes. The Non-Qualifying Shareholders will not be entitled to any assured allotment under the Open Offer.

Application for all or any part of a Qualifying Shareholder's assured allotment of Open Offer Shares should be made by completing the Application Form and lodging the same with a remittance for the Open Offer Shares being applied for with the Registrar at or before the Latest Time for Application (i.e. 4:00 p.m. on Monday, 20 January 2020).

### Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

As at the Latest Practicable Date, the Company has 246 Overseas Shareholders with registered addresses situated in the United States of America, the United Kingdom, Canada, Liberia, Thailand, Channel Islands, Isle of Man, Singapore and Malaysia.

The Board will make enquiries regarding the feasibility of extending the Open Offer to Overseas Shareholders. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Open Offer Shares to Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer Shares will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus.

**Overseas Shareholders should note that they may or may not be entitled to participate in the Open Offer, subject to the results of enquiries made by the Company. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.**

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## LETTER FROM THE BOARD

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### **Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements**

Prior to approaching Faith Mount to act as the underwriter to the Open Offer, the Company approached three independent securities brokers to act as the underwriter, but none of them was willing to act as the underwriter given the prevailing market condition. Thereafter, the Company further discussed with such independent securities brokers to see if they were agreeable to act as the placing agent to place the Unsubscribed Shares. After discussion with such independent securities brokers, given the prevailing market condition and the price trend of the Shares, only the Placing Agent was willing to place the Unsubscribed Shares on a best efforts basis on the condition that the Placing Price would be equivalent to the Open Offer Price. Therefore, the terms of the Placing Agreement were the best available terms for the placing arrangement that the Company could obtain.

As no independent securities brokers approached by the Company was willing to act as the underwriter, the Company therefore approached Faith Mount to act as the underwriter to the Open Offer. Pursuant to Rule 7.26A(2) of the Listing Rules, as Faith Mount is a substantial Shareholder, the Company must make the arrangements described in Rule 7.26A(1)(b) of the Listing Rules and therefore could not provide the Shareholders with excess applications. Further, if application for excess Open Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures while costs for the Unsubscribed Arrangements will only be incurred if (i) there are any Unsubscribed Shares to be placed by the Placing Agent; and (ii) such Unsubscribed Shares are placed successfully. It is expected that less effort would be required from the Company under the Unsubscribed Arrangements.

Pursuant to Rule 7.26A(2) of the Listing Rules, as Faith Mount, being a substantial Shareholder, shall act as the underwriter of the Open Offer, the Company must make arrangements as stipulated in Rule 7.26A(1)(b) of the Listing Rules to dispose of any Unsubscribed Shares by offering such Unsubscribed Shares to independent placees for the benefit of the relevant No Action Shareholders.

Any Unsubscribed Shares (which comprise (i) the fractional Open Offer Shares aggregated as mentioned above; (ii) the Open Offer Shares that are not subscribed by the Qualifying Shareholders; and/or (iii) Open Offer Shares which would otherwise have been in the assured allotments of the Non-Qualifying Shareholders) will be first placed by the Placing Agent, on a best effort basis, under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties, and if not successfully placed out, will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

In order to comply with the Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent to place the Unsubscribed Shares, on a best effort basis, at the Placing Price. Any unplaced Unsubscribed Shares will then be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

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## LETTER FROM THE BOARD

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Principal terms of the Placing Agreement are summarized below:

Placing Agent	:	Ferran Securities
Placing commission	:	1.0% of the gross proceeds from the subscription of the Unsubscribed Shares successfully placed by the Placing Agent as at the date of Open Offer Completion
Placing Price	:	HK\$0.12 per Unsubscribed Share
Placing Period	:	The Placing Period shall commence on the second Business Day after the day on which the latest time for acceptance for the Open Offer Shares falls (i.e. 22 January 2020 under the current timetable), and end on the Placing End Date (i.e. 23 January 2020 under the current timetable) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements
Placees	:	The Unsubscribed Shares are expected to be placed to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties

For the avoidance of doubt, no placee shall become a substantial Shareholder

The Placing Agent shall, on a best efforts basis during the Placing Period, seek to procure investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties for all (or as many as possible) of the Unsubscribed Shares.

The Placing Agent confirms that it is an Independent Third Party, and that there is no other arrangement, agreement, understanding or undertaking with the Underwriter in relation to the Shares. The terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.

As the Placing price is same as to the Open Offer Price, no premium over the Open Offer Price is expected and no monetary benefits will be payable to the No Action Shareholder.

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## LETTER FROM THE BOARD

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Although the placing arrangement will not offer any monetary benefits to the No Action Shareholders, the Company considers that it still provides a compensatory arrangement and benefits to the No Action Shareholders, protect the interest of the Company's Independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole as (i) the placing arrangement facilitates the implementation of the Open Offer which will benefit the Company and the Shareholders as a whole as the Open Offer will satisfy the funding needs of the Company without incurring additional finance costs, administrative costs and burden for the Company as set out in the paragraphs headed "Alternative Fund Raising Methods" under the section headed "Reasons for the Open Offer and the Use of Proceeds" in the "Letter from the Board" in this Circular; and (ii) the placing arrangement also allows the Open Offer Shares to be placed to independent places with proceeds accrued to the Company before the Open Offer Shares are taken up by Faith Mount which could potentially increase the shareholder base of the Company and may enhance the liquidity of the Shares which will be beneficial to the No Action Shareholders.

Because the Company has put in place the above Unsubscribed Arrangements as required by Rule 7.26A(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Open Offer as stipulated under Rule 7.26A(1)(a) of the Listing Rules.

### **Share certificates for the Open Offer Shares**

Subject to fulfilment of the conditions of the Open Offer and to its proceeding, share certificates for the fully-paid Open Offer Shares are expected to be posted by Thursday, 30 January 2020 to those entitled thereto by ordinary post at their own risks. If the Open Offer is terminated, refund cheques are expected to be despatched on or before Thursday, 30 January 2020 by ordinary post at the respective Shareholders' own risk.

### **Application for listing of the Open Offer Shares**

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange, the Open Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Open Offer Shares on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stock brokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Open Offer Shares will be subject to the payment of stamp duty and other applicable fees and charges in Hong Kong.

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## LETTER FROM THE BOARD

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### THE IRREVOCABLE UNDERTAKINGS

#### The Underwriter's undertaking

Pursuant to the Irrevocable Undertaking, Faith Mount has irrevocably undertaken to the Company (i) to apply and pay or procure application and payment for all Open Offer Shares which will be in the assured allotment of Open Offer Shares in respect of the 205,125,000 Shares beneficially owned by it; (ii) that it will remain to be the beneficial owner of the 205,125,000 Shares at the close of business on the Record Date; and (iii) to procure that the application for the Open Offer Shares shall be lodged with the Registrar or the Company, in accordance with the terms of the Prospectus Documents, provided that the Whitewash Waiver having been granted by the Executive prior to the Posting Date and not having been revoked or withdrawn.

#### The Optionholders' Undertakings

On 14 October 2019, each of the Optionholders (being Mr. Lin Chuen Chow, Andy, an executive Director, and Mr. Niglio, the non-executive Director) has given his irrevocable undertaking to the Company and Faith Mount to the effect that he will not exercise any of his Share Options on or before the Record Date. Please refer to the paragraphs headed "Issue Statistics" under the section headed "Proposed Open Offer" in the "Letter from the Board" in this Circular for details of the Share Options outstanding and the Optionholders.

### THE UNDERWRITING ARRANGEMENT FOR THE OPEN OFFER

#### Principal terms of the Underwriting Agreement

Date	:	14 October 2019
Parties	:	(i) The Company; and (ii) Faith Mount, being the Underwriter of the Open Offer
Number of Open Offer Shares underwritten	:	All such Unsubscribed Shares that have not been placed by the Placing Agent or they have been placed but the placees have not paid therefor at 4:00 p.m. on the Placing End Date
Commission	:	Nil

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

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## LETTER FROM THE BOARD

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The Board (including members of the Listing Rules IBC whose opinion is set forth in the “Letter from the Listing Rules IBC” in this Circular after having been advised by the Independent Financial Adviser) considers that the Underwriting Agreement as part of the arrangement under the Open Offer is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Underwriting Agreement**

The Underwriting Agreement is conditional upon the fulfilment or waiver, where permitted, of the following conditions:

- (i) the granting of the Whitewash Waiver to the Underwriter by the Executive and the fulfilment of all conditions (if any) attached to it, and such Whitewash Waiver not having been revoked or withdrawn;
- (ii) the passing at the EGM of necessary resolution(s) by the Independent Shareholders to approve the Open Offer and the Whitewash Waiver and the transactions contemplated thereunder at which the voting shall be taken on a poll and in accordance with the Listing Rules and the Takeovers Code;
- (iii) the registration of the Prospectus Documents (with all documents required to be attached thereto according to Section 38D of the Companies (WUMP) Ordinance) (all having been duly authorized for registration by the Stock Exchange and signed by or on behalf of all Directors) by the Registrar of Companies in Hong Kong in compliance with the Companies (WUMP) Ordinance no later than the Posting Date;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus for information only to the Non-Qualifying Shareholders on or before the Posting Date;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Open Offer Shares by no later than the first day of their dealings as stated in the Prospectus;
- (vi) compliance with and performance of all undertakings and obligations of the Underwriter pursuant to the terms and conditions of the Underwriting Agreement;
- (vii) compliance with and performance of all undertakings and obligations of the Company pursuant to the terms and conditions of the Underwriting Agreement; and
- (viii) the warranties of the Company remaining true, accurate and not misleading in all material respects.



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## LETTER FROM THE BOARD

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Conditions precedent in (i) to (v) above cannot be waived. Save and except for conditions precedent in (i) to (v) above, the Company can waive the condition precedent in (vi) and the Underwriter can waive the conditions precedent in (vii) and (viii). In the event that the conditions precedent shall not be fulfilled or waived (as the case may be) in whole or in part by the Underwriter (in respect of the Company's obligations under (vii) and (viii) above) and the Company (in respect of the Underwriter's obligations under (vi) above) on or before the Posting Date (or such later date or time as the Underwriter and the Company may agree in writing), all liabilities of the parties thereto shall cease and determine (save and except for certain clauses which shall remain in full force and effect as set out in the Underwriting Agreement) and none of the parties thereto shall have any claim against the other parties for costs, damages, compensation or otherwise save for antecedent breaches (if any).

The Company shall use all reasonable endeavours to procure the fulfilment of the conditions in (i) to (v), (vii) and (viii) above (unless otherwise waived by the Underwriter in respect of (vii) and (viii)) by the Posting Date, and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Open Offer and the arrangements contemplated by the Underwriting Agreement. The Underwriter also agrees to furnish such information, supply such document, give such undertakings and do all the things required to be done by it that are reasonably necessary to give effect to the Open Offer and the arrangements contemplated by the Underwriting Agreement.

### **Termination of the Underwriting Agreement**

Terms in relation to the termination of the Underwriting Agreement are summarized in the section headed "Termination of the Underwriting Agreement" in this Circular.

### **Information of the Underwriter**

Faith Mount is wholly owned by Ms. Lin Yee Man and is principally engaged in investment holding. It is the intention of Faith Mount to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. Faith Mount has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group.

### **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**THE OPEN OFFER IS SUBJECT TO CERTAIN CONDITIONS INCLUDING BUT NOT LIMITED TO THE APPROVAL OF THE OPEN OFFER AND THE WHITEWASH WAIVER BY THE INDEPENDENT SHAREHOLDERS AT THE EGM. THE WHITEWASH WAIVER SHALL BE APPROVED BY AT LEAST 75% OF THE VOTES BY THE INDEPENDENT SHAREHOLDERS AT THE EGM. IF THE APPROVAL OF THE OPEN OFFER, THE UNDERWRITING AGREEMENT AND THE WHITEWASH WAIVER BY THE INDEPENDENT SHAREHOLDERS AT THE EGM IS NOT OBTAINED, THE OPEN OFFER WILL NOT PROCEED.**

**ANY SHAREHOLDER OR OTHER PERSON CONTEMPLATING TRANSFERRING, SELLING OR PURCHASING SHARES IS ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES. ANY PERSON WHO IS IN ANY DOUBT ABOUT HIS/HER/ITS POSITION OR ANY ACTION TO BE TAKEN IS RECOMMENDED TO CONSULT HIS/HER/ITS OWN PROFESSIONAL ADVISER(S). ANY SHAREHOLDER OR OTHER PERSON DEALING IN THE SHARES UP TO THE DATE ON WHICH ALL THE CONDITIONS TO WHICH THE OPEN OFFER IS SUBJECT ARE FULFILLED WILL ACCORDINGLY BEAR THE RISK THAT THE OPEN OFFER MAY NOT PROCEED.**



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## LETTER FROM THE BOARD

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### FUND RAISING EXERCISE IN THE PRECEDING TWELVE-MONTH PERIOD

The Company has not conducted any fund raising activity in the past twelve months immediately prior to the Announcement and up to and including the Latest Practicable Date.

### POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

As at the Latest Practicable Date, the Company has 8,356,000 outstanding Share Options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 8,356,000 new Shares at the exercise price of HK\$0.61 per Share. The 8,356,000 outstanding Share Options are exercisable during the period from 1 April 2016 to 31 March 2026. For further details in relation to the identity of the Optionholders and the number of Share Options held by each Optionholder, please refer to the paragraph headed “Issue Statistics” under the section headed “Proposed Open Offer” in the “Letter from the Board” in this Circular.

Pursuant to the Share Option Scheme, in the event of any capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, reduction of the share capital of the Company whilst any Share Options remains exercisable, the auditors of the Company shall certify in writing that any corresponding adjustment required to be made to the subscription price or the number of Shares to be issued on exercise of the Share Options or the method of exercise of the Share Options is in their opinion fair and reasonable and provided that any such adjustments give the participant of the Share Option Scheme the same proportion of the equity capital of the Company as to which that person was previously entitled. No such adjustment may be made to the extent that a Share will be issued at less than its nominal value.

As a result of the Open Offer, there may be adjustments to the exercise price and the number of Shares to be issued upon exercise of the outstanding Share Options pursuant to the terms and conditions of the Share Option Scheme. The estimated adjustments are set out below:

Date of grant of the outstanding Share Options	Exercise price per Share (HK\$)	Immediately before the Open Offer	Immediately after the Open Offer	Adjusted number of Shares to be issued upon full exercise of the
		Number of Shares to be issued upon full exercise of the outstanding Share Options	Adjusted exercise price per Share (HK\$)	outstanding Share Options
1 April 2016	0.61	8,356,000	0.4979	10,236,351

The Company will appoint its auditor to certify in writing the adjustments to the Share Options and that such adjustments are in accordance with the terms and conditions of the Share Option Scheme. Further announcement will be made by the Company in relation thereto as and when appropriate.

## LETTER FROM THE BOARD

### EFFECT OF THE OPEN OFFER ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

	(i) As at the Latest Practicable Date		(ii) Immediately upon the Open Offer Completion assuming full acceptance by all Qualifying Shareholders under the Open Offer		(iii) Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than Faith Mount) under the Open Offer; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements		(iv) Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than Faith Mount) under the Open Offer and; (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Faith Mount	
	<i>Number of issued Shares</i>	<i>%</i>	<i>Number of issued Shares</i>	<i>%</i>	<i>Number of issued Shares</i>	<i>%</i>	<i>Number of issued Shares</i>	<i>%</i>
Faith Mount ( <i>Note</i> )	205,125,000	29.62	574,350,000	29.62	574,350,000	29.62	1,451,511,015	74.87
Sub-total (Faith Mount and parties acting in concert with it)	<u>205,125,000</u>	<u>29.62</u>	<u>574,350,000</u>	<u>29.62</u>	<u>574,350,000</u>	<u>29.62</u>	<u>1,451,511,015</u>	<u>74.87</u>
Independent placees	–	–	–	–	877,161,015	45.24	–	–
Other public Shareholders	<u>487,311,675</u>	<u>70.38</u>	<u>1,364,472,690</u>	<u>70.38</u>	<u>487,311,675</u>	<u>25.13</u>	<u>487,311,675</u>	<u>25.13</u>
<b>Total</b>	<b><u>692,436,675</u></b>	<b><u>100</u></b>	<b><u>1,938,822,690</u></b>	<b><u>100</u></b>	<b><u>1,938,822,690</u></b>	<b><u>100</u></b>	<b><u>1,938,822,690</u></b>	<b><u>100</u></b>

*Note:*

Faith Mount is wholly-owned by Ms. Lin Yee Man. According to the Takeovers Code, Ms. Lin Yee Man is a party acting in concert with Faith Mount by virtue of her shareholding in Faith Mount. As at the Latest Practicable Date, Ms. Lin Yee Man did not have any other interest in Shares apart from her deemed interest in the 205,125,000 Shares owned by Faith Mount by virtue of Part XV of the SFO.

As illustrated above, if no Qualifying Shareholders take up the Open Offer Shares and no Unsubscribed Shares can be placed to independent placees, the shareholding of the existing public Shareholders would be reduced from approximately 70.38% as at the Latest Practicable Date to approximately 25.13%, and the shareholding of Faith Mount would be increased from approximately 29.62% as at the Latest Practicable Date to approximately 74.87%, upon the Open Offer Completion.

Faith Mount has undertaken to the Company under the Underwriting Agreement that if the subscription for the Unsubscribed Shares by Faith Mount pursuant to the Underwriting Agreement will result in insufficient public float of the Company within the meaning of the Listing Rules, Faith Mount shall, subject to compliance with the Takeovers Code, take all appropriate steps including but not limited to the engagement of a placing agent to procure investors (who are Independent Third Parties) to subscribe for the Shares which would otherwise be required to be taken up by Faith Mount under the Underwriting Agreement in order to restore the minimum public float requirement of the Company in compliance with Rule 8.08 (1)(a) of the Listing Rules.

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## LETTER FROM THE BOARD

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**If a Qualifying Shareholder does not subscribe for his/her/its assured allotment in full under the Open Offer, his/her/its proportionate shareholding in the Company will be diluted.**

### **REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS**

#### **Information of the Group**

The Group is principally engaged in (i) introducing customers to respective casino's VIP rooms in Macau and receiving the profit streams from junket businesses at respective casino's VIP rooms in Macau through independent junket operators in Macau; (ii) the money lending business; (iii) hotel operation business; and (iv) the property leasing business.

#### **Use of Proceeds**

The gross proceeds from the Open Offer are expected to be approximately HK\$149.57 million. The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK\$145.07 million. The net Open Offer Price per Open Offer Share is expected to be approximately HK\$0.116. The Company intends to apply the net proceeds from the Open Offer as follows:

- (i) approximately HK\$130.00 million to expand the Group's money lending business; and
- (ii) approximately HK\$15.07 million as general working capital for the Group's business.

#### **Reason for the Open Offer**

The Company's funding need primarily originated from the Group's business development with an aim to generate better return to the Company and its Shareholders as a whole. Without the funds to be raised from the Open Offer, the Group's money lending business could not be further developed at a faster pace and a larger scale without the incurrence of finance costs.

The Board believes that it would be in the interest of the Company to raise equity funding via the Open Offer to facilitate long-term development of the Group. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders (other than the Non-Qualifying Shareholders) to participate in the growth of the Company in proportion to their shareholdings. The Board also considers that it remains an appropriate timing and circumstances to conduct the Open Offer at the Open Offer Price and at such ratio in order to capture opportunities in money lending business when arise.

#### **Money Lending Business**

##### ***Development of the Group's money lending business since commencement***

The Group commenced the money lending business during the year ended 30 June 2017. Revenue generated from the money lending business increased significantly from approximately HK\$1.1 million for the year ended 30 June 2017 to approximately HK\$20.6 million for the year ended 30 June 2019. With the financial support from the Group, the operating scale of the money lending business has been expanded considerably. The Group's gross loans receivable from customers increased from approximately HK\$65 million as at 30 June 2017 to approximately HK\$252 million as at 30 June 2018 and approximately HK\$313 million as at 30 June 2019. The Directors consider that the money lending market in Hong Kong has a good business prospect.

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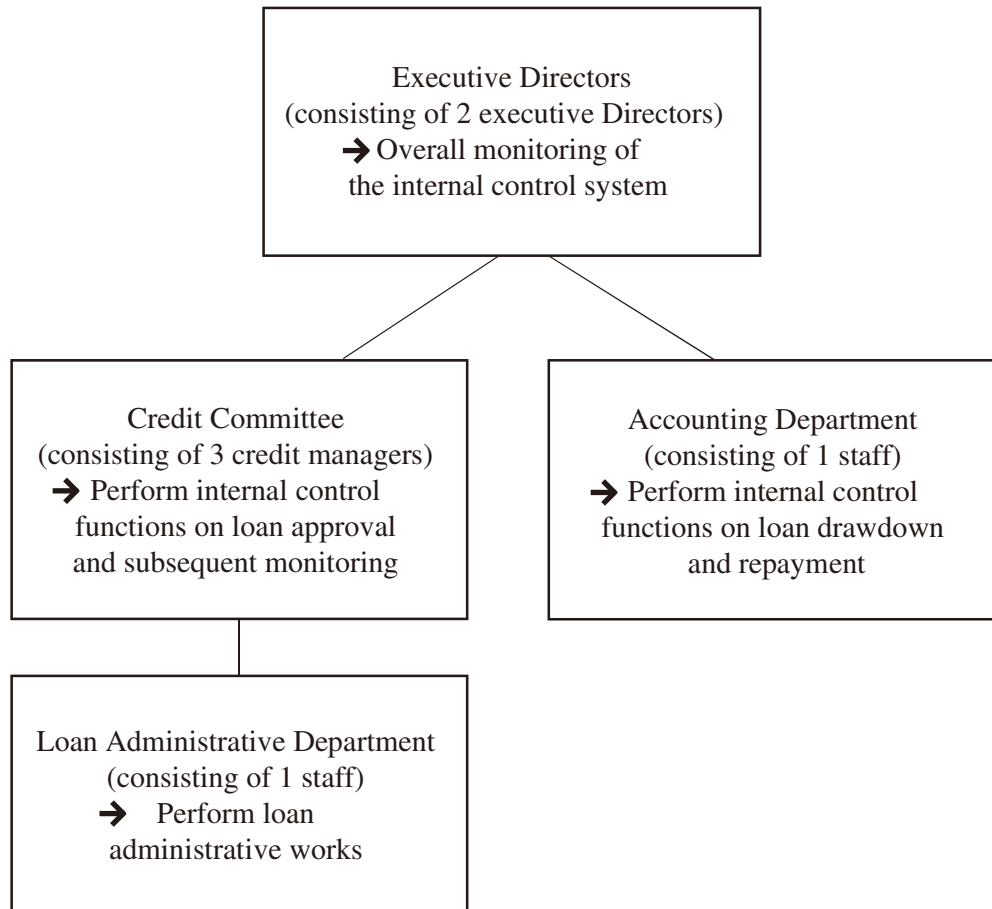
## LETTER FROM THE BOARD

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### *Business model of the Group's money lending business*

The Group's money lending customers are mainly individuals and corporations, which were sought through referrals by the Directors, the Group's senior management and Independent Third Parties. The Group also cooperates with other licensed money lenders to explore loan opportunities.

An internal control system has been implemented to monitor the operations and overall compliance of the Group's money lending business. The internal control and risk management functions are mainly performed by the Group's credit committee for money lending business (the "**Credit Committee**") and the executive Directors. The Credit Committee plays an indispensable role in the Group's internal control system for money lending business, being responsible for the matters regarding the overall effectiveness of the compliance with the internal guidelines set on loan application, loan approval, loan acceptance, subsequent credit assessment of customers, and also the Group's full compliance with the relevant laws and regulations such as the Code of Money Lending Practices. The Credit Committee will periodically directly report to the executive Directors, ensuring that all the necessary approvals from the executive Directors have been obtained in accordance with the Group's internal guidelines. The corresponding administrative works and accounting works are performed by the Group's loan administrative officer and accounting team member, respectively. The chart below illustrates the relationship among the Credit Committee, the Group's loan administration department, accounting department and the executive Directors.

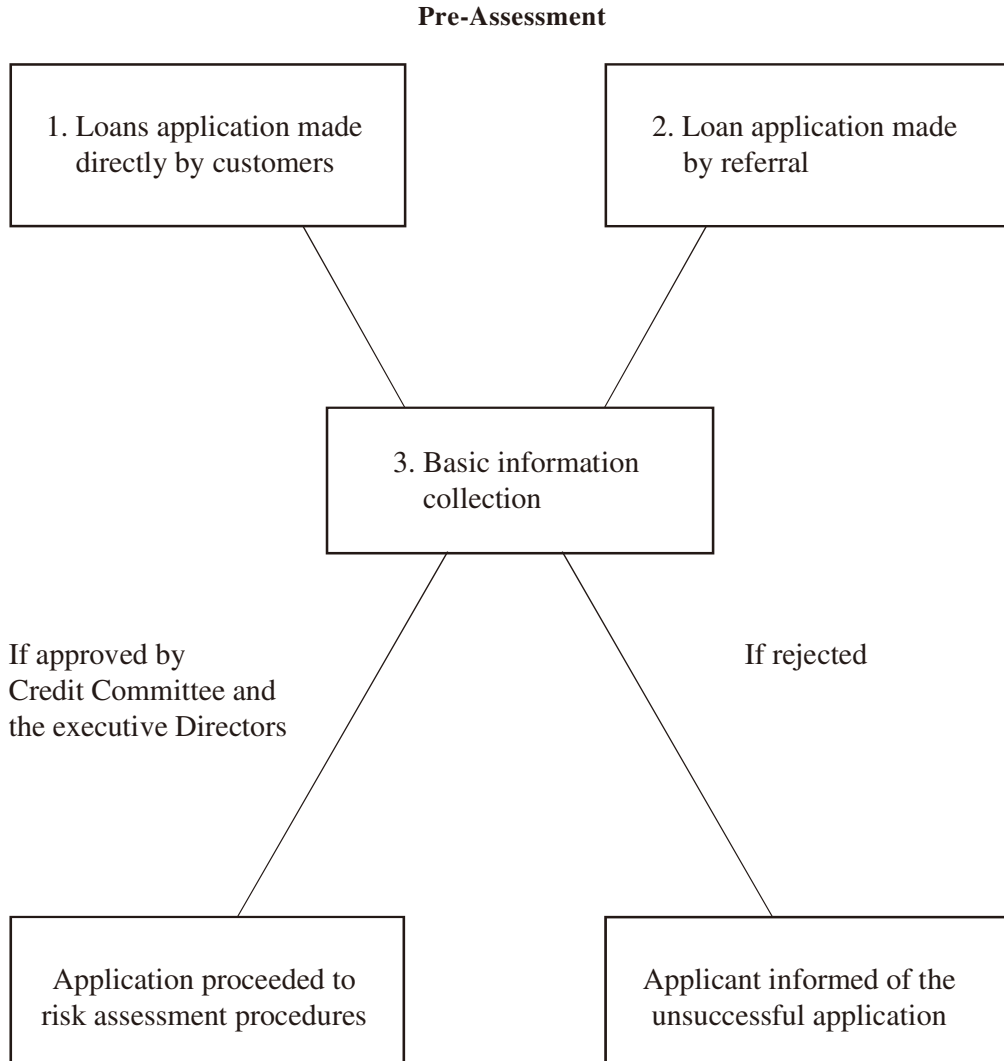


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## LETTER FROM THE BOARD

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The following flow chat shows the general overview of the major steps involved in the operation for a loan application in the Group's money lending business:

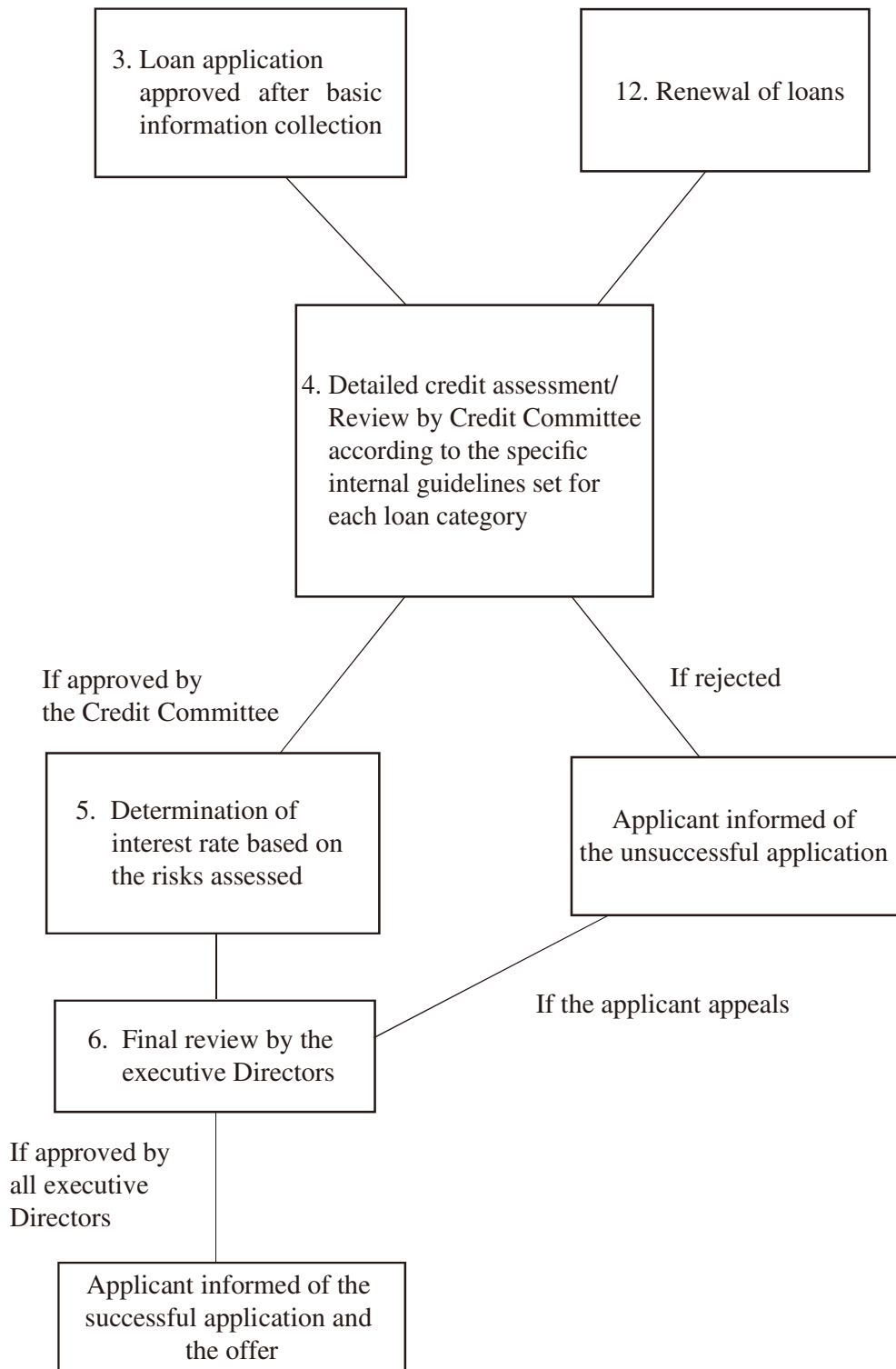


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## LETTER FROM THE BOARD

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### Risk Assessment

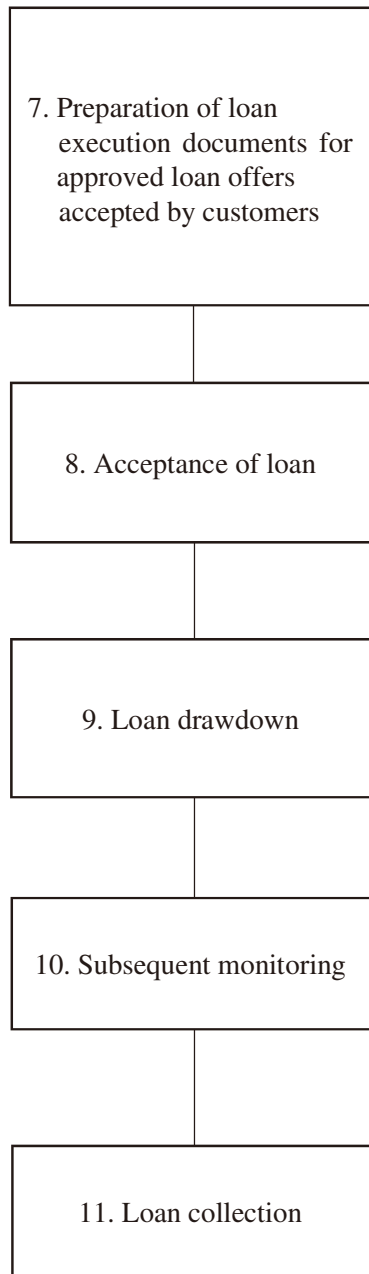


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## LETTER FROM THE BOARD

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### After Assessment and Approval



Further details in relation to the steps involved in the operation for a loan application and the relevant risk control procedures are set out below.

#### *Steps 1 & 2 – Loan application*

The Company will either receive applications of loan directly from the customers or referred by third parties.

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## LETTER FROM THE BOARD

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### *Step 3 – Basic information collection*

The Group will require customers to supply identification documents and valid proof of his/her addresses if the customer is an individual, while customers who are corporations will be required to submit their certificates of incorporation, business registration certificates, latest annual returns and business licenses. All the relevant background checks and preferred contract terms will be taken into considerations before accepting a loan, including but not limited to the proposed use of loan, details of the collateral, proposed means of repayment, preferred duration of loan, documentation showing ownership and/or value of the collateral to be pledged and the financial records of the individual/corporate guarantors. To ensure that the borrower is creditworthy, the Group may require customers to provide a credit check on themselves through credit reports. The Group may also conduct litigation, bankruptcy and/or winding-up searches on the borrowers (if applicable) if necessary. The Credit Committee will decide whether or not to proceed with an application after assessing the initial information provided in accordance with the internal guidelines, which are then subject to the review and approval from the executive Directors.

### *Step 4 – Risk assessment/review*

If the preliminary basic information assessment is satisfactory to the Credit Committee and the executive Directors, the loan application will proceed to the stage of detailed risk assessment. Specific internal guidelines regarding each of the loan categories in the credit assessment/review performed by the Credit Committee are summarized below:

#### Mortgage loan:

As the largest group in the Group's loan portfolio, mortgage loans are granted to customers with the real estate assets as security. The Group's principal mortgage loan products include first and second mortgage loans. The Group has therefore set a clear guideline on the loan-to-value ratios for granting mortgage loans. The rule is applicable to both first and second mortgage loan. A higher assessment requirement is set for applications with higher loan-to-value ratios. The Group's loan administrative team will perform land search on the property to be used as collaterals. The Group will engage independent professional valuers to produce valuation reports on the properties to be charged. In assessing the risk of mortgage loan applications, the Credit Committee will consider and assess all the relevant factors including:

- (i) the credit history and profile of customers;
- (ii) property type, historical ownership and location of the properties to be used as collaterals;
- (iii) overall market condition;
- (iv) the basis and assumptions used in the valuation reports;
- (v) stamped tenancy agreement if the property is rented;
- (vi) verbal estimated market value of the properties provided by commercial banks or independent professional valuers;
- (vii) property transaction data available publicly;



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## LETTER FROM THE BOARD

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- (viii) the quoted market price of the properties provided by real estate agents; and
- (ix) the official documents regarding the first mortgage loan in the case of a second mortgage loan.

### Second mortgage loan applications:

For applications for second property mortgage loan, the Group will examine, in additions to the above-mentioned factors for all mortgage loan applications, all the relevant documents regarding the corresponding first mortgage applied, including the official legal documents of the first mortgage and the repayment schedule showing the outstanding amount of the pledged property. The Group will also consider the identity of the first mortgagee. Any increase in assessed credit risk will be reflected in the higher interest rate offered to customers.

All the relevant documents and the assessment results will then be recorded and documented in a master loan file if the loan application satisfies the assessment of the Credit Committee. As an internal policy of the Group, all the loan applications will then be subject to the final review and approval of the executive Directors before a loan is granted.

### Pledge share loans

Out of the loans that the Group granted to its customers, the second largest proportion is attributable to pledge share loans. The Group accepts both listed share and unlisted shares as collaterals. This loan category is granted with reference to the valuation of shares. In view of the fluctuation of share price in current stock market, the Group generally assesses the value the pledged shares, both listed and unlisted, based on the net asset value of the company whose shares are to be pledged. Customers are requested to provide the audit reports and the latest management accounts of the company whose shares are to be pledged, which will then be assessed by the Credit Committee. According to the internal guidelines, the Group, in principle, set a maximum loan-to-value ratio for its pledge share loans as collateral, including listed and unlisted shares, except for those with individual/corporate guarantee provided by customers. The Group also relies on various sources to determine the estimated valuation of the shares, including internet research on recent transaction prices (if available) and background search on the company whose shares are to be pledged. If necessary, the Group may engage independent professional valuers to produce valuation reports on the pledged shares. All the relevant documents and the assessment results will be recorded and documented in a master loan file, which will then be subject to the final review and approval of the executive Directors before a loan is granted.

### Personal loans

The Group also accepts personal loans secured against any assets or properties, with personal or corporate guarantee or with post-dated cheques provided. For this type of loans where credit risk is the greatest among the Group's loan portfolio, the Group pays special attention to the valuation of the collaterals in order to minimize risks and determine the loan amount throughout the loan application. As a general rule, the maximum loan amount will be limited to the total amount of pledged assets and guarantees. If the total loan amount requested by the borrower is beyond the total amount of collaterals, the application will be assessed on a case-by-case basis by the Credit Committee, and the higher credit risk will be generally reflected in the increase in interest rate offered to the borrower. All the relevant documents and the assessment results will be recorded and documented in a master loan file, which will then be subject to the review and approval of the executive Directors before a loan is granted.

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## LETTER FROM THE BOARD

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### *Step 5 – Determination of interest rates offered to customers*

If the loan application satisfies the Group's credit and risk assessment by the Credit Committee, the Credit Committee will determine the interest rate offered to customers on a case-by-case basis. As a general rule, the interest rates offered for second mortgage loans are higher than those for first mortgage loans, while the loan applications with pledged assets tends to have an interest rate lower than personal loans. Under the Group's internal guidelines, due consideration will be given to the following factors in determination of interest rate offered to its customers:

- (i) credit risk associated with the customers;
- (ii) risk associated with the value of pledged assets;
- (iii) loan-to-value ratio;
- (iv) market interest rate;
- (v) overall economic and business environment;
- (vi) status of property market in which the pledged properties are located;
- (vii) the interest rate of other borrowings stated in the audit report(s) of the pledged shares company;
- (viii) credit score of customers;
- (ix) availability of personal or corporate guarantee;
- (x) term of loans; and
- (xi) agreed interest repayment pattern (i.e. on a monthly basis or half-yearly basis).

In general, the interest rates charged ranged from 5.25% to 9% per annum for first mortgage loans and were 15% per annum for second mortgage loans. The interest rates offered for pledge share loan ranged from 7.2% to 8% per annum while the interest rates charged to the Group's customers for personal loans ranged from 10% to 36% per annum.

### *Step 6 – Final review and approval by the executive Directors*

Once the information gathered has satisfied the Group's requirement and passed the assessment of the Credit Committee, all the findings, together with the calculation basis of determined interest rate, will be documented and recorded in a master loan file. The application will then proceed to the final review and approval by the executive Directors. Under the Group's internal guidelines, all loan applications have to be approved by all executive Directors. The loan application will be successful upon obtaining approval from all the executive Directors. The Group's loan administrative officer will then inform the customers of the loan offered by the Group. If accepted, all the necessary documents will then be passed to legal advisers for preparation of loan execution documents.

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## LETTER FROM THE BOARD

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### *Step 7 – Preparation of loan execution documents*

Most of the Group's loan execution documents are prepared by its legal advisers including but not limited to the loan agreement, guarantee agreement, mortgage deed and borrower's declaration, which are then subject to the review of and approval from the Credit Committee. The repayment schedule will be prepared by the Group's accounting department in accordance with the mutually agreed terms between the Group and the relevant borrowers. All the loan execution documents will be subject to final review by the executive Directors before execution.

### *Step 8 – Acceptance of loan*

When all the loan execution documents are finalized, the loan applicants will be invited to sign all the loan execution documents at the Group's office. They will be reminded to provide original documents for identity verifications and proof(s) of address(es) for both of the Group's individuals and corporate customers prior to the signing of loan execution documents. The original copies and/or certified true copies of all the supporting documents will also be required to be presented for inspection by the Credit Committee. A loan application checklist for each loan type will be provided to the Credit Committee to ensure that all necessary supporting documents has been obtained in accordance with the Group's internal guidelines. After the Credit Committees confirms that all the original copies and/or certified true copies of the documents available for inspection are consistent with those provided previously, the customers will then be provided with all the loan execution documents together with the repayment schedules for signing. In the case of mortgage loans, the Group's legal advisers will be informed by the Credit Committee to register the mortgage at the Land Registry thereafter.

### *Step 9 – Loan drawdown*

After the loan documents are executed, the Group's accounting department will prepare the loan drawdown in accordance with the principal loan amount and drawdown date as stated on the loan documents. In general, the loan principal will be drawn by means of cheques unless other means of payment are requested by customers. The cheques for loan drawdown will be prepared by the Group's accounting staff, which will then be subject to the approval from the executive Directors. The cheques will be given to customers on the agreed drawdown date.

### *Step 10 – Subsequent monitoring*

#### (I) Periodic monitoring

##### (a) Subsequent payment record

The subsequent repayment record will be closely monitored by the Group's accounting team. In the event of failure to repay interest or principal amount by its due date, the Group's accounting team will immediately inform the Credit Committee. A reminder will then be issued by the Group's loan administration department to the relevant customer. In case of default, subject to the approvals from the executive Directors, the Group may enforce the security and auction or sell off the collateral to recover the loan. Since the commencement of the Group's money lending business, all of the principal and interest of the loans granted had been collected in accordance with their corresponding repayment schedules and thus there is no record of default or delay of repayment by any of the Group's customers.

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## LETTER FROM THE BOARD

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### (b) Subsequent valuation of collaterals

The valuation of the collaterals of the Group's loan portfolio is highly dependent on the overall business environment in Hong Kong as most of them are residential properties in Hong Kong and the principal activities of the companies whose shares are pledged are mainly operated in Hong Kong. The Credit Committee will periodically review the following source to assess the subsequent valuation of the collaterals:

- (i) Property price index in Hong Kong;
- (ii) Property transaction volume in Hong Kong;
- (iii) The transaction record of the properties used as collaterals;
- (iv) Property market value assessed by commercial banks of the properties used as collaterals;
- (v) The quoted price of the properties used as collaterals by real estate agents;
- (vi) The relevant public data of the industry in which the pledged share companies are operated; and
- (vii) The recent quoted share price of the comparable listed company of the pledged share company.

The above-mentioned references will be taken into consideration to compare against the initial valuation of the collaterals made on the date of the relevant loan is granted. Special attention will be paid to those collaterals if there is a potentially higher credit risk. Independent professional valuers may be appointed to produce an updated valuation report on the collaterals if necessary.

### (c) Cap on change in fair value of collaterals and credit score

After the loan is approved, the Credit Committee will periodically review the status of the collaterals of the existing customers to determine the maximum credit levels granted to the customers. According to the Group's internal guidelines, the maximum credit levels may be reduced if its threshold criteria cannot be met. If the criteria cannot be met, the credit level granted to the customers will be assessed again by the Credit Committees on a case-by-case basis. As a general rule, customers will be required to make partial repayment to maintain the loan-to-value ratio.

## (II) Annual monitoring

Customers who use pledged shares as collaterals will be required to provide the annual audit report of the pledged shares company prepared by an independent professional auditor. It is an effective policy to monitor the net asset value of the pledged shares company annually and to ensure the net asset values remain the Group's acceptable loan-to-value range. The Credit Committee will work closely with the Group's accounting team on the understanding of the relevant audit report provided by the customers.

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## LETTER FROM THE BOARD

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The Group measures loss allowance under HKFRS 9 ECL model. The measure of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data, collateral values, credit rating of customers and adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial assets is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

Elements of the ECL models that are considered accounting judgements and estimates include:

- the Group's estimation of probabilities of default to individual customers;
- the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures; and
- determination of associations between macroeconomic scenarios and, economic inputs, such as delinquency ratios and collateral values, and the effect on probabilities of default, exposures at default and losses given default.

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## LETTER FROM THE BOARD

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The Group categorises the credit quality of its loans receivable and interest receivables according to 3 different stages under the expect credit loss (ECL) model:

- Stage 1: financial assets without significant increase in credit risk since initial recognition where loss allowance is calculated based on 12-month ECL
- Stage 2: financial assets with significant increase in credit risk since initial recognition where loss allowance is calculated based on lifetime ECL
- Stage 3: credit impaired assets where loss allowance is calculated based on lifetime ECL.

It is the Group's policy to regularly review (eg. Interim review and annual audit) its model in the context of actual loss experience and adjust when necessary.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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## LETTER FROM THE BOARD

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The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group collects performance and default information about its credit risk exposures and analyses all data collected and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as delinquency rate.

The Group uses different criteria to determine whether credit risk has increased significantly and the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has controls and procedures in place to identify when the credit risk of an asset improves and the definition of significant increase in credit risk is no longer met. When this is the case the asset may move back to stage 1 from stage 2, subject to payments being up to date and the ability of the borrower to make future payments on time.

### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- probable bankruptcy entered by the borrowers; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;

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## LETTER FROM THE BOARD

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- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

### Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

### *Step 11 – Loan collection*

The Group has set out an internal guideline for dealing with loan and interest repayment default. Upon a loan principal and/or interest repayment is in default, the Group may commence taking actions which initially start from sending reminder emails, demand letters, and eventually to taking legal actions.

Subject to the approvals of the executive Directors, the Group may then enforce the security and auction or sell off the collaterals to recover the loan once court order is obtained. In case of loans that are secured by personal/corporate guarantees, the relevant guarantors will also be requested to settle the guaranteed amount. According to the Group's internal policy, no loan collection companies will be appointed in the event of a repayment default.

### **Status of the Group's money lending business**

As at 30 June 2019, the Group's gross loans receivable from customers was approximately HK\$313 million, of which (i) approximately 58% were mortgage loans; (ii) approximately 39% were pledged share loans; and (iii) approximately 3% were personal and other loans.

The customers of the Group's money lending business mainly comprise individuals and corporations, which were sought through referrals by the Directors, the Group's senior management and Independent Third Parties. The Group also cooperates with other licensed money lenders to explore loan opportunities. For the financial year ended 30 June 2019, the corporate customers of the Group's money lending business include an investment company, financial service companies as well as a digital wallet operator.

As at 30 June 2019, the total loans extended to individuals were approximately HK\$187 million, among which HK\$42 million was recurring. The majority of loans to individuals were secured by pledge of property as collaterals, with interest rates ranging from 5% to 24% per annum. The maturity of such loans to individuals fall within December 2019 and October 2020.

As at 30 June 2019, the total loans extended to corporations were approximately HK\$125 million, among which approximately HK\$3.0 million was recurring. The majority of loans to corporation were secured by pledge of private company shares as collaterals, with interest rates ranging from 7% to 10% per annum. The maturity of such loans to corporations fall within December 2019 to April 2020.



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## LETTER FROM THE BOARD

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### *Business plan of the Group's money lending business*

Since its commencement, the Group's money lending business was principally financed through the Group's internal resources. The Group did not obtain external funding to finance the development of its money lending business.

The Group plans to add HK\$200 million to the total loan principal available for its money lending business, of which HK\$130 million is intended to be financed through the net proceeds from the Open Offer and the remaining HK\$70 million is expected to be financed by the Group's internal resources.

As disclosed in the annual report of the Company for the year ended 30 June 2019, the Group has an intention to keep developing the money lending business. To ensure the Group has sufficient funds to further expand the money lending business, the Directors consider that there is a need for fund raising. The Group operates the money lending business without any external funding sources. The Company considers that given the incurrence of finance costs, external funding sources such as debt and bank financing are not appropriate and are not in the best interests of the Group in developing its money lending business. Taking into account the business plan of the Group's money lending business as set out above, the Company considers that additional capital required for its money lending business development shall not be reliant on the existing cash level and/or internal financial resources of the Group as well as debt financing. The Company also considers that it has to accelerate its fund raising activities and enhance its capital in order to further develop its money lending business without incurrence of finance costs, to seize the strategic opportunities of the Group's money lending business and realise its strategic objectives. Based on the historical development progress of the Group's money lending business, the Company intends to allocate HK\$130 million of the net proceeds from the Open Offer to accelerate the development of the Group's money lending business within the year ending 30 June 2020 in the following manner:

- (i) approximately 60% or HK\$78 million to be allocated to mortgage loans;
- (ii) approximately 30% or HK\$39 million to be allocated to pledged share loans; and
- (iii) approximately 10% or HK\$13 million to be allocated to personal and other loans.

### **General Working Capital**

In light of the recent social unrest in Hong Kong since June 2019, the hotel industry in Hong Kong has been adversely affected due to the drop in number of tourists coming to Hong Kong, which may have an adverse impact on the Group's hotel operation business. Despite the Directors remaining cautiously optimistic on the hotel business in Hong Kong in long term, the Group considers to apply part of the proceeds as additional general working capital for the Group, including but not limited to the hotel operation business, for the years ending 30 June 2020 and 2021 as follows:

- (i) approximately HK\$12.07 million will be retained for the general working capital requirements of the Group's hotel operation business, which primarily comprise staff costs, repair and maintenance, and marketing expenses for the two years ending 30 June 2021; and

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## LETTER FROM THE BOARD

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- (ii) approximately HK\$3.0 million will be retained for additional general working capital of the Group (excluding the Group's hotel operation business), which primarily comprises staff costs and the Directors' remuneration for the two years ending 30 June 2021.

### **Alternative Fund Raising Methods**

The Directors have considered alternative fund raising methods which include debt financing, placing of new Shares or a rights issue.

The Board is of the view that debt financing would result in additional finance costs and increase the Group's liabilities burden. The Board also considers that debt financing is not an appropriate option to obtain additional funds in particular for its money lending business. The Board is also of the view that placing of new shares (i) would only be available to certain placees who may not necessarily be existing Shareholders and would dilute the shareholding of existing Shareholders; and (ii) may only raise funds in a relatively smaller size.

Pursuant to Rule 7.18 of the Listing Rules, a rights issue is an offer by way of rights to the existing Shareholders in proportion to their existing shareholding. Considering the nature of rights issue which allows the trading of nil-paid rights, the Board is of the view that the Company will have to incur extra administrative work (including costs to professional parties) and cost for the trading arrangements of the nil-paid rights in rights issue, the cost of which is estimated to be at least HK\$250,000 to HK\$300,000. Besides, extra administrative work which could not be quantified in monetary terms will be involved for trading arrangements of the nil-paid rights in rights issue and the Board considers that this would create heavier burden on the Group as compared to an open offer. Considering that additional administrative work, costs and time that will be inevitably incurred for trading arrangements of the nil-paid rights in rights issue, yet the placing commission for the Unsubscribed Arrangements will only be incurred if (i) there are any Unsubscribed Shares to be placed by the Placing Agent; and (ii) such Unsubscribed Shares are placed successfully, the Board does not consider that rights issue would be in the overall interests of the Company and its Shareholders.

In view of the above, the Directors do not consider that debt financing or equity fund raising methods by way of placing of new shares or rights issue would be in the overall interests of the Company and its Shareholders. Pursuant to Rule 7.23 of the Listing Rules, an open offer is an offer to existing Shareholders to subscribe for Shares whether or not in proportion to their existing holdings. Accordingly, the Directors consider the Open Offer to be an appropriate method to raise the necessary funding which will provide all Qualifying Shareholders the right to participate in the new share issue by the Company in proportion to their shareholding in the Company should they wish to do so. It is prudent to finance the Group's long-term business development by long-term financing, in the form of Open Offer which will not increase the Group's finance costs.

Having considered the above, the Directors (including the members of the Listing Rules IBC whose view is set forth in the "Letter from the Listing Rules IBC" in this Circular after having reviewed the advice from the Independent Financial Adviser) consider that the terms of the Open Offer are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR THE WHITEWASH WAIVER

As at the Latest Practicable Date, Faith Mount is the beneficial owner of a total of 205,125,000 Shares, representing approximately 29.62% of the entire issued share capital of the Company. Assuming (i) there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Open Offer; (ii) none of the Qualifying Shareholders other than Faith Mount have taken up their entitlements under the Open Offer; and (iii) none of the Unsubscribed Shares have been taken up under the Unsubscribed Arrangement, the interests in the Company held by Faith Mount upon the close of the Open Offer will increase from the current level of approximately 29.62% to approximately 74.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Open Offer Shares. Faith Mount will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code.

An application has been made by Faith Mount to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Open Offer, the Whitewash Waiver and the transactions contemplated thereunder (including the Underwriting Agreement) by the Independent Shareholders at the EGM by way of poll.

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

The Executive has indicated that it is minded to grant the Whitewash Waiver which will be conditional upon, among others, the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders voting in person or by proxy at the EGM by way of poll. Save for Faith Mount, no Shareholder is required to abstain from voting in favour of or against the proposed resolution approving the Whitewash Waiver at the EGM. If the Whitewash Waiver is not granted by the Executive, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

Upon completion of the Open Offer, the maximum potential holding of Faith Mount may exceed 50% of the then total number of issued Shares in which case, Faith Mount may increase its shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

### LISTING RULES IMPLICATIONS

#### The Open Offer

As the Open Offer Shares are not issued pursuant to the general mandate of the Company, in accordance with Rule 7.24A(1) of the Listing Rules, among other things, the Open Offer must be made conditional on approval by the Independent Shareholders at the EGM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Open Offer.

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## LETTER FROM THE BOARD

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### **The Underwriting Agreement**

The Underwriting Agreement constitutes a connected transaction for the Company as Faith Mount, being a substantial Shareholder and the Underwriter, is a connected person of the Company. Accordingly, the Underwriting Agreement and the transactions contemplated thereunder will be subject to the independent shareholders' approval at the EGM.

None of the Directors has a material interest in the Open Offer and the Underwriting Agreement and therefore no Director was required to abstain from voting on the Board resolutions approving the Open Offer and the Underwriting Agreement.

### **EXTRAORDINARY GENERAL MEETING AND INDEPENDENT SHAREHOLDERS' APPROVAL**

Set out on pages EGM-1 to EGM-3 of this Circular is a notice convening the EGM to be held at Meeting Room of Soho 2, 6/F, Ibis Hong Kong Central & Sheung Wan, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong at 11:00 a.m. on Thursday, 19 December 2019.

At the EGM, resolutions for approving the Open Offer, the Underwriting Agreement and the Whitewash Waiver will be proposed for the Independent Shareholders' approval. The resolutions will be voted by way of poll at the EGM.

As at the Latest Practicable Date, Faith Mount (which is wholly owned by Ms. Lin Yee Man) owned 205,125,000 Shares, representing approximately 29.62% of the existing number of Shares in issue.

Save for Faith Mount and parties acting in concert with it and those who are involved in and/or interested in the Open Offer, the Underwriting Agreement and the Whitewash Waiver, no Shareholder is required to abstain from voting at the EGM in respect of the resolutions for the Open Offer, the Underwriting Agreement and the Whitewash Waiver. Under the Takeovers Code, the resolution in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 16 December 2019 to Thursday, 19 December 2019 (both dates inclusive) to determine the qualification for attendance and voting at the EGM. No transfer of Shares will be registered during this period.

The register of members of the Company will be closed from Monday, 30 December 2019 to Friday, 3 January 2020 (both dates inclusive) to determine entitlements to the Open Offer. No transfer of Shares will be registered during this period.

### **ESTABLISHMENT OF THE LISTING RULES IBC, THE TAKEOVERS CODE IBC AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER**

The Company has established the Listing Rules IBC, comprising all the independent non-executive Directors, to advise the Independent Shareholders in respect of the Open Offer (including the transactions contemplated under the Underwriting Agreement) and as to the voting actions therefor.

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## LETTER FROM THE BOARD

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The Company has also established the Takeovers Code IBC, comprising the non-executive Director and all the independent non-executive Directors, to advise the Independent Shareholders in respect of, the Whitewash Waiver and as to the voting action therefor. Mr. Niglio, the non-executive Director, is an Optionholder who holds 4,178,000 Shares Options as at the Latest Practicable Date, and has given an irrevocable undertaking to the Company and Faith Mount to the effect that he will not exercise any of his Share Options on or before the Record Date (see the paragraph headed “The Optionholders’ Undertakings” under the section headed “The Irrevocable Undertakings” in the “Letter from the Board” in this Circular for further details of the Optionholders’ Undertakings). Pursuant to Rule 2.8 of the Takeovers Code, members of the independent committee should comprise all non-executive Directors who have no direct or indirect interest in the Whitewash Waiver other than as a Shareholder. Save for the 4,178,000 Share Options and such undertaking given by him, Mr. Niglio has no involvement and no direct or indirect interests in the Open Offer and the Whitewash Waiver, and is therefore eligible to be a member of the Takeovers Code IBC.

Opus Capital has been appointed as the Independent Financial Adviser to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Open Offer (including the transactions contemplated under the Underwriting Agreement); and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Whitewash Waiver. The appointment of the Opus Capital has been approved by the Takeovers Code IBC.

### DESPATCH OF THE PROSPECTUS DOCUMENTS

The Prospectus Documents will be despatched to the Qualifying Shareholders as soon as practicable after obtaining of the approval of the Open Offer, the Underwriting Agreement and the Whitewash Waiver by the Independent Shareholders at the EGM. The Prospectus only will be despatched to the Non-Qualifying Shareholders for their information only. The Non-Qualifying Shareholders will not be entitled to any assured allotment under the Open Offer.

### RECOMMENDATION

The Listing Rules IBC, having taken in account the principal factors and reasons considered by, and the advice of Opus Capital, considers that the Open Offer (including the transactions contemplated under the Underwriting Agreement) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Listing Rules IBC recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder.

The Takeovers Code IBC, having taken into account the principal factors and reasons considered by, and the advice of Opus Capital, considers that the Open Offer is fair and reasonable and the Whitewash Waiver is to facilitate the implementation of the Open Offer, that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Takeovers Code IBC recommends the Independent Shareholders to vote in favour of the special resolution to be proposed at the EGM to approve the Whitewash Waiver and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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Further, the Directors consider that the terms of the Open Offer (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Listing Rules IBC set out on page 43 of this Circular which contains its recommendation to the Independent Shareholders in relation to the Open Offer (including the transactions contemplated under the Underwriting Agreement); (ii) the letter from the Takeovers Code IBC set out on page 44 of this Circular which contains its recommendation to the Independent Shareholders in relation to the Whitewash Waiver; and (iii) the letter from Opus Capital set out on pages 45 to 76 of this Circular which contains its advice to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in this regard.

### **WARNING OF THE RISKS OF DEALING IN SHARES**

**SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT THE OPEN OFFER IS CONDITIONAL UPON, AMONG OTHERS, CONDITIONS PRECEDENT AS SET OUT IN THE PARAGRAPH HEADED “CONDITIONS OF THE OPEN OFFER” IN THE “LETTER FROM THE BOARD” IN THIS CIRCULAR ABOVE. ACCORDINGLY, THE OPEN OFFER MAY OR MAY NOT PROCEED.**

**ANY DEALINGS IN THE SHARES FROM THE DATE OF THIS CIRCULAR UP TO THE DATE ON WHICH ALL THE CONDITIONS OF THE OPEN OFFER ARE FULFILLED WILL BEAR THE RISK THAT THE OPEN OFFER MAY NOT BECOME UNCONDITIONAL OR MAY NOT PROCEED.**

**SHAREHOLDERS, OPTIONHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY ARE ADVISED TO EXERCISE IN CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY, AND IF THEY ARE IN ANY DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISERS.**

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this Circular.

By order of the Board  
**Rich Goldman Holdings Limited**  
**Lin Chuen Chow, Andy**  
*Chairman*

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## LETTER FROM THE LISTING RULES IBC

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*The following is the text of a letter of recommendation from the Listing Rules IBC to the Independent Shareholders prepared for the purpose of inclusion in this Circular.*



**金粵控股有限公司**

**Rich Goldman Holdings Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00070)**

2 December 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED OPEN OFFER ON THE BASIS OF  
NINE (9) OPEN OFFER SHARES FOR EVERY FIVE (5) EXISTING SHARES  
AND  
CONNECTED TRANSACTION**

We refer to the circular of the Company dated 2 December 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.

We have been appointed by the Board as members of the Listing Rules IBC to advise the Independent Shareholders as to whether the Open Offer (including the transactions contemplated under the Underwriting Agreement) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders how to vote at the EGM. Opus Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages 45 to 76 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the principal factors and reasons considered by, and the advice of Opus Capital, we considered that the Open Offer (including the transactions contemplated under the Underwriting Agreement) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully

The Listing Rules IBC

**Mr. Cheung Yat Hung, Alton**

**Mr. Yue Fu Wing**

**Miss Yeung Hoi Ching**

*Independent Non-executive Directors*



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# LETTER FROM THE TAKEOVERS CODE IBC

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*The following is the text of a letter of recommendation from the Takeovers Code IBC to the Independent Shareholders prepared for the purpose of inclusion in this Circular.*



**金 粵 控 股 有 限 公 司**

**Rich Goldman Holdings Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00070)**

2 December 2019

*To the Independent Shareholders*

Dear Sir or Madam,

## **WHITEWASH WAIVER**

We refer to the circular of the Company dated 2 December 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.

We have been appointed by the Board as members of the Takeovers Code IBC to advise the Independent Shareholders as to whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders how to vote at the EGM. Opus Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages 45 to 76 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the principal factors and reasons considered by, and the advice of Opus Capital, we considered that the Open Offer is fair and reasonable and the Whitewash Waiver is to facilitate the implementation of the Open Offer, and therefore the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the special resolution to be proposed at the EGM to approve the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully

The Takeovers Code IBC

**Mr. Nicholas J. Niglio**

*Non-executive  
Director*

**Mr. Cheung Yat Hung,  
Alton**

*Independent Non-  
executive Director*

**Mr. Yue Fu Wing**

*Independent Non-  
executive Director*

**Miss Yeung Hoi Ching**

*Independent Non-  
executive Director*



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## LETTER FROM OPUS CAPITAL

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*The following is the full text of the letter from Opus Capital, the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in respect of the Open Offer (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Wavier for the purpose of inclusion in the Circular.*



18th Floor, Fung House  
19–20 Connaught Road Central  
Central, Hong Kong

2 December 2019

*To: The Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders of  
Rich Goldman Holdings Limited*

Dear Sir or Madam,

**(I) PROPOSED OPEN OFFER ON THE BASIS OF NINE (9)  
OPEN OFFER SHARES FOR EVERY FIVE (5) EXISTING SHARES  
HELD ON THE RECORD DATE;  
(II) CONNECTED TRANSACTION;  
AND  
(III) WHITEWASH WAIVER**

### INTRODUCTION

We refer to our appointment by the Company to advise the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in connection with the Open Offer (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Wavier, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the Circular, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 18 October 2019, the Company announced that it proposed to offer by way of the Open Offer on the basis of nine (9) Open Offer Shares for every five (5) existing Shares held on the Record Date. The Open Offer involves the allotment and issue of a total of 1,246,386,015 Open Offer Shares at a price of HK\$0.12 per Open Offer Share. The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK\$145.07 million. Faith Mount, a substantial Shareholder beneficially holding 205,125,000 Shares, representing approximately 29.62% of the existing number of Shares in issue as at the Latest Practicable Date, has agreed to be the Underwriter for the Untaken Offer Shares on the terms and conditions set out in the Underwriting Agreement.

As the Open Offer Shares are not issued pursuant to the general mandate of the Company, in accordance with Rule 7.24A(1) of the Listing Rules, among other things, the Open Offer must be made conditional on approval by the Independent Shareholders at the EGM. Pursuant to Rule 7.27A(1) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Open Offer.

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## LETTER FROM OPUS CAPITAL

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The Underwriting Agreement constitutes a connected transaction for the Company as Faith Mount, being a substantial Shareholder and the Underwriter, is a connected person of the Company. Accordingly, the Underwriting Agreement and the transactions contemplated thereunder will be subject to the Independent Shareholders' approval at the EGM.

None of the Directors has a material interest in the Open Offer and the Underwriting Agreement and therefore no Director was required to abstain from voting on the Board resolutions approving the Open Offer and the Underwriting Agreement.

As at the Latest Practicable Date, Faith Mount is the beneficial owner of a total of 205,125,000 Shares, representing approximately 29.62% of the entire issued share capital of the Company. Assuming (i) there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Open Offer; (ii) none of the Qualifying Shareholders other than Faith Mount have taken up their entitlements under the Open Offer; and (iii) none of the Unsubscribed Shares have been taken up under the Unsubscribed Arrangement, the interests in the Company held by Faith Mount upon the close of the Open Offer will increase from the current level of approximately 29.62% to approximately 74.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Open Offer Shares. Faith Mount will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code.

An application has been made by Faith Mount to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Open Offer and the Whitewash Waiver and the transactions contemplated thereunder (including the Underwriting Agreement) by the Independent Shareholders at the EGM by way of poll. The Executive has indicated that it is minded to grant the Whitewash Waiver which will be conditional upon, among others, the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders voting in person or by proxy at the EGM by way of poll. Save for Faith Mount, no Shareholder is required to abstain from voting in favour of or against the proposed resolution approving the Whitewash Waiver at the EGM. If the Whitewash Waiver is not granted by the Executive, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Directors was considered to have a material interest in the Open Offer, the Underwriting Agreement and the Whitewash Waiver and accordingly no Directors is required to abstain from voting on the relevant board resolutions of the Company.

### THE LISTING RULES IBC AND THE TAKEOVERS CODE IBC

The Listing Rules IBC, comprising all the independent non-executive Directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Miss Yeung Hoi Ching has been established to advise the Independent Shareholders on the Open Offer (including the transactions contemplated under the Underwriting Agreement). The Takeovers Code IBC, comprising the non-executive Director and all the independent non-executive Directors, namely Mr. Nicholas J. Niglio, Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Miss Yeung Hoi Ching, has been established to advise the Independent Shareholders on the Whitewash Waiver. Our appointment as the Independent Financial Adviser has been approved by the Board and the Takeovers Code IBC respectively.

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## LETTER FROM OPUS CAPITAL

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Our role as the Independent Financial Adviser is to advise the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders as to: (i) whether the terms of the Open Offer (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Waiver are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect to the resolutions to be proposed at the EGM in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any significant connection, financial or otherwise, with the Company, Faith Mount, Ms. Lin Yee Man or any of their respective connected persons, or any party acting, or presumed to be acting, in concert with any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, apart from normal independent financial advisory fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, Faith Mount or any of their respective connected persons, or any party acting, or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Listing Rules IBC in respect of the Open Offer (including the transactions contemplated under the Underwriting Agreement) pursuant to Rule 13.84 of the Listing Rules and to the Takeovers Code IBC in respect of the Whitewash Wavier pursuant to Rule 2.6 of the Takeovers Code.

### BASIS OF OUR OPINION

In formulating our advice and recommendation to the Listing Rules IBC and the Takeovers Code IBC respectively, we have reviewed, amongst other things:

- (i) the Company's annual reports for the years ended 30 June ("FY") 2018 (the "**2018 Annual Report**") and 2019 (the "**2019 Annual Report**") respectively;
- (ii) the Underwriting Agreement;
- (iii) the Placing Agreement; and
- (iv) other information as set out in the Circular.

We have also discussed with and reviewed the information provided to us by the Company, the Directors and the management of the Group (collectively, the "**Management**") regarding the business and outlook of the Group.

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## LETTER FROM OPUS CAPITAL

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We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders solely in connection for their consideration of the Open Offer (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Waiver, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the terms of the Open Offer (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Waiver, we have considered the following principal factors and reasons:

#### **1. Business and financial performance of the Group**

The Group is principally engaged in: (i) introducing customers to respective casino's VIP rooms in Macau and receiving the profit streams from junket businesses at respective casino's VIP rooms through independent junket operators in Macau; (ii) money lending business; (iii) hotel operation business; and (iv) property leasing business.

# LETTER FROM OPUS CAPITAL

Set out below is a summary of the audited financial results of the Group for FY2017, FY2018 and FY2019, as extracted from the 2019 Annual Report and the 2018 Annual Report:

**Table 1: Highlights of the financial results of the Group**

	<b>FY2019</b> (HK\$'000)	<b>FY2018</b> (HK\$'000)	<b>FY2017</b> (HK\$'000)
<b>Revenue</b>	<b>119,807</b>	<b>130,484</b>	<b>296,797</b>
– Gaming and entertainment business	74,069	91,303	295,459
– Money lending business	20,612	15,694	1,102
– Hotel operations	24,782	23,484	236
– Property leasing	344	–	–
Profit and total comprehensive income for the year	91,643	124,384	39,949
Profit/(loss) attributable to owners of the Company	42,579	39,009	(10,153)

Source: 2019 Annual Report and 2018 Annual Report

## **FY2018 vs FY2017**

In FY2018, the Group recorded total revenue of approximately HK\$130.5 million, representing a decrease of approximately HK\$166.3 million or 56.0% compared to total revenue of approximately HK\$296.8 million in FY2017. This was mainly due to a significant revenue decline of approximately 69.1% from gaming and entertainment business to approximately HK\$91.3 million in FY2018, which was attributable to the termination of the gaming promotion agreement between Venetian Macau Limited and its junkets operator in 2017, reducing the number of the VIP rooms for operating the Group's junket business in Macau. Such decline was partially set off by the revenue increase from money lending business of approximately 13.2 times to approximately HK\$15.7 million in FY2018 and hotel operation business of approximately 98.5 times to approximately HK\$23.5 million in FY2018. The significant increase in revenue from money lending business and hotel operation business was mainly to the commencement of (i) the money lending business through its subsidiary carrying the money lender's license; and (ii) the hotel operation business through the acquisition of the entire equity interest in and the shareholder's loan owed by Harbour Bay Hotels Limited, a company principally engaged in hotel management business in June 2017.

In FY2018, the Group recorded profit and total comprehensive income for the year of approximately HK\$124.4 million, representing a two-fold increase compared to profit and total comprehensive income for the year of approximately HK\$39.9 million in FY2017. The increase was primarily attributable to: (i) the absence of loss on disposal of its 20% equity interest in Good Omen Enterprises Limited, an associate company of approximately HK\$62.9 million, in which the Company entered into the share transfer agreement for a sale consideration of HK\$10.0 million in 2017. As a result of the foregoing, loss attributable to owners of the Company of approximately HK\$10.2 million in FY2017 improved to profit attributable to owners of the Company of approximately HK\$39.0 million in FY2018.

# LETTER FROM OPUS CAPITAL

## *FY2019 vs FY2018*

In FY2019, the Group recorded total revenue of approximately HK\$119.8 million, representing a decrease of approximately HK\$10.7 million or 8.2% compared to total revenue of approximately HK\$130.5 million in FY2018. This was mainly due to the decrease in revenue from gaming and entertainment business of approximately 18.9% to approximately HK\$74.1 million in FY2019, which was affected by the termination of gaming promotion agreement in 2017 as mentioned above, leaving a total of eight VIP tables in the casino of Grand Lisboa for operating the Group's junket business in Macau.

In FY2019, the Group recorded profit and total comprehensive income for the year of approximately HK\$91.6 million, representing a decline of approximately HK\$32.7 million or 26.3% compared to profit and total comprehensive income for the year of approximately HK\$124.4 million in FY2018. The decrease was primarily attributable to the reduction in reversal of impairment losses on trade receivables from approximately HK\$41.9 million in FY2018 to approximately HK\$2.0 million in FY2019. The profit attributable to owners of the Company was approximately HK\$42.6 million in FY2019, representing a drop of approximately HK\$3.6 million or 9.2% compared to profit attributable to owners of the Company of approximately HK\$39.0 million in FY2018.

Set out below is a summary of the audited financial position of the Group for FY2017, FY2018 and FY2019, as extracted from the 2019 Annual Report and the 2018 Annual Report:

**Table 2: Highlights of the financial position of the Group**

	<b>As at 30 June</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Non-current assets	931,662	328,871	228,597
Current assets	272,025	905,370	1,180,348
– Trade and other receivables	14,852	68,414	410,561
– Loan receivables and interest receivables	173,012	129,376	65,000
– Due from an associate	–	111,947	110,485
– Bank and cash balances	84,161	595,633	594,302
Current liabilities	11,866	7,202	23,929
Non-current liabilities	–	1,122	1,403
Net asset value attributable to owners of the Company	1,132,422	1,090,974	1,051,966

Source: 2019 Annual Report and 2018 Annual Report

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## LETTER FROM OPUS CAPITAL

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### *As at 30 June 2018*

As at 30 June 2017, total assets of the Group amounted to approximately HK\$1,408.9 million, comprising non-current assets of approximately HK\$228.6 million and current assets of approximately HK\$1,180.3 million. The decrease in total assets of approximately HK\$174.7 million or 12.4% from approximately HK\$1,408.9 million as at 30 June 2017 to approximately HK\$1,234.2 million as at 30 June 2018, mainly due to the decrease in trade and other receivables of approximately HK\$342.1 million or 83.3% from approximately HK\$410.6 million as at 30 June 2017 to approximately HK\$69.6 million as at 30 June 2018; but partially set off by: (a) the increase in current loan receivables of approximately HK\$64.4 million or 99.0% from approximately HK\$65.0 million as at 30 June 2017 to approximately HK\$129.4 million as at 30 June 2018; and (b) incurrence of non-current loan receivables of approximately HK\$124.0 million as at 30 June 2018.

As at 30 June 2017, total liabilities of the Group amounted to approximately HK\$25.3 million, comprising non-current liabilities of approximately HK\$1.4 million and current liabilities of approximately HK\$23.9 million. The decrease in total liabilities of approximately HK\$17.0 million or 67.1% from approximately HK\$25.3 million as at 30 June 2017 to approximately HK\$8.3 million as at 30 June 2018 was mainly due to: (i) the decline of approximately 61.7% in other payables from approximately HK\$9.9 million as at 30 June 2017 to approximately HK\$3.8 million as at 30 June 2018; and (ii) the repayment of bank borrowing of approximately HK\$14.0 million in FY2018. Gearing ratio of the Group, calculated by dividing total debt over total equity attributable to owners of the Company, was approximately 1.33% as at 30 June 2017 and nil as at 30 June 2018, which was due to the repayment of bank borrowing of approximately HK\$14.0 million in FY2018.

### *As at 30 June 2019*

As at 30 June 2018, total assets of the Group amounted to approximately HK\$1,234.2 million, comprising non-current assets of HK\$328.9 million and current assets of HK\$905.4 million. The total assets decreased by approximately HK\$30.6 million or 2.5% from approximately HK\$1,234.2 million as at 30 June 2018 to approximately HK\$1,203.7 million as at 30 June 2019, comprising non-current assets of HK\$931.7 million and current assets of HK\$272.0 million. The drop was mainly due to the decrease of approximately 72.5 times in bank and cash balances from approximately HK\$595.6 million as at 30 June 2018 to approximately HK\$84.2 million as at 30 June 2019. The major decline in bank and cash balances was mainly due to: (i) additional funds allocated to the Group's money lending business in FY2019 resulting in the increase in the loan portfolio with the total gross loan principal lent from approximately HK\$252 million as at 30 June 2018 to approximately HK\$313 million as at 30 June 2019; and (ii) the payment of HK\$455.0 million as the consideration for the Hotel Acquisition (as defined below) completed in April 2019, but partially set off by (a) the increase of approximately 86.0% in property, plant and equipment from approximately HK\$68.0 million as at 30 June 2018 to approximately HK\$561.3 million as at 30 June 2019, following the completion of the acquisition of the remaining 70% equity interest in Ever Praise Enterprises Limited, which holds the hotel property of the Group's hotel operations business, at a total consideration of HK\$455.0 million in FY2019 (the "**Hotel Acquisition**"); (b) incurrence of investment properties arising from the Hotel Acquisition of approximately HK\$151.0 million in FY2019; and (c) one-off of the financial assets at fair value through profit or loss of approximately HK\$52.7 million in FY2019.



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## LETTER FROM OPUS CAPITAL

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As at 30 June 2018, total liabilities of the Group amounted to approximately HK\$8.3 million, comprising non-current liabilities of approximately HK\$1.1 million and current liabilities of approximately HK\$7.2 million. The increase in total liabilities of approximately HK\$3.5 million or 42.6% from approximately HK\$8.3 million as at 30 June 2018 to approximately HK\$11.9 million as at 30 June 2019, which was only comprised of current liabilities of approximately HK\$11.9 million. The increase in current liabilities was mainly due to the increase of approximately 1.3 times in current tax liabilities from approximately HK\$3.4 million as at 30 June 2018 to approximately HK\$7.8 million as at 30 June 2019. As at 30 June 2018 and 2019, the Group has no outstanding debt or banking facilities, and the gearing ratio of the Group, calculated by dividing total debt over total equity attributable to owners of the Company, was nil.

### *Money lending outlook in Hong Kong*

As discussed in the Letter from the Board, the Directors consider that the money lending market in Hong Kong has a good business prospect and the majority of the net proceeds from the Open Offer is intended to be used to expand the Group's money lending business, in particular, mortgage loans.

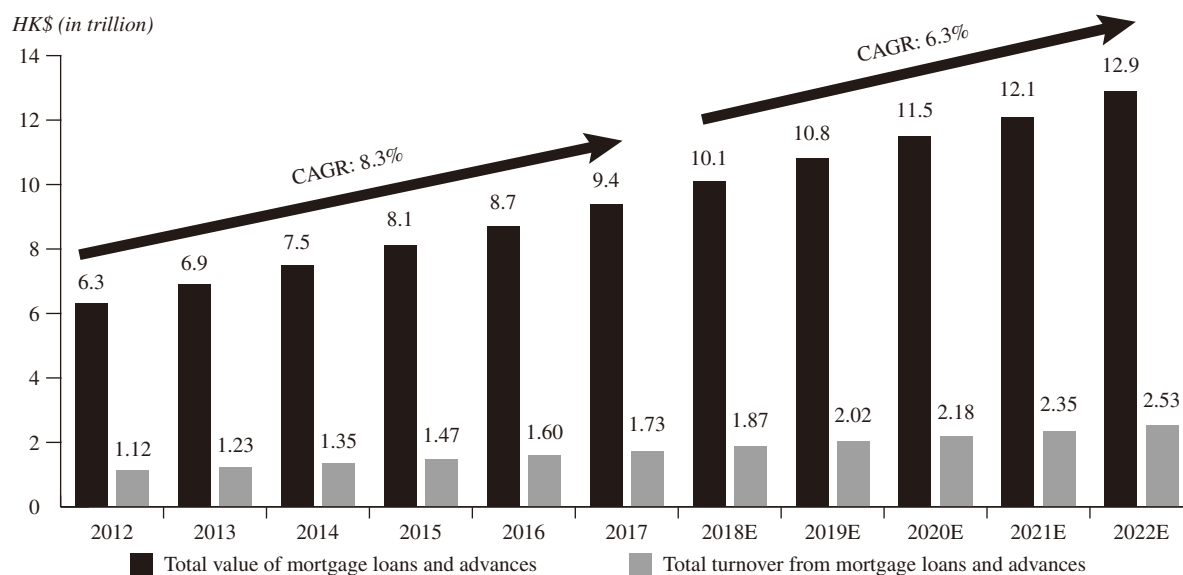
According to "The Chief Executive's 2019 Policy Address" (the "**2019 Policy Address**") presented by the Chief Executive of Hong Kong in October 2019, the Chief Executive has highlighted the housing policy, including but not limited to relaxing the ceiling on mortgage financing schemes for first-home buyers under the Mortgage Insurance Programme of The Hong Kong Mortgage Corporation Limited. For a first-time home buyer, the cap on the value of a property eligible for a mortgage loan of maximum cover of 90% loan to value ("**LTV**") ratio will be raised from the existing HK\$4 million to HK\$8 million. For a property eligible for a mortgage loan of maximum cover of 80% LTV ratio (which may include a mortgage loan for self-occupied "**flat for flat**"), the cap on its value will be raised from HK\$6 million to HK\$10 million. Given the introduction of the latest mortgage policy as announced in the 2019 Policy Address, the Management is optimistic about the future prospects of the money lending business.

According to an industry report from Frost & Sullivan, an independent market research and consulting company and headquartered in California, the United State of America, due to the fluctuation of economy development, the demand for extra fund has increased considerably in the market in the past five years. The total value of mortgage loans and advances granted by licensed money lenders has experienced a steady growth in the past five years, increasing from approximately HK\$6.3 billion in 2012 to approximately HK\$9.4 billion in 2017, at a compound annual growth rate ("**CAGR**") of approximately 8.3%. The figure is projected to reach approximately HK\$12.9 billion in 2022, demonstrating a CAGR of approximately 6.3% from 2018 to 2022.



## LETTER FROM OPUS CAPITAL

**Chart 1: Total value and total turnover of mortgage loans and advances granted by licensed money lenders**

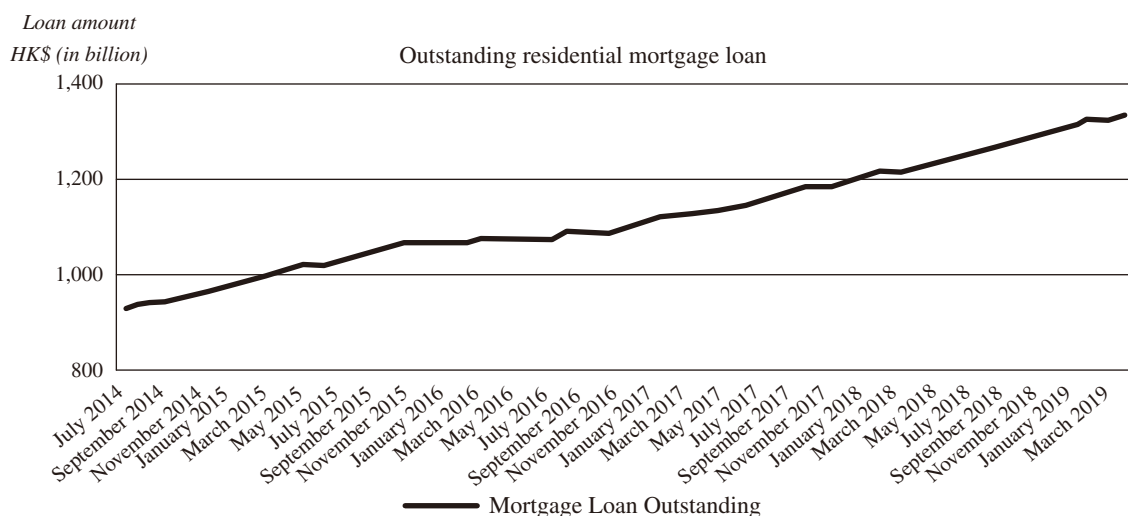


Source: Frost & Sullivan

Centa-City Leading Index is a weekly index based on the current contract prices in transactions conducted by Centaline Property Agency Limited that monitors up-to-date property price variations. For the past 10 years, the index has surged from 57.52 on 1 January 2009 to 188.39 as at 23 August 2019, representing an increase of approximately 227.5%.

# LETTER FROM OPUS CAPITAL

**Diagram 1: 5-year outstanding residential mortgage loan**



Source: the Hong Kong Monetary Authority (the "HKMA")

The robust growth in the property market also benefits the mortgage market in Hong Kong. According to the monthly residential mortgage survey results published by the HKMA, the outstanding value of residential mortgage loans increased by a CAGR of approximately 7.8% from approximately HK\$934.1 billion in June 2014 to HK\$1,370.0 billion in June 2019. On a monthly basis, as stated in the monthly statistical bulletin published by the HKMA, the total loans and advances also increased to approximately HK\$10,131.6 billion in June 2019 from approximately HK\$9,774.7 billion in July 2018, representing a growth of approximately 3.7%. Despite the relatively low growth rate in the total loans and advances last year, the total loans and advances had grown at a CAGR of approximately 11.3% since January 2010 to January 2019 which indicated a sustainable growth in the loans market. Taking into account the above, we are of the view that the outlook of the Group's money lending business is encouraging.

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## LETTER FROM OPUS CAPITAL

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### 2. Reasons for the Open Offer

As disclosed in the 2019 Annual Report, the Group had been allocating increasing amount of funds for the expansion of money lending business and it is the Group's intention to keep developing the money lending business. Based on the money lending outlook in Hong Kong, details of which are further disclosed in the paragraph headed "Money lending outlook in Hong Kong" above, the Directors consider that the money lending market in Hong Kong has a good business prospect.

As at 30 June 2019, the cash level of the Group was approximately HK\$84.2 million. According to the Management, although the cash level is enough to maintain the estimated general working capital of the Group for the next 12 months, the Management considers the money lending business is capital-intensive, therefore enhancement of capital strength is indispensable to the business development of money lending companies. As advised by the Management, since the commencement of the money lending business in 2017, the subsidiary operating the money lending business is principally financed by: (i) the financial resources from the Company, its ultimate holding company; and (ii) cash generated from its operations. It currently does not have any external funding sources. The Board considers that, taking into account the current cash level of the Group which stood at approximately HK\$84.2 million, the Group's money lending business could not be further developed at a faster pace and a larger scale, without resorting to external funding. Therefore the Board considers that the additional capital required for its money lending business development shall not be reliant on the existing cash level and/or internal financial resources of the Group. The Company considers that in developing its money lending business, external funding sources such as debt and bank financing is not appropriate and is not in the best interest of the Company given the incurrence of finance cost. The Company needs to accelerate its fund raising activities and enhance its capital strength to lay a solid foundation for seizing the strategic opportunities of new developments, in particular, the favourable mortgage policy as announced in the 2019 Policy Address in October 2019. In order to achieve the goals of the Company, the Open Offer will provide sufficient capital for improving the overall competitiveness of the Group's money lending business and realising its strategic objectives. The Board also considers that it remains an appropriate timing and circumstances to conduct the Open Offer at the Open Offer Price and at such ratio in order to capture opportunities in money lending business when arise.

The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK\$145.07 million. Out of the total net proceeds, approximately HK\$130.00 million will be utilised to expand the Group's money lending business while approximately HK\$15.07 million will be used as general working capital for the Group's business. Based on the historical development progress of the Group's money lending business, the Company intends to allocate HK\$130.00 million of the net proceeds from the Open Offer to accelerate the development of the Group's money lending business within the year ending 30 June 2020 in the following manner:

- (i) approximately 60% or HK\$78.00 million to be allocated to mortgage loans;
- (ii) approximately 30% or HK\$39.00 million to be allocated to pledged share loans; and
- (iii) approximately 10% or HK\$13.00 million to be allocated to personal and other loans.

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## LETTER FROM OPUS CAPITAL

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The Group has commenced the money lending business in 2017. Since then, the money lending business has become one of the core business income streams to the Group, contributing approximately 12.0% and 17.2% of the total revenue of the Group in FY2018 and FY2019 respectively. As stated in the 2019 Annual Report and the 2018 Annual Report, the revenue generated from the money lending business increased significantly from approximately HK\$1.1 million in FY2017 to approximately HK\$15.7 million in FY2018, and further increased to approximately HK\$20.6 million in FY2019. The Group's money lending business is headquartered in Hong Kong whose target customers comprising local customers in Hong Kong. It is mostly engaged in providing both short-term and long-term financing services, including (i) mortgage loans; (ii) pledged loans with listed or unlisted equity securities; and (iii) personal and other loans. We have reviewed the business development plan for the Group's money lending business (the "**Money Lending Business Plan**") and noted that approximately HK\$200.0 million will be added to the total loan principal available for the money lending business after the Open Offer Completion. According to the Money Lending Business Plan, the Board intends to allocate the additional funds for the following purposes in the 12 months following the Open Offer Completion: (a) approximately 60% or HK\$120.0 million to be allocated for mortgage loans; (b) approximately 30% or HK\$60.0 million to be allocated for pledged share loans; and (c) approximately 10% or HK\$20.0 million to be allocated for personal and other loans. According to the 2019 Annual Report, the total gross loan principal lent to the Group's customers amounted to approximately HK\$313.0 million as at 30 June 2019. We have further reviewed the allocation of the loan portfolio as at 30 June 2019, of which (i) approximately 56% were mortgage loans; (ii) approximately 36% were pledged share loans; and (iii) approximately 8% were personal and other loans. We have reviewed the risk control procedures of the Group's money lending business, details of which are further disclosed in the paragraph headed "Business model of the Group's money lending business" in the Letter from the Board. In view of the above, the Group's money lending business has already established a foothold in the various loan products where the Money Lending Business Plan can be more readily achievable.

As extracted from the Letter from the Board, Faith Mount is wholly owned by Ms. Lin Yee Man and is principally engaged in investment holding. It is the intention of Faith Mount to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. Faith Mount has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group.

In light of the recent social unrest in Hong Kong since June 2019, the hotel industry in Hong Kong has been adversely affected due to the drop in number of tourists coming to Hong Kong, which may have adverse impact on the Group's hotel operation business. Despite the Directors remaining cautiously optimistic on the hotel business in Hong Kong in the long term, the Group considers to apply part of the proceeds as additional general working capital for the Group, including but not limited to the hotel operation business, for the years ending 30 June 2020 and 2021 as follows:

- (i) approximately HK\$12.07 million will be retained for the general working capital requirements of the Group's hotel operation business, which primarily comprise staff costs, repair and maintenance, and marketing expenses for the two years ending 30 June 2021; and
- (ii) approximately HK\$3.00 million will be retained for additional general working capital of the Group (excluding the Group's hotel operation business), which primarily comprises staff costs and the Directors' remuneration for the two years ending 30 June 2021.

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## LETTER FROM OPUS CAPITAL

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We have reviewed the working capital forecast of the Group prepared by the Management for the period covering at least 12 months from the Latest Practicable Date, and discussed the said forecast and its underlying bases and assumptions with the Management. We note that in preparation of the Group's working capital forecast, the Management has taken into account: (i) the repayment schedule of the Group's existing loans to customers in the next 12 months; (ii) the operation needs of the Group in the next 12 months; (iii) the recent strategic plan of the Group including but not limited to the Money Lending Business Plan; and (iv) the current level of cash and bank balances. According to the Management, after taking into account of (i) the cash balance of approximately HK\$84.20 million as at 30 June 2019 together with the net proceeds from the Open Offer of approximately HK\$145.07 million; and (ii) the additional funds to be allocated for money lending business under the Money Lending Business Plan of approximately HK\$200.00 million, the Group would have approximately HK\$29.27 million left for the general working capital outflow for the coming 12 months. Having considered the above and the cash level of the Group of approximately HK\$84.20 million as at 30 June 2019 and having reviewed the Group's working capital expense breakdown for the year ending 30 June 2020, we are of the view and concur with the view of the Directors that the Group has a genuine funding need.

### *Fund raising alternatives*

As advised by the Directors, the Board has considered alternative means of fund raising before resolving to the Open Offer, including: (i) debt financing; (ii) placing of new Shares; or (iii) rights issue. As mentioned in the Letter from the Board, the Board is of the view that debt financing would incur finance costs and increase the Group's liabilities burden. In view of the fact that the fund-raising exercise is intended mainly for the expansion of the money lending business, the Board also considers it would not be appropriate to raise funds to finance long-term development of the Group through debt financings and not in the best interest of the Group given the incurrence of finance cost. Given the purpose of the fund-raising exercise as described in the section headed "Reasons for the Open Offer and the Use of Proceeds" in the Letter from the Board, we concur with the Directors that it would not be appropriate to raise fund through debt financing.

The Directors have also considered other alternative equity fund raising methods which include the placing of new Shares or a rights issue before deciding on the Open Offer. The Directors are of the view that placing of new Shares (i) would only be available to certain placees who may not necessarily be existing Shareholders and would dilute the shareholding of the existing Shareholders; and (ii) may only raise funds in a relatively smaller scale.

Pursuant to Rule 7.18 of the Listing Rules, a rights issue is an offer by way of rights to the existing Shareholders in proportion to their existing shareholding. The Directors are of the view that rights issue will involve extra administrative work, time and cost for the trading arrangements in relation to the nil paid rights sold in rights issue. We noted additional time and cost for the Company, primarily additional fee for other professional parties such as share registrar and legal advisers, estimated to be at least HK\$250,000 to HK\$300,000, will be incurred in trading of the rights during the subscription period should the Company choose to raise fund by a rights issue when compared to the Open Offer. We were also given to understand that the Company has approached independent securities brokers to act as underwriter and reviewed various correspondences made between the Company and the brokers in relation to negotiations made but none of them is willing to undertake a rights issue of such a scale given the thin trading volume of the Shares. After considering the fund raising alternatives mentioned above and taking into account the pros and cons as well as costs of each of the alternatives, the fact that the placing commission for the Unsubscribed Arrangements will only be incurred if (i) there are any Unsubscribed Shares to be placed by the Placing Agent, and (ii) such Unsubscribed Shares are placed successfully, the Board is of the view that a rights issue would not be in the overall interests of the Company and the Shareholders and the Open Offer is more cost effective, efficient and beneficial to the Company and the Shareholders as a whole.

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## LETTER FROM OPUS CAPITAL

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Having considered: (i) the reasons for the Open Offer; (ii) it is the Group's strategy to further bolster the diversified loan portfolio by developing the money lending business as disclosed in the 2019 Annual Report; (iii) the money lending industry in Hong Kong is relatively promising as stated in the paragraph headed "B. Overview of money lending business in Hong Kong" above; (iv) the majority of the proceeds raised from the Open Offer will be utilised for expanding the Group's money lending business; and (v) the Open Offer being an appropriate fund raising method, the Management considered, and we concur with their view, that the Open Offer is in the interests of the Company and the Shareholders as a whole.

### *Principal terms of the Open Offer*

Set out below are the principal terms of the Open Offer:

Basis of the Open Offer	: Nine (9) Open Offer Shares for every five (5) existing Shares held by the Shareholders on the Record Date
Open Offer Price	: HK\$0.12 per Open Offer Share
Number of Shares in issue as at the Latest Practicable Date	: 692,436,675 Shares
Number of Open Offer Shares	: 1,246,386,015 Open Offer Shares (assuming no change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date)
Underwriter	: Faith Mount

As at the Latest Practicable Date, the Company has 8,356,000 outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 8,356,000 new Shares. Save for the above, the Company has no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

On 14 October 2019, each of the Optionholders has given his irrevocable undertaking to the Company and Faith Mount to the effect that he will not exercise any of his Share Options on or before the Record Date. Please refer to the paragraphs headed "The Optionholders' Undertakings" under the section headed "The Irrevocable Undertakings" the Letter from the Board for further details of the Optionholders' Undertakings. Accordingly, it is not expected that there will be any change in the number of issued Shares from the Latest Practicable Date up to and including the Record Date. On this basis, the aggregate number of the Open Offer Shares that will be allotted and issued represents: (i) not more than 180% of the existing number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 64.29% of the number of Shares in issue as enlarged by the allotment and issue of the Open Offer Shares.

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## LETTER FROM OPUS CAPITAL

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### *Conditions of the Open Offer*

The Open Offer is conditional upon:

- (i) the obtaining of the Independent Shareholders' approval at the EGM;
- (ii) the Whitewash Waiver having been granted to Faith Mount (and such waiver not having been revoked or withdrawn); and
- (iii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. For details of the conditions of the Underwriting Agreement, please refer to the paragraphs headed "Conditions of the Underwriting Agreement" under the section headed "The Underwriting Arrangement for the Open Offer" in the Letter from the Board.

### *Evaluation of the Open Offer Price*

The Open Offer Price of HK\$0.12 per Open Offer Share, payable in full by a Qualifying Shareholder upon application for the assured allotment of Open Offer Shares under the Open Offer, represents:

- (a) a discount of approximately 13.67% over the closing price of HK\$0.139 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 28.57% over the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 30.64% over the average of the closing prices per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.173;
- (d) a discount of approximately 29.41% over the average of the closing prices per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.170;
- (e) a discount of approximately 31.82% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.176;
- (f) a discount of approximately 12.41% to the theoretical ex-entitlement price of approximately HK\$0.137 per Share based on the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Open Offer Shares;

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## LETTER FROM OPUS CAPITAL

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- (g) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 19.44% represented by the theoretical diluted price of approximately HK\$0.139 to the benchmarked price of approximately HK\$0.172 per Share (as defined under Rule 7.27B of the Listing Rules), taking into account the closing price on the Last Trading Date of HK\$0.168 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of HK\$0.172 per Share; and
- (h) a discount of approximately 93.02% to the consolidated net asset value (“NAV”) per Share attributable to the Shareholders as at 30 June 2019 of approximately HK\$1.72 per Share calculated based on the consolidated net assets of the Group attributable to the Shareholders of approximately HK\$1,191,821,000 as at 30 June 2019 as extracted from the annual results announcement of the Company for the year ended 30 June 2019 and 692,436,675 Shares then in issue.

As stated in the Letter from the Board, the terms of the Open Offer, including the Open Offer Price, were determined by the Board with reference to (i) the prevailing market condition; (ii) the prevailing market prices of the Shares; and (iii) the capital required for the Group’s business development as detailed in the section headed “Reasons for the Open Offer and Use of Proceeds” in the Letter from the Board.

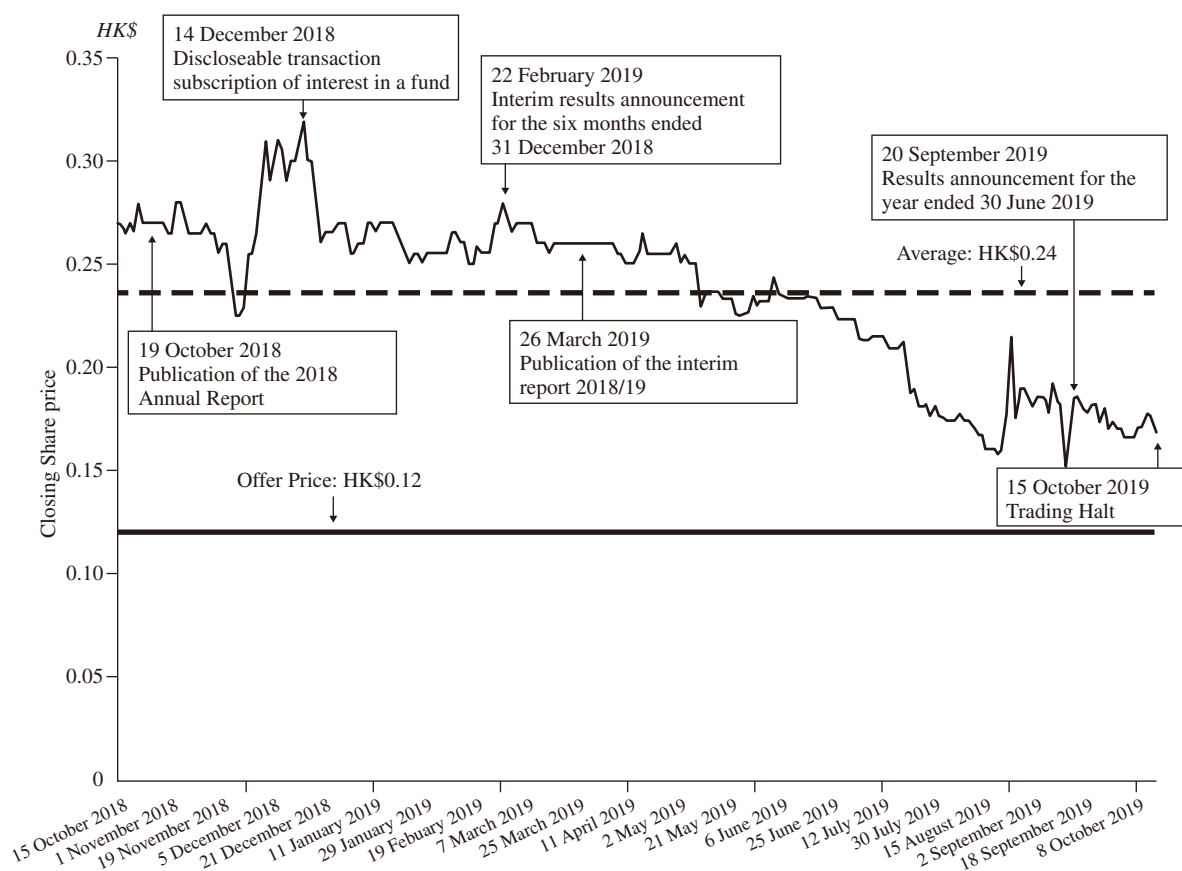
*A. Historical price performance of the Shares*

In order to assess the fairness and reasonableness of the Offer Open Price, we have reviewed the daily closing prices and trading liquidity of the Shares from 15 October 2018, being one year prior to the Last Trading Day, up to the Last Trading Day (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Open Offer Price, as the Share prices before the Announcement represent a fair market value of the Company which the Shareholders expected. The Share price after the Announcement may have taken into account the potential upside of the Open Offer which may distort the analysis. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



# LETTER FROM OPUS CAPITAL

**Chart 2: Closing Share price performance during the Review Period**



Source: the Stock Exchange

Note: Trading in the Shares was suspended on 15 October 2019 and resumed on 21 October 2019 due to the publication of the Announcement.

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## LETTER FROM OPUS CAPITAL

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As illustrated in the chart above, during the Review Period, the closing Share price traded at an average of approximately HK\$0.24 per Share with a maximum at HK\$0.32 per Share on 14 December 2018 and a minimum at HK\$0.15 per Share on 11 September 2019, demonstrating a general downward trend of the Share price since December 2018. The Open Offer Price of HK\$0.12 per Share represents a discount of approximately 49.1% to the average of the closing prices of the Shares of approximately HK\$0.24 and a discount of approximately 20.5% to the lowest closing Share price of approximately HK\$0.15 during the Review Period.

During the period commencing from 15 October 2018 to 14 August 2019, the closing price of the Shares demonstrated a downward trend by falling from HK\$0.27 per Share on 15 October 2018 and reached a low of HK\$0.17 per Share on 14 August 2019. We have reviewed the Share price movement during this period and noted the following notable events: (i) publication of interim results announcement from the six months ended 31 December 2018. The Management is not aware of any particular reason for the downward trend of the Share price during this period. We also noted that the Hang Seng Index (“**HSI**”) declined by approximately 0.6% from 25,445 to 25,302 during this period. We have also reviewed the Share price on the particular date/periods and noted the respective notable events as follows:

- (i) on 14 December 2018, the closing price of the Shares surged to the highest point of HK\$0.32 per Share. We noted that the announcement of a discloseable transaction in respect of subscription of interest in a fund was published on that date;
- (ii) during the period commencing from 14 December 2018 to 19 December 2018, the closing price dropped to a low point of HK\$0.28. We enquired with the Management on the surge in Share price but the Management is not aware of any particular reason for the sharp decrease in Share price during the period; and
- (iii) since the second half of 2019 up to the Last Trading Day, the closing price surged to a high point of HK\$0.22 on 23 August 2019, but subsequently the closing price of the Shares reached a bottom of HK\$0.15 on 11 September 2019. The Management is also not aware of any particular reason for such fluctuation in Share price during the period. Furthermore, we also noted that the HSI surged by approximately 3.6% from 26,179 to 27,159 between 23 August 2019 to 11 September 2019, and subsequently declined by approximately 2.1% from 27,159 to 26,576 between 11 September 2019 to the Last Trading Day.

# LETTER FROM OPUS CAPITAL

## B. Historical trading volume of the Shares

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

**Table 3: Trading volume of the Shares during the Review Period**

				Percentage of the average daily trading volume over total number of issued Shares held by public Shareholders %	Percentage of the average daily trading volume over total number of issued Shares %	Percentage of the average daily trading volume over total number of issued Shares %
	Total trading volume (Number of Shares)	Number of trading days	Average daily trading volume (Note 1)	of issued Shares (Note 2)	of issued Shares (Note 2)	of issued Shares (Note 2)
<b>2018</b>						
October (from 15 October to 31 October)	1,760,000	12	146,667	0.02%		0.03%
November	12,183,000	22	553,773	0.08%		0.11%
December	9,210,800	19	484,779	0.07%		0.10%
<b>2019</b>						
January	2,920,000	22	132,727	0.02%		0.03%
February	2,270,000	17	133,529	0.02%		0.03%
March	1,988,040	21	94,669	0.01%		0.02%
April	1,414,000	19	74,421	0.01%		0.02%
May	2,087,500	21	99,405	0.01%		0.02%
June	524,100	19	27,584	0.00%		0.01%
July	4,919,000	22	223,591	0.03%		0.05%
August	3,783,303	22	171,968	0.02%		0.04%
September	2,557,950	21	121,807	0.02%		0.02%
October (up to the Last Trading Day)	771,000	8	96,375	0.01%		0.02%

Source: the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. The calculation is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period.
3. The calculation is calculated by dividing the average daily trading volume for the month/period by the number of Shares held by public Shareholders in the relevant month/period.
4. Trading in the Shares was suspended on 15 October 2019 and resumed on 21 October 2019 due to the publication of the Announcement.

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## LETTER FROM OPUS CAPITAL

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As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 27,584 Shares to 553,773 Shares, representing close to nil to 0.08% of the total number of issued Shares. We notice that the trading liquidity of the Shares was very thin during the Review Period, with all months recording less than 0.1% to the then total number of issued Shares as at the end of their respective month. With reference to the thin trading liquidity of the Shares during the Review Period and the basis of nine (9) Open Offer Shares for every five (5) existing Shares of the Open Offer, Qualifying Shareholders who select to take up in full the respective assured entitlements under the Open Offer would more than double its number of Shares held. We anticipate that the Qualifying Shareholders may have difficulties in selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the Open Offer Completion without exerting a downward pressure on the market price of the Shares. We are therefore of the view that the Open Offer Price at a discount would provide greater opportunity for the Qualifying Shareholders to recoup the investment costs should they choose to realise them in due course. Therefore, the Open Offer Price fixed at a discount to the prevailing market price would be attractive to the Qualifying Shareholders to participate in the Open Offer.

### *C. Comparison with other open offer*

In assessing the fairness and reasonableness of the Open Offer Price, we have, on a best effort basis, conducted a search of recent proposed open offers, but excluding the proposed open offers conducted during a reverse takeover exercise, by the companies listed on the Stock Exchange announced within approximately twenty-four months prior to the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. Based on our research, we have identified a total of six open offer comparables (the “**Open Offer Comparables**”) during the Comparison Period. We consider that the Comparison Period is appropriate to provide a general reference under similar market condition. Nevertheless, Shareholders should note that the principal businesses, market capitalisations, profitability and financial positions of the Open Offer Comparables may not be the same as those of the Company, and we have not conducted any in-depth investigation into their businesses and operations. As the Open Offer Comparables can provide a general understanding of the key terms for this type of transaction in Hong Kong under the current market conditions, we consider, to the best of our knowledge and ability, that the Open Offer Comparables are exhaustive, fair and indicative in assessing the fairness and reasonableness of the key terms of the Open Offer.

# LETTER FROM OPUS CAPITAL

**Table 4: Analysis of the Open Offer Comparables**

Date of announcement	Company name (stock code)	Principal businesses	Basis of entitlement	Premium/ (discount) of the subscription price over/ to the closing price per share on the last trading day prior to announcement in relation to the respective open offer (%)	Premium/ (discount) of the subscription price over/ to the closing price per share on the last trading day prior to announcement in relation to the respective open offer (%)	Premium/ (discount) of the subscription price over/ to the consolidated NAV per share (%)	Maximum dilution on the shareholding (Note 1)	Underwriting commission (%)
29 November 2018 (Note 4)	Celestial Asia Securities Holdings Limited (1049)	(i) Trading of broking, financing, securities and corporate finance service; (ii) sale of furniture and household goods and electrical appliances; and (iii) provision of online game services and licensing services	1 for 1	(45.95)	(30.07)	(83.61)	50.00	nil
20 July 2018	Mayer Holdings Limited (1116)	Manufacturing and trading of steel related products	4 for 1	(18.70)	(4.40)	(67.70)	80.00	2.50
29 June 2018	Mexan Limited (22)	Hotel operation and the provision of hotel-related services	1 for 2	(1.96)	(1.19)	(22.12)	33.33	nil and 2.00 (Note 3)
27 June 2018	Grand Field Group Holdings Limited (115)	Property development, property investment and general trading	1 for 2	(33.70)	(25.33)	(89.96)	33.33	2.75
24 May 2018	GR Properties Limited (108)	Property development and investment	1 for 2	(4.76)	(3.61)	11.12	33.33	nil
23 November 2017 (Note 4)	China Nuclear Energy Technology Corporation Limited (611)	Investment in properties, renewable energy engineering and construction services	1 for 8	3.03	2.72	256.02 (Note 2)	11.11	nil
	<b>Maximum</b>			<b>3.03</b>	<b>2.72</b>	<b>11.12</b>	<b>80.00</b>	<b>2.75</b>
	<b>Minimum</b>			<b>(45.95)</b>	<b>(30.07)</b>	<b>(89.96)</b>	<b>11.11</b>	<b>nil</b>
	<b>Average</b>			<b>(17.01)</b>	<b>(10.31)</b>	<b>(50.42)</b>	<b>40.19</b>	<b>1.63</b>
	<b>The Company</b>	<b>Gaming and entertainment, money lending, hotel operation and property leasing businesses</b>	<b>9 for 5</b>	<b>(28.57)</b>	<b>(12.41)</b>	<b>(93.02)</b>	<b>64.29</b>	<b>nil</b>

Source: the Stock Exchange

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## LETTER FROM OPUS CAPITAL

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*Notes:*

1. Maximum dilution on the shareholding of each of the Open Offer Comparables is calculated as: ((number of open offer shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the open offer shares under the basis of entitlement + number of open offer shares to be issued under the basis of entitlement) x 100%), e.g. for an open offer issue with basis of one (1) open offer share for every one (1) existing share, the maximum dilution effect is calculated as  $(1/(1+1) \times 100\%) = 50.0\%$ .
2. The net asset values attributable to owners of the company per share of China Nuclear Energy Technology Corporation Limited (stock code: 611) is excluded from the above analysis as it appears to be an extreme outliers as compared to the rest of the Open Offer Comparables, thus does not provide a meaningful analysis.
3. Nil and 2.00% respectively for two underwriters.
4. The open offer involving the application for whitewash waiver.

As set out in the table above, we note that the subscription price to: (i) the closing price per share on the last trading day prior to the announcements in relation to the respective Open Offer Comparables ranged from a premium of approximately 3.03% to a discount of approximately 45.95%, with an average discount of approximately 17.01%; (ii) the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective Open Offer Comparables ranged from a premium of approximately 2.72% to a discount of approximately 30.07%, with an average discount of approximately 10.31%; and (iii) the subscription price to the consolidated NAV per share ranged from a premium of approximately 11.12% to a discount of approximately 89.96%, with an average discount of approximately 50.42%. We noted that the Open Offer Price is at a discount of approximately 28.57% to the closing price of the Shares as at the Last Trading Day and at a discount of approximately 12.41% to the theoretical ex-rights price per Share based on the closing price of the Shares on the Last Trading Day. Although the discounts are slightly higher than the corresponding average discounts of the Open Offer Comparables it nonetheless falls within the range of the Open Offer Comparables. We also noted that the Open Offer Price is at a significant discount of approximately 93.02% to the consolidated NAV per Share attributable to the Shareholders as at 30 June 2019 of approximately HK\$1.72, which is slightly higher than the maximum discount range of the Open Offer Comparables at approximately 89.96%.

In respect of the significant discount of approximately 93.02% to consolidated NAV per Share attributable to the Shareholders as at 30 June 2019, it is noted that the closing price of the Shares during the period from 15 October 2018 (i.e. one year prior to the Last Trading Day) up to the Last Trading Day, ranging from a maximum of HK\$0.32 per Share on 14 December 2018 to a minimum of HK\$0.15 per Share on 11 September 2019, had been consistently traded at a discount ranging from approximately 81.40% to 91.28% (the “**Historical NAV Discounted Range**”) to the consolidated NAV per Share attributable to the Shareholders as at 30 June 2019 of approximately HK\$1.72, respectively. It is also noted the significant discount of approximately 93.02% to the consolidated NAV per Share attributable to the Shareholders as at 30 June 2019 is approximately 1.9% higher than the top end of the Historical NAV Discount Range. Despite the Open Offer Price represents a significant discount to the consolidated NAV per Share attributable to the Shareholders as at 30 June 2019 and by a mere 1.9% over the top end of the Historical NAV Discount Range, we concur with the Directors that (i) the prevailing market prices of the Shares is a better reflection of the fair market value of the Shares traded on the Stock Exchange, it would be more appropriate to compare the Open Offer Price against such benchmark, rather than referencing to the consolidated NAV per Share attributable to the Shareholders; (ii) none of the three independent securities brokers approached by the Company was willing to act as potential underwriter(s) for the Open Offer, while the Underwriter was the only feasible option to

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## LETTER FROM OPUS CAPITAL

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the Group; and (iii) each Qualifying Shareholder will be given an equal opportunity to participate in the Company's future development by subscribing for his/her/its assured entitlements under the Open Offer on the same offer terms, the Company is of the view, which we concur, that it is necessary to offer a significant discount to the consolidated NAV per Share attributable to the Shareholders as at 30 June 2019 in order to encourage Qualifying Shareholders to participate in the Open Offer by taking up their respective entitlements and to maintain their shareholding in the Company. The Directors have considered that the potential benefits that would have been made available from the implementation of the Open Offer would outweigh the significant discount to the consolidated NAV per Share attributable to the Shareholders as at 30 June 2019. Therefore we consider (a) the discount of approximately 28.57% to the closing price of the Shares as at the Last Trading Day; and (b) the significant discount of approximately 93.02% to the consolidated NAV per Share attributable to the Shareholders as at 30 June 2019 are necessary to encourage the Qualifying Shareholders to participate in the Open Offer.

Taking into consideration that: (i) the Open Offer Price has a discount of 14.26% over the average closing price during the Review Period; (ii) the trading liquidity of the Shares were very thin during the Review Period and the Open Offer Price fixed at a discount may enhance the attractiveness of the Shares due to the thin trading liquidity; and (iii) the Directors are of the view that the discount of the Open Offer Price to the recent market prices of the Share is necessary to encourage the Qualifying Shareholders to participate in the Open Offer, we are of the view that the Open Offer Price is fair and reasonable as far as the Independent Shareholders are concerned.

As disclosed in the Letter from the Board, the original offer basis suggested by the Company was two (2) open offer shares for every (1) existing Share. However, on such offer ratio, and if (i) there is no acceptance by the qualifying shareholders (other than Faith Mount) under the open offer; and (ii) no Independent Third Parties took up the unsubscribed shares such that all the unsubscribed shares are taken up by Faith Mount, the Company will not have sufficient public float required under the Listing Rules (i.e. less than 25%). If this is the case, given that the open offer may not comply with the requirement on public float under the Listing Rules, at the request by Faith Mount, the Board then considered various alternative offer basis and, after due consideration of Faith Mount's compliance requirements, the Company's need of fund raising and the capital required to be raised, amended the basis of the Open Offer to nine (9) Open Offer Shares for every five (5) existing Shares. Hence, the Board considers the existing offer basis is in the interests of the Company and its Shareholders.

As set out in the table above, we note that the maximum dilution on the shareholding of the Open Offer Comparables ranged from approximately 11.11% to approximately 80.00%, with an average of approximately 40.19%. We note that the maximum dilution on the shareholding of the Open Offer is approximately 64.29%, which is slightly higher than the corresponding average maximum dilution on the shareholding of the Open Offer Comparables but nonetheless falls within the range of the Open Offer Comparables. It is noted that the proposed offer basis of the Open Offer may create odd lots, which may discourage the Shareholders from subscribing for the Offer Shares in full. However, taking into consideration of the maximum dilution on the shareholding of the Open Offer falls within the range of the Open Offer Comparables, we are of the view that the proposed offer basis is in the interest of the Company and the Shareholders as a whole and as far as the Independent Shareholders are concerned.

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## LETTER FROM OPUS CAPITAL

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### **The Underwriting Arrangement for the Open Offer**

Set out below are the principal terms of the Underwriting Agreement:

Date	:	14 October 2019
Parties	:	(i) The Company; and (ii) Faith Mount, being the Underwriter to the Open Offer
Number of Open Offer Shares underwritten	:	All such Unsubscribed Shares that have not been placed by the Placing Agent or they have been placed but the placees have not paid therefor at 4:00 p.m. on the Placing End Date
Commission	:	Nil

From the table on the Open Offer Comparables as set out above, we noted that the range of commissions received by underwriters of the Open Offer Comparables ranged from nil to 2.75%, with an average underwriting commission of approximately 1.21%. We note that the underwriting commission for the Open Offer is nil, which is at the lower point of the market range. Accordingly, we are of the view that fact that the Underwriter is not receiving any underwriting commission is in the interests of the Company and the Shareholders as a whole. We have also reviewed the other major terms, including the conditions and termination clauses, of the Underwriting Agreement. Accordingly, we consider the terms of the Underwriting Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated under the Underwriting Agreement is in the interest of the Company and the Shareholders as a whole.

### **Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements**

According to the Letter from the Board, prior to approaching Faith Mount to act as the underwriter to the Open Offer, the Company approached three independent securities brokers to act as the underwriter, but none of them was willing to act as the underwriter given the prevailing market condition. Thereafter, the Company further discussed with such independent securities brokers to see if they were agreeable to act as the placing agent to place the Unsubscribed Shares. After discussion with such independent securities brokers, given the prevailing market condition and the price trend of the Shares, only the Placing Agent was willing to place the Unsubscribed Shares on a best efforts basis on the condition that the Placing Price would be equivalent to the Open Offer Price. Therefore, the terms of the Placing Agreement were the best available terms for the placing arrangement that the Company could obtain.



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## LETTER FROM OPUS CAPITAL

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As no independent securities brokers approached by the Company was willing to act as the underwriter, the Company therefore approached Faith Mount to act as the underwriter to the Open Offer. Pursuant to Rule 7.26A(2) of the Listing Rules, as Faith Mount is a substantial Shareholder, the Company must make the arrangements described in Rule 7.26A(1)(b) of the Listing Rules and therefore could not provide the Shareholders with excess applications. Further, if application for excess Open Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures while costs for the Unsubscribed Arrangements will only be incurred if (i) there are any Unsubscribed Shares to be placed by the Placing Agent; and (ii) such Unsubscribed Shares are placed successfully. It is expected that less effort would be required from the Company under the Unsubscribed Arrangements.

Pursuant to Rule 7.26A(2) of the Listing Rules, as Faith Mount, being a substantial Shareholder, shall act as the underwriter of the Open Offer, the Company must make arrangements as stipulated in Rule 7.26A(1)(b) of the Listing Rules to dispose of any Unsubscribed Shares by offering such Unsubscribed Shares to independent placees for the benefit of the relevant No Action Shareholders.

As further mentioned in the Letter from the Board, any Unsubscribed Shares (which comprise: (i) the aggregated fractional Open Offer Shares; (ii) the Open Offer Shares that are not subscribed by the Qualifying Shareholders; and/or (iii) Open Offer Shares which would otherwise have been in the assured allotments of the Non-Qualifying Shareholders), will be first placed by the Placing Agent under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties, and if not successfully placed out, will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

In order to comply with the Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent to place the Unsubscribed Shares on a best effort basis, at the Placing Price. Any unplaced Unsubscribed Shares will then be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Set out below are the principal terms of the Placing Agreement:

Placing Agent	: Ferran Securities
Placing commission	: 1.0% of the gross proceeds from the subscription of the Unsubscribed Shares successfully placed by the Placing Agent as at the date of Open Offer Completion
Placing Price	: HK\$0.12 per Unsubscribed Share

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## LETTER FROM OPUS CAPITAL

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Placing Period : The Placing Period shall commence on the second Business Day after the day on which the latest time for acceptance for the Open Offer Shares falls (i.e. 6 January 2020 under the current timetable), and end on the Placing End Date (i.e. 7 January 2020 under the current timetable) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements

Placees : The Unsubscribed Shares are expected to be placed to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties

For the avoidance of doubt, no placee shall become a substantial Shareholder

According to the Letter from the Board, the Placing Agent shall, on a best efforts basis during the Placing Period, seek to procure subscribers who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties for all (or as many as possible) of the Unsubscribed Shares.

The Placing Agent also confirms that it is an Independent Third Party, and that there is no other arrangement, agreement, understanding or undertaking with the Underwriter in relation to the Shares.

As stated in the Letter from the Board, the terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.

As the Placing price is equivalent to the Open Offer Price, no premium over the Open Offer Price is expected and no monetary benefits will be payable to the No Action Shareholder.

The placing of Unsubscribed Shares by the Placing Agent is of similar nature as those under non-underwritten placing of new shares by companies listed on the Stock Exchange. To assess the fairness of the placing commission, we have, on a best effort basis, conducted a search of recent non-underwritten placing of new shares (excluding H-shares) by companies listed on the Stock Exchange (the "**Placing Comparables**") announced from 15 September 2019, being approximately one month prior to the Last Trading Day, up to the Last Trading Day, by companies listed on the Stock Exchange (where information is available) so as to reflect the general trend of placing transactions in the market. We noted that the placing commissions of such Placing Comparables ranged from approximately 1.0% to 3.0%. Accordingly, the placing commission under Placing Agreement of 1.0% is in line with the placing market practice. Having also considered that: (i) the placing commission under the Placing Agreement approaches the lower end of the range of placing commissions of the Placing Comparables; and (ii) the terms of the Unsubscribed Arrangements, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company, we consider the 1.0% placing commission to be fair and reasonable.

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## LETTER FROM OPUS CAPITAL

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With reference to the Letter from the Board, although the Unsubscribed Arrangements will not offer any monetary benefits to the No Action Shareholders, the Company considers that it still provides a compensatory arrangement and benefits to the No Action Shareholders, protects the interest of the Independent Shareholders, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole as (i) the Unsubscribed Arrangements facilitate the implementation of the Open Offer which will benefit the Company and the Shareholders as a whole as the Open Offer will satisfy the funding needs of the Company without incurring additional finance costs, administrative costs and burden for the Company as set out in the paragraphs headed “Alternative Fund Raising Methods” under the section headed “Reasons for the Open Offer and the Use of Proceeds” in the Letter from the Board in this Circular; and (ii) the Unsubscribed Arrangements also allow the Open Offer Shares to be placed to independent placees with proceeds accrued to the Company, before the Open Offer Shares are taken up by Faith Mount, which could potentially increase the shareholders’ base of the Company and may enhance the liquidity of the Shares which will be beneficial to the No Action Shareholders.

We also understand that the Unsubscribed Arrangements is a compensatory arrangement at the cost of the Company that would protect the interest of the Company’s minority Shareholders in the Open Offer to address the concern that the Underwriter has the potential to increase its interests in the Company at a lower cost because the Open Offer Price is at discount to the recent prevailing market prices. The placing of Unsubscribed Shares may be placed to independent placees under the Unsubscribed Arrangements which will expand the shareholders’ base. As the Company has put in place the Unsubscribed Arrangements as required by Rule 7.26A(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Open Offer as stipulated under Rule 7.26A(1)(a) of the Listing Rules. We also consider that the aforementioned arrangements governing the placing of the Unsubscribed Shares complies with Rule 7.26A(2) of the Listing Rules. Given that the Unsubscribed Arrangements would (i) provide a distribution channel of the Unsubscribed Shares for the Company; (ii) broaden the shareholders’ base of the Company; and (iii) provide a compensatory arrangements for the No Action Shareholders, we are of the view that the Unsubscribed Arrangements are fair and reasonable, in the interest of the Company and the Shareholders as a whole, and are intended to protect the interest of the Independent Shareholders.

Taking into account the principal terms of the Open Offer as highlighted above, we consider that the terms of the Open Offer (including the transactions contemplated under the Underwriting Agreement) are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

# LETTER FROM OPUS CAPITAL

## D. Potential dilution effect on the interests of the Independent Shareholders

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

	(i) As at the Latest Practicable Date		(ii) Immediately upon the Open Offer Completion assuming full acceptance by all Qualifying Shareholders under the Open Offer		(iii) Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than Faith Mount) under the Open Offer; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements		(iv) Immediately upon the Open Offer Completion assuming (a) no acceptance by the Qualifying Shareholders (other than Faith Mount) under the Open Offer and; (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Faith Mount	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Faith Mount (Note)	205,125,000	29.62	574,350,000	29.62	574,350,000	29.62	1,451,511,015	74.87
Sub-total (Faith Mount and parties acting in concert with it)	<u>205,125,000</u>	<u>29.62</u>	<u>574,350,000</u>	<u>29.62</u>	<u>574,350,000</u>	<u>29.62</u>	<u>1,451,511,015</u>	<u>74.87</u>
Independent placees	–	–	–	–	877,161,015	45.24	–	–
Other public Shareholders	<u>487,311,675</u>	<u>70.38</u>	<u>1,364,472,690</u>	<u>70.38</u>	<u>487,311,675</u>	<u>25.13</u>	<u>487,311,675</u>	<u>25.13</u>
<b>Total</b>	<b><u>692,436,675</u></b>	<b><u>100</u></b>	<b><u>1,938,822,690</u></b>	<b><u>100</u></b>	<b><u>1,938,822,690</u></b>	<b><u>100</u></b>	<b><u>1,938,822,690</u></b>	<b><u>100</u></b>

*Note:* Faith Mount is wholly-owned by Ms. Lin Yee Man. According to the Takeovers Code, Ms. Lin Yee Man is a party acting in concert with Faith Mount by virtue of her shareholding in Faith Mount. As at the Latest Practicable Date, Ms. Lin Yee Man does not have any other interest in Shares apart from her deemed interest in the 205,125,000 Shares owned by Faith Mount by virtue of Part XV of the SFO.

As illustrated above, if no Qualifying Shareholders take up the Open Offer Shares and no Unsubscribed Shares can be placed to independent placees, (i) the shareholding of the existing public Shareholders would be reduced from approximately 70.38% as at the Latest Practicable Date to approximately 25.13%, representing a possible dilution of approximately 45.25% in their shareholding interests arising from the Open Offer; and (ii) the shareholding of Faith Mount would be increased from approximately 29.62% as at the Latest Practicable Date to approximately 74.87%, upon the Open Offer Completion.

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## LETTER FROM OPUS CAPITAL

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Taking into account: (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer in that the Qualifying Shareholders have their choice of whether to accept the Open Offer or not; (ii) the Open Offer offers the Qualifying Shareholders a chance to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the prevailing market prices of the Shares; (iii) those Qualifying Shareholders who choose to accept the Open Offer in full can maintain their respective existing shareholding interests in the Company after the Open Offer; (iv) the inherent dilutive nature of open offers in general if the existing shareholders do not subscribe in full for their assured entitlements; (v) the net proceeds from the Open Offer would give the Group a basis to accelerate the development of the Group's money lending business; and (vi) the Unsubscribed Arrangements will provide a compensatory mechanism at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Open Offer to address the concern that the Underwriter has the potential to increase its interests in the Company at a lower cost because the Open Offer Price is at discount to the recent prevailing market price and will also expand the shareholders' base by placing the Unsubscribed Shares to independent placees, we are of the view that the potential dilution effect of the Open Offer is justifiable.

Faith Mount has undertaken to the Company under the Underwriting Agreement that if the subscription for the Unsubscribed Shares by Faith Mount pursuant to the Underwriting Agreement will result in insufficient public float of the Company within the meaning of the Listing Rules, Faith Mount shall, subject to compliance with the Takeovers Code, take all appropriate steps including but not limited to the engagement of a placing agent to procure subscribers (who are Independent Third Parties) to subscribe for the Shares which would otherwise be required to be taken up by Faith Mount under the Underwriting Agreement in order to restore the minimum public float requirement of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules.

We are of the view that the implementation of the Open Offer is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact to the shareholding interests of the existing public Shareholders, who do not participate fully or partly in the Open Offer, having regard to the potential mitigating measure such as the Unsubscribed Arrangements.

### **3. Financial effects of the Open Offer**

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets, before any adjustments, of the Group attributable to owners of the Company was approximately HK\$1,125.0 million as at 30 June 2019.

#### ***Net assets***

Assuming all Optionholders undertake not to exercise the Options before the Record Date and no other issue of Shares on or before the Record Date, (i) the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase by approximately HK\$145.1 million as at 30 June 2019 upon Open Offer Completion; and (ii) the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share would decrease by approximately 59.3% from approximately HK\$1.62 to approximately HK\$0.66 as at 30 June 2019.

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## LETTER FROM OPUS CAPITAL

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According to the 2019 Annual Report, as at 30 June 2019, the NAV of the Group was approximately HK\$1,191.8 million. Assuming all Optionholders undertake not to exercise the Options and no other issue of Shares on or before the Record Date, (i) the unaudited pro forma adjusted consolidated net assets of the Group attributable to the owners of the Company would increase by approximately HK\$145.1 million as at 30 June 2019 upon Open Offer Completion; and (ii) the unaudited pro forma adjusted consolidated NAV per Share would decrease by approximately 59.9% from approximately HK\$1.72 to approximately HK\$0.69 as at 30 June 2019.

### *Liquidity*

According to the 2019 Annual Report, as at 30 June 2019, the bank and cash balances of the Group was approximately HK\$84.2 million and the Group had current assets of approximately HK\$272.0 million, current liabilities of approximately HK\$11.9 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 June 2019 was approximately 22.9 times. Immediately upon Open Offer Completion, the bank and cash balances of the Group is expected to increase by the expected net proceeds from the Open Offer of approximately HK\$145.07 million. The current ratio will increase to approximately 35.0 times.

### *Gearing*

According to the 2019 Annual Report, as at 30 June 2019, the Group has nil gearing ratio (being the ratio of total debt over total equity attributable to owners of the Company).

Although the unaudited pro forma adjusted consolidated net tangible assets value per Share will decrease by approximately 59.3%, the Open Offer will strengthen the liquidity position of the Group represented by current ratio, in particular the bank and cash balances. Hence, we are of the view that the Open Offer is in the interests of the Company and the Independent Shareholders.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon the Open Offer Completion and due to its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of: (i) the financial position of the Company as at 30 June 2019 or any future date; or (ii) the net tangible assets per Share of the Company as at 30 June 2019 or any future date.

#### **4. Whitewash waiver**

As at the Latest Practicable Date, Faith Mount is the beneficial owner of a total of 205,125,000 Shares, representing approximately 29.62% of the entire issued share capital of the Company. Assuming (i) there is no change in the number of issued Shares from the date of this announcement up to and including the date of close of the Open Offer; (ii) none of the Qualifying Shareholders other than Faith Mount have taken up their entitlements under the Open Offer; and (iii) none of the Unsubscribed Shares have been taken up under the Unsubscribed Arrangement, the interests in the Company held by Faith Mount upon the close of the Open Offer will increase from the current level of approximately 29.62% to approximately 74.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Open Offer Shares.

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## LETTER FROM OPUS CAPITAL

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Faith Mount will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed, and the benefits of the Open Offer as discussed above, including providing financing to expand the Group's money lending business, will not be implemented. Accordingly, we consider that the Whitewash Waiver is to facilitate the implementation of the Open Offer and in the interests of the Company and the Independent Shareholders. We wish to highlight that if the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of Faith Mount may exceed 50%, in which event Faith Mount may further increase its shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

### RECOMMENDATION

In view of the above and having considered in particular that:

- (i) the purpose of the fund-raising exercise is mainly for financing the expansion of the Group's money lending business, the Board consider it would not be appropriate to raise fund through debt financing as the money lending business is capital-intensive in nature, thus, the additional capital for its money lending business shall not be rely on the existing cash level and/or financial resources of the Group, which needs to accelerate its fund raising activities;
- (ii) despite the Open Offer Price represents (a) a discount of approximately 28.57% to the closing price of the Shares as at the Last Trading Day; and (b) a significant discount of approximately 93.02% to the consolidated NAV per Share attributable to the Shareholders as at 30 June 2019, we concur with the Directors that (i) the prevailing market prices of the Shares is a better reflection of the fair market value of the Shares traded on the Stock Exchange, it would be more appropriate to compare the Open Offer Price against such benchmark, rather than referencing to the consolidated NAV per Share attributable to the Shareholders; (ii) none of the three independent securities brokers approached by the Company was willing to act as potential underwriter(s) for the Open Offer, while the Underwriter was the only feasible option to the Group; and (iii) each Qualifying Shareholder will be given an equal opportunity to participate in the Company's future development by subscribing for his/her/its assured entitlements under the Open Offer on the same offer terms, the Company is of the view, which we concur, that it is necessary to offer a significant discount to the consolidated NAV per Share attributable to the Shareholders as at 30 June 2019 in order to encourage Qualifying Shareholders to participate in the Open Offer by taking up their respective entitlements and to maintain their shareholding in the Company, details of which to refer to the paragraph headed "C. Comparison with other open offer" above, therefore we consider (a) the discount of approximately 28.57% to the closing price of the Shares as at the Last Trading Day; and (b) the significant discount of approximately 93.02% to the consolidated NAV per Share attributable to the Shareholders as at 30 June 2019 are necessary to encourage the Qualifying Shareholders to participate in the Open Offer;



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## LETTER FROM OPUS CAPITAL

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- (iii) the trading volume of the Shares was generally thin and hence it may be difficult for the Company to conduct equity fund raising activities in the market with similar size to that of the Open Offer;
- (iv) the Open Offer is expected to have an overall positive effect on the financial position of the Group in terms of working capital, except for the consolidated NAV per Share, upon Open Offer Completion;
- (v) although the Open Offer will result in dilution to the existing public Shareholders, having considered the benefits that may be brought by the Open Offer to the Company and thereby the Shareholders, we consider that the potential dilution effect of the Open Offer is acceptable; and
- (vi) Faith Mount, being a substantial Shareholder, has given Irrevocable Undertaking, which serves to indicate the substantial Shareholder's confidence in the Company following the Open Offer and is in the interests of the Company and the Shareholders as a whole,

we are of the opinion that: (i) the terms of the Open Offer (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Open Offer (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders. Accordingly, we advise the Listing Rules IBC and the Takeovers Code IBC to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) on the Open Offer, the Underwriting Agreement and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,

For and on behalf of

**Opus Capital Limited**

**Koh Kwai Yim**

*Managing Director*

**Kelly Hui**

*Director*

*Ms. Koh Kwai Yim is the Managing Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 17 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.*

*Ms. Kelly Hui is the Director of Opus Capital and is licensed under the SFO as a representative to conduct Type 1 (dealing in securities) and a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Ms. Hui has over 10 years of corporate finance experience and has participated in and completed various initial public offering, financial advisory and independent financial advisory transactions.*

\* For illustrative purpose only.



## 1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Consolidated financial information of the Group (being the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in equity) for each of the three financial years ended 30 June 2017, 2018 and 2019, together with the relevant notes thereto, are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and/or the Company ([www.richgoldman.com.hk](http://www.richgoldman.com.hk)):

- (i) annual report of the Company for the year ended 30 June 2017 dated 29 September 2017 (pages 44 to 112) which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2017/1031/ltm20171031459.pdf>;
- (ii) annual report of the Company for the year ended 30 June 2018 dated 21 September 2018 (pages 52 to 118) which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1029/ltm20181029490.pdf>; and
- (iii) annual report of the Company for the year ended 30 June 2019 dated 20 September 2019 (pages 49 to 132) which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1018/ltm20191018199.pdf>.

Set out below is a summary of the audited financial results of the Group for each of the three years ended 30 June 2017, 2018 and 2019 as extracted from the annual reports of the Company for the years ended 30 June 2017, 2018 and 2019.

	For the year ended 30 June		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Revenue	296,797	130,484	119,807
Profit before taxation	39,949	127,930	95,965
Income tax expense	—	(3,546)	(4,322)
Profit for the year	39,949	124,384	91,643
Profit/(loss) for the year attributable to:			
Owners of the Company	(10,153)	39,009	42,579
Non-controlling interests	50,102	85,375	49,064
Earnings/(loss) per share (HK\$)			
Basic	(0.01)	0.06	0.06
Dividend per share	N/A	N/A	N/A
Diluted	N/A	N/A	N/A
Total comprehensive income for the year attributable to:			
Owners of the Company	(10,153)	39,009	42,579
Non-controlling interests	50,102	85,375	49,064
	39,949	124,384	91,643

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the Company's auditor's report for the financial year ended 30 June 2019.

Please see below extracts of the qualified opinions issued by the Company's auditors as contained in the Company's auditors reports for the two financial years ended 30 June 2017 and 2018:

**Extracts from the Company's auditor's report for the financial year ended 30 June 2017**

**“Qualified Opinion**

We have audited the consolidated financial statements of Rich Goldman Holdings Limited, formerly known as Neptune Group Limited, (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 44 to 112, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

***Basis for Qualified Opinion***

*1. Investment in an associate and loss on disposal of an associate*

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the assumptions made by the directors in the valuation of the associate's intangible assets as well as the recoverable amount of the associate's trade receivables as at 30 June 2016. There are no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the valuation of the interest in an associate as included in the consolidated statement of financial position as at 30 June 2016 and the Group's share of profit of an associate as included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the above associate on disposal for the year ended 30 June 2017. There are no other satisfactory audit procedures that we could adopt to determine whether the loss on disposal of an associate charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017 is appropriate. However, we are satisfied that the investment in an associate is fairly stated as at 30 June 2017.

**2. Intangible assets**

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the useful life determination of the intangible assets related to gaming and entertainment business of HK\$65,338,000 and HK\$571,285,000 as at 30 June 2017 and 2016 respectively. There are no other satisfactory audit procedures that we could adopt to determine whether the carrying amounts of these intangible assets of HK\$65,338,000 and HK\$571,285,000 as at 30 June 2017 and 2016 respectively are fairly stated, and the accuracy of the impairment loss and amortization of the intangible assets of HK\$450,870,000 and HK\$205,416,000 charged for the year ended 30 June 2016 respectively and the accuracy of the impairment loss and amortisation of the intangible assets of HK\$397,311,000 and HK\$108,636,000 charged for the year ended 30 June 2017 respectively.

Any adjustments to the figures as described above might have a consequential effect on the Group's financial performance and cash flows for the year ended 30 June 2017 and 2016 and the financial position of the Group as at 30 June 2017 and 2016, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.”

**Extracts from the Company's auditor's report for the financial year ended 30 June 2018****“Qualified Opinion**

We have audited the consolidated financial statements of Rich Goldman Holdings Limited, and its subsidiaries (the “**Group**”) set out on pages 52 to 118, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

***Basis for Qualified Opinion***

As at 30 June 2017, the Group's intangible assets included a profit sharing agreement with a junket operator, Hoi Long, with a carrying amount of HK\$55,000,000. The Hoi Long profit sharing agreement had no expiry date. In estimating its useful life, the directors made reference to the term of the related junket representative agreement which was effective to 28 April 2018 and determined an estimated useful life of 10 months. The junket representative agreement may be terminated by the casino operator by giving 30 days notice. During the year ended 30 June 2017, the junket operators of the Group's other profit sharing arrangements each received termination notices from the casinos operators. In light of this fact and the challenging business environment for casino operators in Macau, there was significant uncertainty as to whether the Hoi Long profit sharing arrangement would be terminated before its expiry date of 28 April 2018. Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the intangible assets related to Hoi Long profit sharing arrangement of HK\$55,000,000 as at 30 June 2017. The profit sharing arrangements terminated during the year ended 30 June 2017 had remaining useful lives at 1 July 2016 of 6 years which assumed renewals at the end of the effective terms of the related junket representative agreements. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of this assumption and therefore as to the appropriateness of the amortisation and impairment loss of intangible assets recognised for the year ended 30 June 2017. There are no other satisfactory audit procedures that we could adopt to determine whether the carrying amounts of these intangible assets of HK\$55,000,000 as at 30 June 2017 are fairly stated, and the accuracy of the impairment loss and amortisation of the intangible assets of HK\$397,311,000 and HK\$108,636,000 charged for the year ended 30 June 2017 respectively and the amortisation of the intangible assets of HK\$55,000,000 charged for the year ended 30 June 2018.

Any adjustments to the figures as described above might have a consequential effect on the Group's financial performance and cash flows for the year ended 30 June 2018 and 2017 and the financial position of the Group as at 30 June 2017, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 31 October 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Circular, there are no unaudited outstanding interest-bearing bank loans and other borrowings.

The Group, apart from intra-group liabilities, did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 31 October 2019.

**3. WORKING CAPITAL**

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; and (ii) the estimated net proceeds from the Open Offer, the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this Circular.

**4. MATERIAL CHANGE**

The Directors confirmed that since 30 June 2019, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date, there was no material changes in the financial or trading position or outlook of the Group and the general trend of the business of the Group, save and except as disclosed below:

- (i) the possible impacts on the Group's hotel operation business related to the drop in number of tourists coming to Hong Kong due to the recent continuous social incidents since June 2019. For the details of the prospects of the Group's hotel operation business, please refer to the paragraph headed "Reasons for the Open Offer and the Use of Proceeds" in the "Letter from the Board" of the Circular; and
- (ii) the possible continuous impacts on the Group's gambling business related to the termination of the gaming promotion agreement between Venetian Macau Limited and the junket operators in Macau in 2017, resulting in the decrease in number of VIP tables in the casino for operating the Group's junket business, as disclosed in the annual report of the Company for the year ended 30 June 2019, and the expiry of the existing license agreement between Grand Lisboa and the junket operator in April 2020.

**5. BUSINESS AND FINANCIAL PROSPECTS OF THE GROUP****Gaming-related business**

The Group's gaming revenue decreased by approximately 18.9% from approximately HK\$91.3 million for the year ended 30 June 2018 to approximately HK\$74.1 million for the year ended 30 June 2019. As disclosed in the annual report of the Company for the year ended 30 June 2019, the remaining junket operator is currently operating junket businesses in relation to a total of 8 VIP tables in the casino of Grand Lisboa. The Group would continue to monitor closely the performance of the junket operator and it is the Group's intention to continue to engage in the gaming sector in Macau through the junket operator.

**Money Lending Business**

The Directors consider that the money lending market in Hong Kong has a good business prospect. As disclosed in the annual report of the Company for the year ended 30 June 2019, the Group has both the potential and ability to further expand our money lending business and broadening our customer base. It is our Group's intention to keep developing the money lending business. The Open Offer will ensure the Group has sufficient funds to further expand the money lending business.

**Hotel Operations Business**

In light of the recent social unrest in Hong Kong since June 2019, the hotel industry in Hong Kong has been adversely affected due to the drop in number of tourists coming to Hong Kong, which may have adverse impact on the Group's hotel operation business. Nevertheless, the Directors remaining cautiously optimistic on the hotel business in Hong Kong in long term. The Group will keep developing the hotel operations business. The Open Offer will provide additional general working capital for the Group's hotel operation business.

**Property Leasing Business**

In April 2019, the Group had acquired the remaining 70% interests of a hotel property. The hotel property are mainly used for the hotel operations business of the Group, leaving the shops on the ground floor of the hotel property leased to independent third parties so as to generate another income stream for the Group. The Group intends to maintain such business in return for stable revenue.

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

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had taken place on 30 June 2019.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Open Offer.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 30 June 2019, adjusted as described below:

<b>Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2019 (Note 1) HK\$'000</b>	<b>Estimated net proceeds from the Open Offer (Note 2) HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2019 HK\$'000</b>
<b>1,125,021</b>	<b>145,070</b>	<b>1,270,091</b>
Audited consolidated net tangible assets per Existing Share before completion of the Open Offer (Note 3)		<b>HK\$1.62</b>
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share immediately after completion of the Open Offer (Note 4)		<b>HK\$0.66</b>

*Notes:*

1. The amount of audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2019 represents the equity attributable to the owners of the Company of approximately HK\$1,132,422,000 as extracted from the audited consolidated statements of financial position of the Group as at 30 June 2019 in the annual report published by the Company after deducting the intangible assets and goodwill of approximately HK\$4,757,000 (excluding the non-controlling interests in the intangible assets of approximately HK\$19,029,000) and HK\$2,644,000 respectively as at 30 June 2019.
2. The estimated net proceeds from the Open Offer are based on 1,246,386,015 Offer Shares at the Subscription Price of HK\$0.12 per Offer Share, after deduction of the share issue related expenses payable by the Company of approximately HK\$4,496,000.
3. Based on 692,436,675 Existing Shares in issue as at 30 June 2019 before completion of the Open Offer.
4. Based on 1,938,822,690 Consolidated Shares, on which:
  - (a) 692,436,675 Existing Shares in issue as at 30 June 2019; and
  - (b) 1,246,386,015 Offer Shares were in issued as at 30 June 2019, assuming that the Open Offer had been completed on 30 June 2019.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2019.



**B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.*

RSM Hong Kong  
羅申美會計師事務所  
Certified Public Accountants

29th Floor  
Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

2 December 2019

The Board of Directors  
Rich Goldman Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Rich Goldman Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 30 June 2019 as set out on pages II-1 to II-2 of the circular issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Open Offer on the Group's net tangible assets as at 30 June 2019 as if the Open Offer had been taken place at 30 June 2019. As part of this process, information about the Group's net tangible assets has been extracted by the Directors from the Group's consolidated financial statements as included in the annual report for the year ended 30 June 2019, on which an audit report has been published.

**DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 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 (the “**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 behavior.

The firm applies Hong Kong Standard on Quality Control 1 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 29(7) of Chapter 4 of the Listing Rules, on the 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 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 pro forma financial information in accordance with paragraph 29 of Chapter 4 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 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 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 judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

We make no comments regarding the reasonableness of the amount of net proceeds from the Open Offer, the application of those net proceeds, or whether such use will actually take place as described under “Use of Proceeds” and “Reasons for the Open Offer” set out on page 23 of the circular.

**OPINION**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong  
*Certified Public Accountants*  
Hong Kong

**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 Group. 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.

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

The sole director of Faith Mount and the ultimate beneficial owner of Faith Mount, namely Ms. Lin Yee Man, accepts full responsibility for the accuracy of the information contained in this Circular (other than information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of her knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular the omission of which would make any statement herein misleading.

**2. DISCLOSURE OF INTERESTS****(i) Interests of Directors and chief executive of the Company**

As at the Latest Practicable Date, the interests or short positions of each of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

**(a) Interest in shares**

As at the Latest Practicable Date, none of the Directors and the chief executive had any interests or short positions in any shares of the Company or any of its associated corporations (within the meaning of part XV of the SFO), which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Interest in Share Options**

Name of Director	Date of grant	Adjusted exercise price per Share	Exercisable period	Number of underlying Shares held	Approximate percentage of the Company's issued share capital ( <i>Note</i> )
Mr. Nicholas J. Niglio	1 April 2016	HK\$0.610	1 April 2016 to 31 March 2026	4,178,000	0.60%
Mr. Lin Chuen Chow, Andy	1 April 2016	HK\$0.610	1 April 2016 to 31 March 2026	4,178,000	0.60%

*Note:* As at the Latest Practicable Date, the total number of Shares in issue was 692,436,675 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(ii) Interests of substantial shareholders of the Company**

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity and nature of interest	Number of Shares Interested		Approximate percentage of the Company's issued share capital ( <i>Note 2</i> )
		Long position	Short position	
Mr. Wong Yau Shing	Beneficial owner	108,000,000	–	15.60%
Faith Mount Limited ( <i>Note 1</i> )	Beneficial owner	1,082,286,015	–	156.30%
Ms. Lin Yee Man	Interest of controlled corporation	1,082,286,015	–	156.30%

*Note 1:* As at the Latest Practicable Date, Faith Mount Limited was wholly-owned by Ms. Lin Yee Man.

*Note 2:* As at the Latest Practicable Date, the total number of Shares in issue was 692,436,675 Shares.

Save as disclosed above and so far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or has, directly or indirectly, interested in 10% or more of the issued voting shares any other member of the Group.

**3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY**

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “Effect of the Open Offer on the Shareholding Structure of the Company” in the “Letter from the Board” in this Circular, none of Faith Mount, Ms. Lin Yee Man or any parties acting in concert with any of them held, owned or controlled any other Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company. In addition, save for the Irrevocable Undertaking given by Faith Mount, details of which as set out in the section headed “The Irrevocable Undertakings” in the “Letter from the Board” in this Circular and the Underwriting Agreement, none of Faith Mount, Ms. Lin Yee Man or any parties acting in concert with any of them had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (b) save as disclosed in the section headed “Effect of the Open Offer on the Shareholding Structure of the Company” in the “Letter from the Board” in this Circular, the sole director of Faith Mount, Ms. Lin Yee Man, was not interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, the sole director of Faith Mount had not dealt in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (c) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder;
- (d) save for the Irrevocable Undertaking given by Faith Mount, details of which as set out in the paragraphs headed “The Irrevocable Undertakings” in the “Letter from the Board” in this Circular and the Underwriting Agreement, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Faith Mount, Ms. Lin Yee Man or any parties acting in concert with any of them, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (e) none of Faith Mount, Ms. Lin Yee Man or any parties acting in concert with any of them has borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company, save for any borrowed shares which have been either on-lent or sold during the Relevant Period;

- (f) none of the Company and the Directors held any shares, convertible securities, warrants, options or derivatives of Faith Mount or similar rights which are convertible or exchangeable into shares of Faith Mount. None of them had dealt for value in any shares, convertible securities, warrants, options or derivatives of Faith Mount during the Relevant Period;
- (g) save as disclosed in the paragraph headed “2. Disclosure of Interests” in this Appendix, none of the Directors had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (h) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (i) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (j) none of the Company nor any Directors had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company, save for any borrowed shares which have been either on-lent or sold during the Relevant Period;
- (k) save for the Irrevocable Undertaking given by Faith Mount, details of which as set out in the section headed “The Irrevocable Undertakings” in the “Letter from the Board” in this Circular and the Underwriting Agreement, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate”, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (l) there was no agreement, arrangement or understanding (including any compensation arrangement) between Faith Mount, Ms. Lin Yee Man or any parties acting in concert with any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Open Offer, the Underwriting Agreement and the Whitewash Waiver;

- (m) apart from the Underwriting Agreement and the Irrevocable Undertaking given by Faith Mount, details of which as set out in the section headed “The Irrevocable Undertakings” in the “Letter from the Board” in this Circular, there is no other understanding, arrangement or special deal between the Group on the one hand, and Faith Mount, Ms. Lin Yee Man and any parties acting in concert with any of them on the other hand; and
- (n) there was no agreement, arrangement or understanding between Faith Mount and other persons in relation to the transfer, charge or pledge of the Shares that will be issued and allotted to Faith Mount pursuant to the Open Offer or may be issued and allotted to Faith Mount pursuant to the fulfillment of its obligations under the Underwriting Agreement.

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

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Open Offer, the Underwriting Agreement and the Whitewash Waiver;
- (b) there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Open Offer, the Underwriting Agreement and the Whitewash Waiver or otherwise connected with the Open Offer, the Underwriting Agreement and the Whitewash Waiver; and
- (c) there was no material contract entered into by Faith Mount in which any Director had a material personal interest.

#### **5. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS**

##### **(i) Interests in competing interests**

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have an interest in any business which competes or is likely to compete or have any other conflict of interest, either directly or indirectly, with the business of the Group.

##### **(ii) Interests in contracts or arrangements**

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement which was significant in relation to the business of the Group.

##### **(iii) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 30 June 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up).



**6. SHARE CAPITAL**

The issued share capital of the Company as at the Latest Practicable Date and upon the Open Offer Completion (assuming there is no other change in the number of Shares in issue) are as follows:

(i)	As at the Latest Practicable Date, the number of Shares in issue was	692,436,675
(ii)	Immediately following the Open Offer Completion	
	Number of Shares in issue as at the Latest Practicable Date	<u>692,436,675</u>
	<i>Plus:</i>	
	Number of Open Offer Shares to be allotted and issued under the Open Offer	<u>1,246,386,015</u>
	Total number of Shares in issue	<u><u>1,938,822,690</u></u>

All the issued Shares in the capital of the Company rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. No Shares have been issued since 30 June 2019, being the date on which the latest audited financial statements of the Group were made up. Except for the Open Offer Shares contemplated under the Underwriting Agreement, as at the Latest Practicable Date, no Shares, options, warrants, conversion rights or any equity and debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

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

**The Share Option Scheme**

As at the Latest Practicable Date, the Company had outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 8,356,000 new Shares, details of which are set out below:

<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price (HK\$)</b>	<b>Number of underlying Shares</b>
1 April 2016	1 April 2016 to 31 March 2026	0.61	<u><u>8,356,000</u></u>

Save for the Share Options, the Company had no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares and there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

## **7. MARKET PRICES**

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

<b>Date</b>	<b>Closing price of Shares (HK\$)</b>
30 April 2019	0.260
31 May 2019	0.232
28 June 2019	0.223
31 July 2019	0.176
30 August 2019	0.180
30 September 2019	0.182
Last Trading Day (14 October 2019)	0.168
31 October 2019	0.138
29 November 2019 (Latest Practicable Date)	0.139

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.138 on 31 October 2019 and HK\$0.260 on 30 April 2019 respectively.

## **8. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or been proposed to enter, into any service contract with the Company or any other member of the Group which is (i) entered into or amended within 6 months before the date of the Announcement (i.e. 18 October 2019), (ii) a continuous contract with a notice period of 12 months or more, (iii) a fixed term contract with more than 12 months to run irrespective of the notice period, or (iv) not expiring or may not be terminable by the Group within one year without payment of compensation (other than statutory compensation).

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of the Announcement which are or may be material:

- (i) a subscription agreement dated 14 December 2018 entered into between Divine Glory Global Limited (“**Divine Glory**”) and Dol-Fin Select Investment Fund SPC (“**Fund Company**”) in relation to the subscription of the participating, non-redeemable, non-voting share of par value US\$0.01 in the capital of the Fund Company designated as Class B Shares attributable to Dol-Pin Select Investment Fund SP, a segregated portfolio of the Fund Company, by Divine Glory at a total subscription amount of HK\$50,000,000;
- (ii) a sale and purchase agreement dated 26 February 2019 entered into among (i) Top Metro Ventures Limited (a direct wholly-owned subsidiary of the Company) as the purchaser; (ii) Take Billion Holdings Limited and Million Wealth Worldwide Limited as vendors (collectively, the “**Vendors**”); and (iii) Ms. Cheung Hei Nga Isabella and Mr. Wang Chi Hung as guarantors to the Vendors in relation to the acquisition of (a) 70% of the issued share capital of Ever Praise Enterprises Limited (“**Ever Praise**”); (b) 70% of all the outstanding indebtedness owing by the Ever Praise to its shareholders as at completion at the aggregate consideration of HK\$455,000,000;
- (iii) the Underwriting Agreement; and
- (iv) the Placing Agreement.

## 10. CLAIMS AND LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 11. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions or advice contained in this Circular:

Name	Qualification
RSM Hong Kong	Certified Public Accountants
Opus Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above expert has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its report and/or opinion (as the case may be) and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above expert did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, each of the above expert did not have any direct or indirect interest in any assets which had been, since 30 June 2019, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any members of the Group.

Each of (i) the accountants' report of RSM Hong Kong on the unaudited pro forma financial information of the Group; and (ii) the letter from Opus Capital is given as of the date of this Circular for incorporation herein.

## 12. CORPORATE INFORMATION AND PARTIES TO THE OPEN OFFER

<b>Registered Office</b>	Room 1807, 18/F West Tower Shun Tak Centre 168–200 Connaught Road Central Hong Kong
<b>Share registrar and transfer office</b>	Computershare Hong Kong Investor Services Limited Room 1712–1716 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
<b>Company Secretary</b>	Mr. Kwok Chee Wai <i>A member of each of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales</i>
<b>Authorised representatives</b>	Mr. Kwok Chee Wai
<b>Principal Bankers</b>	Bank of Communications Company Limited Industrial And Commercial Bank of China Limited Macau Branch
<b>Auditor and Reporting Accountant</b>	RSM Hong Kong 29th Floor, Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong

<b>Legal advisers to the Company in relation to the Open Offer</b>	Deacons 5th Floor, Alexandra House 18 Chater Road Central, Hong Kong
<b>The Underwriter</b>	Faith Mount Limited Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola VG1110 British Virgin Islands
<b>Director of the Underwriter</b>	Ms. Lin Yee Man
<b>Ultimate beneficial owner of the Underwriter</b>	Ms. Lin Yee Man
<b>Principal member of Faith Mount's concert group</b>	Ms. Lin Yee Man 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

### 13. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Set out below are the particulars and biographies of the existing Directors and senior management of the Company:

#### (a) Particulars of the Directors and senior management of the Company

<b>Name</b>	<b>Address</b>
<i>Executive Director</i>	
Mr. Lin Chuen Chow Andy	Room 1807, 18/F West Tower, Shun Tak Centre 168–200 Connaught Road Central
Ms. So Wai Yin	Room 1807, 18/F West Tower, Shun Tak Centre 168–200 Connaught Road Central

Name	Address
<i>Non-executive Director</i>	
Mr. Nicholas J. Niglio	Room 1807, 18/F West Tower, Shun Tak Centre 168–200 Connaught Road Central
<i>Independent non-executive Directors</i>	
Mr. Cheung Yat Hung, Alton	Room 1807, 18/F West Tower, Shun Tak Centre 168–200 Connaught Road Central
Mr. Yue Fu Wing	Room 1807, 18/F West Tower, Shun Tak Centre 168–200 Connaught Road Central
Miss Yeung Hoi Ching	Room 1807, 18/F West Tower, Shun Tak Centre 168–200 Connaught Road Central
<i>Senior management</i>	
Mr. Kwok Chee Wai	Room 1807, 18/F West Tower, Shun Tak Centre 168–200 Connaught Road Central

**(b) Biographies of the Directors and senior management of the Company**

*Executive Director*

**Mr. Lin Chuen Chow Andy**, aged 44, was appointed as an executive Director on 30 November 2012. Mr. Lin graduated from the University of Wales, holding a Bachelor of Arts (Hons) Business Management Degree. He is currently an affiliate member of Hong Kong Securities and Investment Institute. He has also passed the Estate Agent Qualifying Examination of the Estate Agents Authority and has obtained an Estate Agent's (Individual) License. He is currently the Chief Operation Officer of the Company and is a veteran in gaming industry who has managed gaming business in Macau, particularly in customer relationship management. Prior to joining the Company, he had worked in the Administration Department of the Hong Kong Exchanges and Clearing Limited for a period of more than thirteen years. On 24 July 2019, Mr. Lin was appointed as the Chairman of the Board of the Group.

**Ms. So Wai Yin**, aged 43, was appointed as an executive director on 2 August 2018. She has over 10 years of experience in the fields of corporate governance and administration. She obtained a bachelor degree in business management from University of Plymouth, the United Kingdom and a master degree in corporate governance and directorship from The Hong Kong Baptist University. She is also an associate member of The Hong Kong Independent Non-executive Director Association. She joined the Group as corporate governance officer since 13 October 2016, and has been appointed as a director of Top Vast Finance Limited, a subsidiary of the Group principally engaged in the money lending business, since 1 March 2017. Prior to joining the Group, she has worked in other listed companies in Hong Kong and is responsible for overlooking administration and company secretarial matters.

*Non-executive Director*

**Mr. Nicholas J. Niglio**, aged 73, was appointed as an executive director on 3 September 2007 and redesignated from an executive director to a non-executive director on 2 August 2018. He has over 25 years varied background in gambling focused entertainment field. Prior to his current position, Mr. Niglio previously was the Executive Vice President of Trump Taj Mahal Casino Resort, Inc. Atlantic City NJ serving as a senior executive in Casino marketing and international operation to oversee all operational and administrative management of marketing program.

Mr. Niglio had worked at Caesars World Inc., Atlantic City NJ to develop casino marketing operation in all aspect and to train up staff to raise the level of customer service.

Mr. Niglio was also a senior executive of Casino Administration in Resort International Hotel and Casino, Atlantic City NJ. Mr. Niglio graduated from the California State University with a Master degree in business administration, a B.S. degree in accounting from Saint Peter's College, Jersey City NJ.

*Independent Non-executive Directors*

**Mr. Cheung Yat Hung, Alton**, aged 56, was elected as an independent non-executive Director on 5 June 2007. He has over 12 years business experience and is an elite of automobile dealer industry. He held directorships in a number of private companies which are engaged in automobile distribution in the PRC, among most of the finest brand automobile in the world.

He is also currently a director and chairman of both POC Holdings (HK) Ltd and Foremostar Easymax Group Co. Ltd, being private companies which were mainly engaged in real estates development in Shanghai and Nanchang respectively.

He graduated from California College of Arts and Craft, Berkeley, USA holding a Bachelor degree major in faculty of communication and fine arts. He now also has a full membership of Royal Hong Kong Yacht Club and Hong Kong Jockey Club.

**Mr. Yue Fu Wing**, aged 51, was appointed as an independent non-executive Director and a member of the audit committee of the Company on 15 January 2005. Mr. Yue is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has a Master Degree in PRC Accounting from Jinan University in China and a Bachelor Degree in Accountancy from the City University of Hong Kong. Mr. Yue has over 10 years experience in accounting and finance. He has worked for a multinational company, a Hong Kong listed company and an international accounting firm.

**Miss Yeung Hoi Ching**, aged 37, was appointed as an independent non-executive Director and a member of the audit committee of the Company on 1 April 2017. She was graduated from the University of Heriot Watt with a Bachelor degree in Business Administration in November 2011. Miss Yeung commenced her career in finance field in 2011 when she served as an administration manager of a finance company and was responsible for monitoring the business operation of the company. In 2013, Miss Yeung joined and worked for another finance company as operation manager. She has over 5 years of experience in finance and its related business.

#### *Senior Management*

**Mr. Kwok Chee Wai**, aged 36, is a Certified Public Accountant (Practising) in Hong Kong. He obtained a bachelor degree in accounting from Napier University in United Kingdom and a master degree in corporate governance and directorship from Hong Kong Baptist University. He is also an associate member of Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He is also a member of The Taxation Institute of Hong Kong, an ordinary member of Hong Kong Securities and Investment Institute and a member of Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators. Prior to joining the Group, he worked at several accounting firms and has over 15 years of experience in auditing, taxation and provision of financial consultancy services.

#### **14. EXPENSES**

The expenses in connection with the Open Offer, including the printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$4.5 million, which are payable by the Company.

#### **15. LANGUAGE**

The English texts of this Circular and the proxy form shall prevail over their Chinese texts in case of inconsistency.



**16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) at the registered office of the Company situated at Room 1807, 18/F West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong from 9:00 a.m. to 5:30 p.m. on any business day; (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) on the website of the Company ([www.richgoldman.com.hk](http://www.richgoldman.com.hk)) from the date of this Circular up to and including the date of the EGM:

- (i) the articles of association of the Company;
- (ii) the memorandum and articles of association of Faith Mount;
- (iii) the annual reports of the Company for the years ended 30 June 2018 and 2019;
- (iv) the letter from the Board to the Shareholders, the text of which is set out from pages 9 to 42 of this Circular;
- (v) the letter of recommendation from the Listing Rules IBC to the Independent Shareholders, the text of which is set out on page 43 of this Circular;
- (vi) the letter of recommendation from the Takeovers Code IBC to the Independent Shareholders, the text of which is set out on page 44 of this Circular;
- (vii) the letter of recommendation from the Independent Financial Adviser, the text of which is set out on pages 45 to 76 of this Circular;
- (viii) the report on the unaudited pro forma financial information of the Group from RSM Hong Kong as set out in Appendix II to this Circular;
- (ix) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (x) the written consents referred to in the paragraph headed “Experts and Consents” in this Appendix;  
and
- (xi) this Circular.

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## NOTICE OF EGM

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### 金 粵 控 股 有 限 公 司

Rich Goldman Holdings Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00070)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Rich Goldman Holdings Limited (the “**Meeting**”) will be held at Meeting Room of Soho 2, 6/F, Ibis Hong Kong Central & Sheung Wan, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 19 December 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions.

#### **SPECIAL RESOLUTION**

1. “**THAT** subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director)(the “**Executive**”), the wavier (the “**Whitewash Waiver**”) pursuant to Note 1 on the dispensations from Rule 26.1 of the Takeovers Code waiving any obligation on the part of Faith Mount Limited (“**Faith Mount**”) to make a mandatory general offer for all the issued securities of the Company not already owned or agreed to be acquired by Faith Mount and any parties acting in concert with it, which would be triggered as a result of the fulfilment of its underwriting obligation under the underwriting agreement entered into between Faith Mount and the Company on 14 October 2019 (as amended and supplemented by a letter of extension dated 29 November 2019) (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) (the “**Underwriting Agreement**”), be and are hereby approved, and any one director of the Company (the “**Director(s)**”) be and are hereby authorised to do all such things and acts and execute all documents which he/she considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver.”

#### **ORDINARY RESOLUTIONS**

2. “**THAT** subject to and conditional upon the fulfillment or waiver (where applicable) of the conditions set out in the Underwriting Agreement:
  - (a) the allotment and issue of 1,246,386,015 shares (the “**Open Offer Share(s)**”) by way of open offer (the “**Open Offer**”) at the offer price of HK\$0.12 per Open Offer Share on the basis of nine (9) Offer Shares for every five (5) existing shares of the Company held by the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on Friday, 3 January 2020 (or such later date as may be determined and announced by the Company) (the “**Record Date**”) other than those shareholders (the “**Non-Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on the Record Date and whose addresses as shown on the register of members of the Company are outside Hong Kong, whom the Directors, after making enquiry regarding the legal restrictions under the laws of relevant place and requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude from Open Offer, based on legal advice provided by legal advisers in the relevant jurisdictions, and the transactions contemplated thereunder, be and are hereby approved;

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## NOTICE OF EGM

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- (b) the board of Directors (the “**Board**”) or a committee thereof be and is/are hereby authorised to allot and issue the Open Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of the place and requirements of the relevant regulatory body or stock exchange; and
- (c) any one Director be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Open Offer Shares, the implementation of the Open Offer in accordance with all terms and conditions of the Open Offer as set out in the “Letter from the Board” in the circular of the Company dated 2 December 2019 and the Underwriting Agreement, the exercise or enforcement of any of the Company’s rights under the Underwriting Agreement and to make and agree to make such variations of the terms of the Underwriting Agreement as he/she may in his/her discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders as a whole.”
3. “**THAT** the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Open Offer Shares, if any, by Faith Mount, the sole underwriter) be and are hereby approved; and any one Director be and is hereby authorised to sign and execute such documents (including but not limited to deeds) and do all such acts and things incidental to the Underwriting Agreement as he/she considers necessary or otherwise expedient in connection with the implementation of or giving effect to the Underwriting Agreement (including without limitation entering into supplemental agreement(s) in relation to the Underwriting Agreement) and the transactions contemplated thereunder or in this resolution.”

By order of the Board  
**Rich Goldman Holdings Limited**  
**Lin Chuen Chow Andy**  
*Chairman*

Hong Kong, 2 December 2019

Registered Office:  
Room 1807, 18/F  
West Tower  
Shun Tak Centre  
168–200 Connaught Road Central  
Hong Kong

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## NOTICE OF EGM

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*Notes:*

- (1) A shareholder of the Company who is entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her behalf. A proxy needs not be a shareholder of the Company but must be present in person at the Meeting to represent the shareholder. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the office of the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited of Room 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof (as the case may be).
- (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 Meeting or any adjournment thereof (as the case may be) should he/she so wish and in such event, the form of proxy shall be deemed to be revoked.
- (4) In the case of joint holders of a share in the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share in the Company as if he/she was solely entitled thereto; but if more than one of such joint holders are present at the Meeting, the vote of the senior 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 name stands first in the register of shareholders of the Company in respect of the joint holding.
- (5) The register of members of the Company will be closed from Monday, 16 December 2019 to Thursday, 19 December 2019 (both dates inclusive) for determining the identity of the shareholders of the Company who are entitled to attend and vote at the Meeting. No transfer of shares of the Company will be registered during this period, shareholders whose name appears on the register of members of the Company on Thursday, 19 December 2019 shall be entitled to attend and vote at the Meeting. In order to be eligible to attend and vote at the Meeting, unregistered holders of the shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar and transfer office of the Company Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong., for registration no later than 4:30 p.m. on Friday, 13 December 2019.
- (6) As required under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited, all of the above resolutions will be voted by way of poll.