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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 Food Idea Holdings Limited (the “Company”), you should at once hand this circular and the accompanying 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 was effected for transmission to the purchaser or the transferee.

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

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**新煮意控股有限公司**  
**FOOD IDEA HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8179)**

**RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY ONE SHARE HELD ON THE RECORD DATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Underwriters to the Rights Issue**

**KMW Investments Limited**



**軟庫中華金融服務有限公司**  
SBI China Capital Financial Services Limited

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



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

A letter from the Independent Board Committee is set out on page IBC-1 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages IFA-1 to IFA-35 of this circular.

It should be noted that the Shares will be dealt in on ex-rights basis from Tuesday, 18 April 2017. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 2 May 2017 to Wednesday, 10 May 2017 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriters, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Tuesday, 2 May 2017 to Wednesday, 10 May 2017 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriters the right to terminate the obligations of the Underwriters thereunder on the occurrence of certain events including force majeure. These certain events are set out in the section headed “Termination of the Underwriting Agreement” on pages v to vi of this circular. If the Underwriting Agreement is terminated by the Underwriters or does not become unconditional, the Rights Issue will not proceed.

A notice convening the EGM to be held at Room 3, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at 10:30 a.m. on Wednesday, 12 April 2017 is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. 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 desire and in such case, the proxy form shall be deemed to be revoked.

This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.foodidea.com.hk](http://www.foodidea.com.hk).

25 March 2017

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## CHARACTERISTICS OF GEM

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

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

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change, and any changes will be announced in separate announcement(s) by the Company as and when appropriate.*

<b>Event</b>	<b>2017</b>
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the EGM . . . . .	4:00 p.m. on Wednesday, 5 April
Closure of register of members of the Company to determine the qualification for attendance and voting at the EGM (both days inclusive) . . . . .	Thursday, 6 April – Wednesday, 12 April
Latest time for lodging form of proxy for the EGM . . . . .	10:30 a.m. on Monday, 10 April
Date and time of the EGM . . . . .	10:30 a.m. on Wednesday, 12 April
Announcement of the results of the EGM . . . . .	Wednesday, 12 April
Last day of dealings in Shares on cum-rights basis . . . . .	Thursday, 13 April
First day of dealings in Shares on ex-rights basis . . . . .	Tuesday, 18 April
Latest time for lodging transfers of Shares to be entitled for the Rights Issue . . . . .	4:00 p.m. on Wednesday, 19 April
Closure of register of members of the Company to determine the entitlements to the Rights Issue (both days inclusive) . . . . .	Thursday, 20 April – Wednesday, 26 April
Record date for determining entitlements to the Rights Issue . . . . .	Wednesday, 26 April
Register of members re-opens . . . . .	Thursday, 27 April
Despatch of Prospectus Documents . . . . .	Thursday, 27 April
First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Tuesday, 2 May
Latest time for splitting nil-paid Rights Shares . . . . .	4:00 p.m. on Friday, 5 May

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## EXPECTED TIMETABLE

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Event	2017
Last day of dealings in nil-paid Rights Shares . . . . .	4:00 p.m. on Wednesday, 10 May
Latest time for acceptance of and payment for the Rights Shares and the application for excess Rights Shares . . . . .	4:00 p.m. on Monday, 15 May
Latest Time for Termination . . . . .	4:00 p.m. on Tuesday, 16 May
Announcement of the allotment results of the Rights Issue . . . . .	Monday, 22 May
Despatch of the share certificates for fully-paid Rights Shares and refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares . . . . .	Tuesday, 23 May
First day of dealings in fully-paid Rights Shares . . . . .	9:00 a.m. on Wednesday, 24 May

All times and dates stated in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION FOR EXCESS RIGHTS SHARES**

The Latest Time for Acceptance of and payment for Rights Shares and the application for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a 'black' rainstorm warning:

1. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 15 May 2017. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same business day; or
2. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 15 May 2017. Instead, the Latest Time of Acceptance will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Monday, 15 May 2017, the dates mentioned in the expected timetable above may be affected. The Company will notify Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriters, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or 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 absolute opinion of the Underwriters 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 Rights Issue; 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 (whether or not *ejusdem generis* with any of the foregoing), 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 absolute opinion of the Underwriters 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 Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriters is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriters 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

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriters, a material omission in the context of the Rights Issue; or
- (vii) 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 announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (viii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM 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 absolute opinion of the Underwriters be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

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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 dated 28 February 2017 in relation to the Rights Issue
“Board”	the board of Directors
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Food Idea Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on GEM
“CWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, among other things, the Rights Issue
“Excluded Shareholders”	the Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant overseas regulatory bodies or stock exchange, consider it necessary or expedient to exclude them from the Rights Issue
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company constituted by all the independent non-executive Directors for the purpose of giving a recommendation to the Independent Shareholders on the Rights Issue after taking into account the advice of the Independent Financial Adviser
“Independent Financial Adviser” or “Euto Capital”	Euto Capital Partners Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser of the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholders”	the Shareholders who are not required under the GEM Listing Rules to abstain from voting on the resolution approving the Rights Issue at the EGM
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“KMW Investments”	KMW Investments Limited, a company incorporated in the BVI and wholly-owned by Mr. Wong TC, a substantial Shareholder and one of the Underwriters
“Latest Lodging Date”	4:00 p.m. on Wednesday, 19 April 2017 or such other date and/or time as the Underwriters and the Company may agree as the latest time for lodging transfer of the Shares in order to qualify for the Rights Issue

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## DEFINITIONS

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“Latest Time for Acceptance”	4:00 p.m. on Monday, 15 May 2017 or such other date and/or time as may be agreed between the Company and the Underwriters, being the latest time for acceptance of, and payment for, the Rights Shares and the applications for excess Rights Shares
“Last Trading Day”	Tuesday, 28 February 2017, being the last full trading day of the Shares on the Stock Exchange prior to the release of the Announcement
“Latest Practicable Date”	23 March 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Latest Time for Termination”	4:00 p.m. on the first business day after the Latest Time for Acceptance or such other time as may be agreed between the Company and the Underwriters
“Mr. Wong TC”	Mr. Wong Ryan Tai Cheong, the sole shareholder of KMW Investments
“Overseas Shareholder(s)”	the Shareholder(s) (whose names appear on the register of members of the Company at the close of business on the Record Date) with register address(es) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, for the purpose of this circular excludes Hong Kong, Macau Special Administration Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	together, the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Thursday, 27 April 2017, or such other date as the Underwriters may agree in writing with the Company, being the date of posting of the Prospectus Documents by the Company to the Qualifying Shareholders

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## DEFINITIONS

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“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than those Excluded Shareholders, if any
“Record Date”	Wednesday, 26 April 2017, the record date to determine entitlements to the Rights Issue
“Rights Issue”	the issue of not less than 958,464,000 Rights Shares and not more than 975,104,000 Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date payable in full on acceptance
“Rights Share(s)”	the new Share(s) to be allotted and issued in respect of the Rights Issue
“SBI China”	SBI China Capital Financial Services Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), one of the Underwriters
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company
“Share Options”	the share options granted by the Company entitling the holders thereof to subscribe for Shares pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted on 9 December 2011
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Strong Light”	Strong Light Investments Limited, a company incorporated in Hong Kong and wholly-owned by Mr. Wong TC’s parents, and the legal and beneficial owner of 29,556,000 Shares
“Subscription Price”	the subscription price of HK\$0.14 per Rights Share
“Supplemental Underwriting Agreement”	the supplemental underwriting agreement dated 23 March 2017 entered into between the Company and the Underwriters in relation to the modification and variation of certain terms in the Underwriting Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriters”	collectively, KMW Investments and SBI China
“Underwriting Agreement”	the underwriting agreement (as supplemented by the Supplemental Underwriting Agreement) entered into between the Company and the Underwriters dated 28 February 2017 in relation to the Rights Issue
“Underwritten Shares”	the number of Rights Shares to be underwritten by the Underwriters up to a maximum of 847,396,400 Rights Shares
“Untaken Shares”	Rights Shares not taken up at or before Latest Time for Acceptance
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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新煮意控股有限公司  
**FOOD IDEA HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8179)**

*Executive Directors:*

Mr. Wong Hoi Yu (*Chairman*)

Mr. Yu Ka Ho (*Chief executive officer*)

*Independent non-executive Directors:*

Mr. Li Fu Yeung

Mr. Kwan Wai Yin, William

Mr. Tam Lok Hang

*Registered office:*

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal place of business in Hong Kong:*

Room A, 6/F

CNT Tower

338 Hennessy Road

Wan Chai

Hong Kong

25 March 2017

*To the Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY ONE SHARE HELD ON THE RECORD DATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

On 28 February 2017, the Company proposed to raise not less than approximately HK\$134 million and not more than approximately HK\$137 million (before expenses) on the basis of one (1) Rights Share for every one (1) Share held on the Record Date, by issuing not less than 958,464,000 Rights Shares and not more than 975,104,000 Rights Shares at the Subscription Price of HK\$0.14 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iv) financial information and other general information of the Group; and (v) the notice of EGM.

### PROPOSED RIGHTS ISSUE

On 28 February 2017 (after trading hours), the Company entered into the Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement) with the Underwriters in respect of the Rights Issue and further details of the Rights Issue are set out below:

#### Issue statistics

Basis of the Rights Issue:	One (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Rights of excess application:	Qualifying Shareholders will have the right to apply for Rights Shares in excess of their provisional allotments
Subscription Price:	HK\$0.14 per Rights Share
Number of Shares in issue at the Latest Practicable Date:	958,464,000 Shares
Number of Rights Shares to be issued:	not less than 958,464,000 Rights Shares (assuming no new Shares will be allotted and issued from the exercise of the outstanding Share Options on or before the Record Date) and not more than 975,104,000 Rights Shares (assuming 16,640,000 new Shares have been allotted and issued upon full exercise of the outstanding Share Options on or before the Record Date)
Underwriters:	KMW Investments Limited and SBI China Capital Financial Services Limited

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## LETTER FROM THE BOARD

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Minimum enlarged issued share capital upon completion of the Rights Issue (assuming no new Shares (other than the Rights Shares) will be allotted and issued on or before the Record Date):	1,916,928,000 Shares
Maximum enlarged issued share capital upon completion of the Rights Issue (assuming 16,640,000 new Shares have been allotted and issued pursuant to the full exercise of the outstanding Share Options on or before the Record Date):	1,950,208,000 Shares
Aggregated nominal value of the Rights Shares:	not less than HK\$9,584,640 (assuming no new Shares will be allotted and issued from the exercise of the outstanding Share Options on or before the Record Date) and not more than HK\$9,751,040 (assuming 16,640,000 new Shares have been allotted and issued upon full exercise of the outstanding Share Options on or before the Record Date)

As at the Latest Practicable Date, the Company has 16,640,000 outstanding Share Options which in aggregate confer holders thereof the rights to subscribe for 16,640,000 new Shares.

Assuming that there is no further issue or repurchase of Shares from the Latest Practicable Date up to and including the Record Date, a total number of 958,464,000 Rights Shares will be allotted and issued upon completion of the Rights Issue, representing 100% of the existing issued share capital of the Company and 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Assuming that there is no further issue or repurchase of Shares, other than as a result of the issue of new Shares upon exercise of the outstanding Share Options in full, from the Latest Practicable Date up to and including the Record Date, not more than 975,104,000 Rights Shares will be allotted and issued upon completion of the Rights Issue, representing approximately 101.7% of the existing issued share capital of the Company and approximately 50% of the issued share capital of the Company as enlarged by the issue of the Rights Shares and the issue of new Shares upon full exercise of the outstanding Share Options.

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## LETTER FROM THE BOARD

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Save as disclosed above, as at the Latest Practicable Date, the Company had no other outstanding convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the existing Shares. The Rights Issue is subject to the approval by the Independent Shareholders at the EGM.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. (Hong Kong time) on Wednesday, 19 April 2017. It is expected that the last day of dealings in the Shares on cum-rights basis is Thursday, 13 April 2017 and the Shares will be dealt in on ex-rights basis from Tuesday, 18 April 2017.

Subject to the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will send the Prospectus Documents, including the Prospectus, the PAL and the EAF, to the Qualifying Shareholders. The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only.

### **Rights of Overseas Shareholders (if any)**

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, the Company has one Overseas Shareholder with registered address in the PRC. Pursuant to Rule 17.41 of the GEM Listing Rules, the Company has made an enquiry regarding the legality and feasibility of extending the offer of the Rights Issue to such Overseas Shareholder. Based on the preliminary legal opinion from the legal adviser of the Company as to the PRC laws, there is no restriction to extend the Rights Issue to such Overseas Shareholder. Accordingly, the Rights Issue will be extended to such Overseas Shareholder and the Prospectus Documents will be sent to such Overseas Shareholder. Save for the aforesaid Overseas Shareholder, all Shareholders on the Company's register of members as at the Latest Practicable Date had registered addresses in Hong Kong and there existed no Excluded Shareholders. The Company will ascertain whether there is any other Overseas Shareholder on the Record Date and will, if necessary, make enquiries with its legal advisers in such overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such Overseas Shareholders on the Record Date.

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## LETTER FROM THE BOARD

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In the event that there exists any Excluded Shareholders on the Record Date, arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day for dealings in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Excluded Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders under the EAF(s). For the avoidance of doubt, the Excluded Shareholders (if any) will be entitled to vote at the EGM.

### **Closure of register of members**

For the purpose of determining the entitlement to the Rights Issue, the register of members of the Company will be closed from Thursday, 20 April 2017 to Wednesday, 26 April 2017 (both days inclusive) and no transfer of Shares will be registered during such period.

### **Subscription Price**

The Subscription Price is HK\$0.14 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance under the PAL(s) or the EAF(s). The Subscription Price represents:

- (i) a discount of approximately 7.89% to the closing price of HK\$0.152 per Share on the Latest Practicable Date;
- (ii) a discount of approximately 17.65% to the closing price of HK\$0.17 per Share on the Last Trading Day;
- (iii) a discount of approximately 16.07% to the average of the closing prices of approximately HK\$0.1668 per Share, based on the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 9.68% to the theoretical ex-rights price of approximately HK\$0.155 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriters with reference to the market price of the Shares under the prevailing market conditions, the financial position of the Company and the business prospect of the Company.

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## LETTER FROM THE BOARD

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The Directors consider that the Subscription Price is set at a discount with an objective to lower the further investment cost of the Shareholders, to encourage them to take up their entitlements and to participate in the potential growth of the Company. In order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price to the market price is appropriate. The Directors (including the independent non-executive Directors whose opinion on the matter has been set forth in this circular after taken into account the advice from the Independent Financial Adviser in this regard) consider the terms of the Rights Issue, including the Subscription Price, are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. The net price per Rights Share will be approximately HK\$0.1379.

### **Basis of provisional allotments**

The Rights Shares will be allotted on the basis of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by the Latest Time for Acceptance, i.e. by 4:00 p.m. on Monday, 15 May 2017.

### **Status of the Rights Shares**

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

### **Application for the Rights Shares**

The PALs and the EAFs relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the share registrar of the Company by the Latest Time for Acceptance.

### **Application for excess Rights Shares**

Qualifying Shareholders will be entitled to subscribe for (i) the Rights Shares representing any unsold entitlements of the Excluded Shareholders; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the EAF for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

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## LETTER FROM THE BOARD

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- (i) preference will be given to applications for less than a board lot of Rights Shares where it appears to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse the mechanism; and
- (ii) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of excess Rights Shares available for excess application and the number of excess Rights Shares applied for by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive larger number of Rights Shares) and with board lot allocations to be made on a best efforts basis.

In the event that the Board noted unusual patterns of excess applications and had reason to believe that any application may have been made with the intention to abuse the mechanism when applying the allocation principle (i) above, such application for excess Rights Shares may be rejected at the sole discretion of the Board.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for completion of the relevant registration by 4:00 p.m. (Hong Kong time) on Wednesday, 19 April 2017.

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## LETTER FROM THE BOARD

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### **Certificates for the Rights Shares and refund cheques**

Subject to the fulfillment of the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” below, certificates for all fully-paid Rights Shares are expected to be posted on Tuesday, 23 May 2017 by ordinary post to those entitled thereto at their own risk. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on Tuesday, 23 May 2017 by ordinary post at the respective Shareholders’ own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are also expected to be posted on Tuesday, 23 May 2017 by ordinary post at the risk of the respective Shareholders.

### **Taxation**

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares in both their nil-paid and fully-paid forms, and similarly, the Excluded Shareholders (if any) as regards their receipt of the net proceeds of the sale of the nil-paid Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares in both their nil-paid and fully-paid forms.

### **Application for listing**

The Company will apply to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 12,000 Shares) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy and any other applicable fees and charges in Hong Kong.

No part of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

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## LETTER FROM THE BOARD

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Subject to the grant of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted should note that their shareholdings in the Company will be diluted.

### **Conditions of the Rights Issue**

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the passing by the Independent Shareholders at the EGM of an ordinary resolution to approve the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the Rights Issue;
- (ii) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the CWUMPO not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iv) the Listing Division 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 all the Rights Shares by no later than the first day of their dealings;

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## LETTER FROM THE BOARD

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- (v) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than ten (10) trading days at any time prior to the Latest Time for Acceptance;
- (vi) the obligations of the Underwriters becoming unconditional and that the Underwriting Agreement is not terminated in accordance with the terms of the Underwriting Agreement;
- (vii) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (viii) compliance with and performance of all undertakings and obligations by KMW Investments in favour of the Company and SBI China to, among others, subscribe for 76,803,600 Rights Shares to which KMW Investments is entitled to under the Rights Issue;
- (ix) compliance with and performance of all undertakings and obligations by Strong Light in favour of the Company and the Underwriters to, among others, subscribe for 29,556,000 Rights Shares to which Strong Light is entitled to under the Rights Issue;
- (x) compliance with and performance of all undertakings and obligations by Mr. Wong TC in favour of the Company and the Underwriters to, among others, subscribe for and procure his spouse to subscribe for 21,348,000 Rights Shares to which Mr. Wong TC and his spouse are entitled to under the Rights Issue; and
- (xi) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

The conditions set out above are incapable of being waived. If all of the above conditions are not satisfied by 4:00 p.m. (Hong Kong time) on Tuesday, 16 May 2017, the Latest Time for Termination, or such later date or dates as the Underwriters may agree with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Rights Issue will not proceed.

As at the Latest Practicable Date, none of the above conditions have been satisfied. Condition (i) above is expected to have been fulfilled on the date of the EGM and conditions (ii) and (iii) above are expected to have been fulfilled on the Prospectus Posting Date.

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## LETTER FROM THE BOARD

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### UNDERWRITING ARRANGEMENT

The Rights Shares will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement) as described below.

#### Underwriting Agreement

Date:	28 February 2017
Underwriters:	(1) KMW Investments Limited; and (2) SBI China Capital Financial Services Limited
Number of Rights Shares:	Not less than 958,464,000 Rights Shares and not more than 975,104,000 Rights Shares
Number of Underwritten Shares:	not less than 830,756,400 Rights Shares (assuming no new Shares will be allotted and issued from the exercise of the outstanding Share Options on or before the Record Date) and not more than 847,396,400 Rights Shares (assuming 16,640,000 new Shares have been allotted and issued upon full exercise of the outstanding Share Options on or before the Record Date)  The aggregate nominal value of the Underwritten Shares will be not less than HK\$8,307,564 and not more than HK\$8,473,964
Commitment of KMW Investments under the Underwriting Agreement:	224,000,000 Underwritten Shares
Commitment of SBI China under the Underwriting Agreement:	Not less than 606,756,400 Underwritten Shares and not more than 623,396,400 Underwritten Shares
Commission:	SBI China will receive a commission in respect of its respective underwriting of the Rights Issue at 0.25% of the total subscription price of the maximum number of the Underwritten Shares taken by it while KMW Investments will not receive any commission

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## LETTER FROM THE BOARD

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SBI China is a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SBI China, its ultimate beneficial owner(s) and its associates are Independent Third Parties.

KMW Investments is a company incorporated in the BVI with limited liability. As at the Latest Practicable Date, KMW Investments is beneficially interested in 76,803,600 Shares, representing approximately 8.01% of the issued share capital of the Company. The ordinary course of business of KMW Investments is investment holding and does not include underwriting. As advised by KMW Investments, each of KMW Investments and its ultimate beneficial owner, namely Mr. Wong TC, does not have any relationship with any existing Board members. As advised by Mr. Wong TC, he is the son of Mr. Wong Kwan Mo and Ms. Lau Lan Ying, the former executive Directors and controlling shareholders of the Company.

When the Directors consider that there are funding needs of approximately HK\$132 million for its business plan as disclosed in the paragraph headed "Business plan for 2017" below, the Board has explored possible fund raising methods, such as debt financing, placing of or subscription for new Shares or convertible securities and rights issue. Given that most of the fund raised will be used for the money lending business, the Directors consider that debt financing will incur interest costs which will jeopardise the competitiveness of the Group's money lending business as the Group has to impose a higher interest rate for the loan advanced by the Group. Hence, debt financing is not preferable.

Besides, given that the minimum funding needs is of approximately HK\$132 million, it cannot be achieved by issue of securities under general mandate. To raise fund from placing or subscription, substantial amount of securities must be issued under specific mandate to be sought at the general meeting of the Company and usually the subscriber(s) will ask for a deep discount to the trading price of the Shares in view of the substantial amount of securities involved. The Company is unable to secure any placing agents and subscribers with such large amount of securities but having the subscription price comparable to that of the Rights Issue. Further, issue of substantial amount of securities and underlying securities will cause huge dilution effect to the Shareholders and deny the Shareholders to participate in the fund raising activities in order to maintain their shareholdings. As such, the Directors believe that Rights Issue is the best alternative among other fund raising alternatives.

The Company approached three licensed corporation underwriters (excluding KMW Investments) for the proposed Rights Issue. SBI China, amongst the three underwriters approached by the Company, offered the lowest commission rate, i.e. 0.25% of the aggregate subscription price of the maximum amount of the Underwritten Shares as determined on the Record Date and is willing to underwrite the Underwritten Shares at the Subscription Price. The other two licensed corporations offered higher commission rate than that offered by SBI China and they also indicated that the Subscription Price was not attractive at all and refused to further negotiate.

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## LETTER FROM THE BOARD

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In view of the slight discount to the trading price of the Shares, SBI China expected difficulties in procuring subscribers to take up the Untaken Shares and therefore only agreed to underwrite about 600 million Rights Shares. Since the first two potential underwriters had indicated to the Company that they are not interested in taking up any Rights Shares at the proposed Subscription Price, the Company approached two other underwriters for the underwriting arrangement in respect of those Underwritten Shares not taken up by SBI China. Given that the low commission rate and the slight discount of the subscription price to the trading price of the Shares, all of them was not interested and refused to propose any terms to the Company. The Directors are of the view that it was not reasonable and not in the interest of the Company and the Shareholders to increase the commission rate in order to attract the other underwriters to take up the remaining Underwritten Shares. Further, there is no guarantee how much commission rate would be attractive at all given that the prevailing commission rates are within the range of 2% to 3.5% and some underwriters even charge for 5% or more. The Company therefore approached KMW Investments to negotiate for underwriting of the remaining Underwritten Shares. KMW Investments agreed to be a co-underwriter without receiving any underwriting commission provided that it shall have priority over SBI China to underwrite up to 224,000,000 Rights Shares. In this regard, the Company engaged SBI China and KMW Investments as the Underwriters of the proposed Rights Issue.

### **Underwriting Commission**

The Company will pay SBI China an underwriting commission of 0.25% of the aggregate subscription price in respect of the maximum number of the Underwritten Shares taken by it and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriters in respect of the Rights Issue. The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriters, but the Company shall pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriters in respect of the Rights Issue. For avoidance of doubt, KMW Investments will not be entitled to any underwriting commission.

The commission rate was determined between the Company and the Underwriters by reference to the market rate. The Directors (including the independent non-executive Directors whose opinion on the matter has been set forth in this circular after taken into account the advice from the Independent Financial Adviser in this regard) considers the terms of the Underwriting Agreement including the commission rate to be 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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### **Underwriting Obligation of the Underwriters**

Under the Underwriting Agreement, if the conditions of the Rights Issue are fulfilled on or before the Latest Time for Termination (or such later time and/or date as the Company and the Underwriters may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, and in the event that by the Latest Time for Acceptance any of the Underwritten Shares have not been taken up, the Company shall as soon as practicable thereafter and in any event before 6:00 p.m. on the second Business Day after the Latest Time for Acceptance, notify or procure the Company's share registrar and transfer office in Hong Kong, on behalf of the Company to notify the Underwriters in writing of the number of Underwritten Shares not taken up for the Underwriters to subscribe for or procure subscription for the Untaken Shares.

Pursuant to the Underwriting Agreement, the Underwriters shall subscribe or procure subscription on the terms of the Prospectus Documents (so far as the same are applicable) for the Untaken Shares in the following order of priority:

- (1) firstly, KMW Investments shall subscribe on the terms of the Prospectus Documents (so far as the same are applicable) for such Untaken Shares (to the extent of 224,000,000 Rights Shares, being the commitment of KMW Investments under the Underwriting Agreement); and
- (2) secondly, SBI China shall subscribe or procure subscription on the terms of the Prospectus Documents (so far as the same are applicable) for such Untaken Shares (to the extent of 623,396,400 Rights Share, being the maximum commitment of SBI China under the Underwriting Agreement).

### **Irrevocable undertakings**

#### ***Undertaking from KMW Investments***

As at the Latest Practicable Date, KMW Investments is the legal and beneficial owner of 76,803,600 Shares, representing approximately 8.01% of the existing issued ordinary share capital of the Company. KMW Investments has given an irrevocable undertaking in favour of the Company and SBI China not to dispose any of the 76,803,600 Shares registered in the name of KMW Investments and to remain as the legal and beneficial owner of those 76,803,600 Shares up to and including the Latest Lodging Date. KMW Investments has given an irrevocable undertaking in favour of the Company and SBI China to subscribe for 76,803,600 Rights Shares to which KMW Investments is entitled to under the Rights Issue.

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## LETTER FROM THE BOARD

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### ***Undertaking from Strong Light***

As at the Latest Practicable Date, Strong Light, a company incorporated in Hong Kong with limited liability, is the legal and beneficial owner of 29,556,000 Shares, representing approximately 3.08% of the existing issued ordinary share capital of the Company. Strong Light has given an irrevocable undertaking in favour of the Company and the Underwriters not to dispose any of the 29,556,000 Shares registered in the name of Strong Light and to remain as the legal and beneficial owner of those 29,556,000 Shares up to and including the Latest Lodging Date. Strong Light has given an irrevocable undertaking in favour of the Company and the Underwriters to subscribe for 29,556,000 Rights Shares to which Strong Light is entitled to under the Rights Issue.

### ***Undertaking from Mr. Wong TC***

As at the Latest Practicable Date, Mr. Wong TC and his spouse are interested in 21,348,000 Shares, representing approximately 2.23% of the existing issued ordinary share capital of the Company. Mr. Wong TC has given an irrevocable undertaking in favour of the Company and the Underwriters not to, and procure his spouse not to, dispose to any person, save for his spouse, of any of the 21,348,000 Shares registered in his or his spouse's name up to and including the Latest Lodging Date. Mr. Wong TC has given an irrevocable undertaking in favour of the Company and the Underwriters to subscribe for, and to procure his spouse to subscribe for, 21,348,000 Rights Shares to which he and his spouse are entitled to under the Rights Issue.

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

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriters, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or 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 absolute opinion of the Underwriters 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 Rights Issue; or

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## LETTER FROM THE BOARD

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- (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 (whether or not *ejusdem generis* with any of the foregoing), 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 absolute opinion of the Underwriters 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 Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriters is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriters 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 event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriters, a material omission in the context of the Rights Issue; or

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## LETTER FROM THE BOARD

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- (vii) 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 announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (viii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM 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 absolute opinion of the Underwriters be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

### SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company had 958,464,000 Shares in issue and 16,640,000 outstanding Share Options which conferred holders thereof the rights to subscribe for 16,640,000 new Shares.

The table below depicts the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders and no option holder exercising the outstanding Share Options; (iii) immediately upon completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders other than KMW Investments, Strong Light, Mr. Wong TC and his spouse, and no option holders exercising the outstanding Share Options; (iv) immediately upon completion of the Rights Issue assuming the option holders having exercised the outstanding Share Options in full and full acceptance by the Qualifying Shareholders (including the option holders); and (v) immediately upon completion of the Rights Issue assuming the option holders having exercised the outstanding Share Options in full but nil acceptance by the Qualifying Shareholders (including the option holders) other than KMW Investments, Strong Light, Mr. Wong TC and his spouse:

## LETTER FROM THE BOARD

	(i)		(ii)		(iii)		(iv)		(v)	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
KMW Investments	76,803,600	8.01	153,607,200	8.01	377,607,200	19.70	153,607,200	7.88	377,607,200	19.36
Strong Light	29,556,000	3.08	59,112,000	3.08	59,112,000	3.08	59,112,000	3.03	59,112,000	3.03
Mr. Wong TC and his spouse	<u>21,348,000</u>	<u>2.23</u>	<u>42,696,000</u>	<u>2.23</u>	<u>42,696,000</u>	<u>2.23</u>	<u>42,696,000</u>	<u>2.19</u>	<u>42,696,000</u>	<u>2.19</u>
Sub-total (note)	127,707,600	13.32	255,415,200	13.32	479,415,200	25.01	255,415,200	13.10	479,415,200	24.58
Yu Ka Ho	-	-	-	-	-	-	640,000	0.03	320,000	0.02
Public Shareholders	830,756,400	86.68	1,661,512,800	86.68	830,756,400	43.34	1,661,512,800	85.20	830,756,400	42.60
Other option holder	-	-	-	-	-	-	32,640,000	1.67	16,320,000	0.84
SBI China	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>606,756,400</u>	<u>31.65</u>	<u>-</u>	<u>-</u>	<u>623,396,400</u>	<u>31.96</u>
<b>Total</b>	<u>958,464,000</u>	<u>100.00</u>	<u>1,916,928,000</u>	<u>100.00</u>	<u>1,916,928,000</u>	<u>100.00</u>	<u>1,950,208,000</u>	<u>100.00</u>	<u>1,950,208,000</u>	<u>100.00</u>

*Note:* the sub-total figures represent the aggregate of (a) the Shares owned by KMW Investments, Strong Light, Mr. Wong TC and his spouse; (b) the Rights Shares to be taken up by KMW Investments, Strong Light, Mr. Wong TC and his spouse; and (c) the Underwritten Shares to be taken up by KMW Investments assuming that no other Qualifying Shareholders take up their entitlement to the Rights Shares.

As at the Latest Practicable Date, SBI China and its respective close associates did not have any shareholding interest in the Company. In circumstances where the Rights Issue were to become unconditional and the Underwriters were obliged to take up Underwritten Shares in their respective entirety, the underwriting commitment of SBI China would extend to a stake of approximately from 31.65% to 31.96% (as the case may be) in the share capital of the Company as enlarged by the issue of the Rights Shares. However, scenarios (iii) and (v) are for illustration only.

As at the Latest Practicable Date, SBI China is in the course of identifying sub-underwriters to sub-underwrite the Underwritten Shares and no binding agreement had been entered into with any sub-underwriter. Pursuant to the Underwriting Agreement, SBI China will use its best endeavours to ensure that (1) such subscribers and/or sub-underwriters are Independent Third Parties; (2) the public float requirements under Rule 11.23 of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue; (3) itself, (together with its parties acting in concert or any of its connected persons or associates) will not hold in aggregate 19.99% or more of the voting rights of the Company immediately after the Rights Issue; and (4) each of the sub-underwriter(s) or each of the ultimate subscribers or purchasers procured by SBI China or the sub-underwriter(s) will not hold in aggregate 10% or more of the voting rights of the Company immediately after the Rights Issue.

SBI China is and each of the sub-underwriters will be a licenced corporation under the SFO and principally carries on regulated activities under the SFO, including but not limited to type 1 (dealing in securities). Hence, the sub-underwriting arrangement is in the ordinary course of business of each of SBI China and the sub-underwriters while KMW Investment's ordinary course of business does not include underwriting.

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## LETTER FROM THE BOARD

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### ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEME

Pursuant to the terms of the Share Option Scheme, the exercise price of the outstanding Share Options will be adjusted in accordance with the Share Option Scheme upon the Rights Issue becoming unconditional. Such adjustments will be verified by the auditor of the Company. The Company in accordance with the Share Option Scheme will notify the holder of the outstanding Share Options the required adjustment(s) as soon as practicable and details of adjustments will be set out in the Prospectus in respect of the Rights Issue to be despatched to the Shareholders.

### BUSINESS PLAN OF THE GROUP FOR 2017

The Group is principally engaged in (i) catering services, (ii) production, sales and distribution of food products to supermarket chains in Hong Kong (the “**Food Operation Business**”); (iii) investments in securities; and (iv) money lending business.

After the disposal of the Chinese restaurants business in August 2016, the Group will further develop its Food Operation Business, money lending business and the securities investment business. Recently, the Company has encountered certain investment opportunities in real property market and the acquisition of licensed corporation which carries on type 1 (dealing in securities) regulated activity under the SFO.

#### Acquisition of commercial property

As at the Latest Practicable Date, the Company leases a commercial unit in Wanchai for office use. The Company decides to acquire for an office premises not because of any particular urgent need but is of the view that it is in the best interest of the Company and the Shareholders as a whole as (i) the acquisition of commercial property for its office use allows the Group to save rental costs from a long term perspective; and (ii) the commercial property will appreciate in the long run. Having considered that the property market has slowed down, the Company has been actively looking for a potential commercial property suitable for office use and at the same time for capital appreciation. However, the Company has no plan to focus on property investment and develop it as one of its business segments in future. As at the Latest Practicable Date, the Company has identified a commercial unit in Wan Chai with the total area of around 2,000 square feet which is suitable to be used for the office of the Company. Expecting that financing the acquisition cost of the commercial property by part of the proceeds of the Rights Issue will reduce interest expense of the Group as compared with bank financing, which concurrently, will not increase the Group’s gearing ratio, the Board intends to utilise the amount of HK\$35 million for paying the purchase price of the commercial property and related expenses as well as costs of renovation and initial set up.

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## LETTER FROM THE BOARD

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It is expected that the acquisition of the real property in Hong Kong will take place in about August 2017. The Group will comply with the applicable GEM Listing Rules requirements in respect of the proposed acquisition of the commercial property and the Company will make further announcement in relation to such proposed acquisition as and when appropriate.

### **Food Operation Business**

The Food Operation Business was operated by the non wholly-owned subsidiaries of the Company to produce and supply barbecued food and Taiwanese Lou Mei to over 60 concessionaire stores in major supermarket chains in Hong Kong, which have new outlets from time to time. Apart from the increase in supply of food products when new outlets are opened, the Group targets to expand the Food Operation Business by operating canteens at universities in Hong Kong. The Group has already submitted a tender to a university in February 2017. The tendering results will be announced in March 2017. As at the Latest Practicable Date, the tendering results has not yet released. It is estimated that an initial set up fee of approximately HK\$2.5 million is required for the establishment and operation of the canteen in around June 2017 if the Group can successfully win the tender. Further, the Food Operation Business is currently financing its operation by using invoice financing and overdraft of approximately HK\$2 million. Interest payment of approximately HK\$16,000 per month is accrued on the invoice financing and overdraft. The Group intends to use HK\$2 million to fund the Food Operation Business in order to save interest cost. The aggregate of approximately HK\$4.5 million shall be funded by the Group's general working capital.

### **Money lending business**

As disclosed in the Monthly Statistical Bulletin published by the Hong Kong Monetary Authority in December 2016, the total loans and advances of all authorised money lending institutions in Hong Kong increased from approximately HK\$2,552 billion in January 2007 to approximately HK\$7,896 billion in November 2016, indicating a rising demand in the money lending market in Hong Kong. The Group has also experienced an unexpected overwhelming demand for loans by borrowers and therefore has conducted two placings for a net proceeds of approximately HK\$19.58 million and approximately HK\$22.8 million in July 2016 and December 2016 respectively to meet such demands, of which the Group has fully utilised the net proceeds of the two placings for provision of loans to various individuals in January 2017, while the Company, has received loan enquiries amounted to not less than HK\$33 million over the recent two months.

Since the commencement of the Group's money lending business in about June 2015, it has generated interest income of approximately HK\$12 million to the Group. In view of the interest income attributable to the Group and the growing demand of loans, the Board plans to further develop the money lending business.

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## LETTER FROM THE BOARD

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Pursuant to our record, the aggregate loans offered was of approximately HK\$234 million and HK\$342 million up to 31 December 2015 and up to 31 December 2016 respectively, representing an increase of approximately 46%. All of our clients negotiated with the Group directly without involving any financial intermediaries. With regard to the recent combat on the illegal malpractices of financial intermediaries which charge exorbitant intermediary fees, the Board believes more borrowers will avoid using financial intermediaries and turn to deal with licensed money lenders which are more reliable and regulated, such as banks and licensed money lenders of listed companies directly. In the premises, the Board intends to expand its loan book by approximately HK\$150 million by the end of 2017, the then aggregate loans offered would be increased by approximately 44% as compared to 2016, subject to the assessment on the borrowers and the quality of the collaterals.

### **Securities investment business**

With the aim to further diversify its business and broaden the income sources to maximise the return to the Shareholders, the Group also plans to develop its securities investment business in (i) securities investment and (ii) acquisition of a licensed corporation which carries out type 1 regulated activity under the SFO.

The Group has been investing in different investment products, including bonds, funds and listed securities in Hong Kong and non-listed securities. In the first half year of 2016, the Group invested HK\$1 million in securities of a non-listed company, and up to the Latest Practicable Date, the Group has received dividends of a total of HK\$200,000, representing a return of 20% in less than one year. Based on the fact that the non-listed securities investment has been generating satisfying returns (e.g. interest and dividends) to the Group, the Board intends to pursue and further invest in non-listed companies of growth potentials. As at the Latest Practicable Date, the Board was reviewing and negotiating the terms of securities investment in non-listed companies of growth potentials.

Further, the Group is looking for investment opportunity in licensed corporation(s) which is/are licensed to conduct regulated activities, such as securities trading, underwriting and placing, under the SFO. According to the market sources, the acquisition cost for such licensed corporation is approximately HK\$10 million. The Company intends to invest approximately HK\$10 million for acquiring interests in and further development of such licensed corporation(s). As at the Latest Practicable Date, the Group was still in the course of identifying potential licensed corporation(s).

The Group will comply with the applicable GEM Listing Rules requirements in respect of the securities investment and the proposed investment in the licensed corporation(s) and the Company will make further announcement(s) in relation to such transaction(s) as and when appropriate.

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## LETTER FROM THE BOARD

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### REASONS FOR THE RIGHTS ISSUE AND INTENDED USE OF PROCEEDS

In view of the funding needs as disclosed above, the Company is seeking to undertake the Rights Issue to fund the relevant acquisitions and business development. The estimated net proceeds of the Rights Issue is expected to be not less than approximately HK\$132 million and not more than approximately HK\$135 million. The Company intends to apply the net proceeds from the Rights Issue in the following manner, which are expected to be utilised by 31 December 2017:

- (i) as to approximately HK\$35 million for funding the acquisition of a commercial property as the office of the Company;
- (ii) as to approximately HK\$60 million for development of the Group's money lending business;
- (iii) as to approximately HK\$20 million for the development of the Group's investment business, including but not limited to the investment in a securities investment company; and
- (iv) the remaining balance will be used as general working capital.

As disclosed in the Group's third quarterly report, after deducting the revenue and income, the net expenses (including cost of inventories, salaries and employee benefits related expenses, operating lease rentals and related expenses, utilities, finance costs and other operating expenses, etc. but excluding the non-cash expenses and results from investing activities) for the nine months ended 30 September 2016 amounted to approximately HK\$18.2 million. Based on these figures, the Board expects the projected net expenses will amount to approximately HK\$24.3 million for the year ended 31 December 2016. With reference to the net cash and bank balances of the Group of HK\$7.2 million as at 31 January 2017, assuming there is same amount of net expenses in 2017, there will be a shortfall of cash of approximately HK\$17.1 million. Together with the aggregate of HK\$4.5 million for development of the Food Operation Business, the Company intends to use the remaining amount of the net proceeds for general working capital of the Group.

Among different fund raising methods, the Directors consider that it is prudent to finance the Group's long term growth by way of the Rights Issue which will not only strengthen the Group's capital base and enhance its financial position without increasing finance costs or incurring debts, but will also allow all Qualifying Shareholders the opportunity to participate in the growth of the Group through the Rights Issue at a price lower than the current trading price of the Shares. The Directors (including the independent non-executive Directors whose opinion on the matter has been set forth in this circular after taken into account the advice from the Independent Financial Adviser in this regard) consider that the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### FUND RAISING EXERCISES OF THE COMPANY DURING THE PAST 12 MONTHS

The following are fund raising activities of the Company during the past 12 months immediately preceding the date of Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
20 December 2016	Placing of new Shares	HK\$22.8 million	For the development of the Group's money lending business	Provision of loans to less than 5 individuals which, in aggregate, amounted to, over HK\$22.8 million under various terms of not more than 1 year with interest rate from 5% to 10% per annum
29 July 2016	Placing of new Shares	HK\$19.58 million	For the development of the Group's money lending business	Provision of loans to less than 5 individuals which, in aggregate, amounted to, over HK\$19.6 million under various terms of not more than 1 year with interest rate from 5% to 12% per annum

Save as disclosed above, the Company had not conducted any other equity fund raising activities during the past twelve months immediately preceding the Latest Practicable Date.

Pursuant to the Group's business plan, the net proceeds from Rights Issue could satisfy the initial funding need of the Group for the next twelve months. However, the actual funding need for the development of the money lending business is driven by the market demand. If the demand for the loan is huge and the existing funding of the Group is insufficient, further fund raising may be required. The Group will prudently assess the credit risk of each applicant, the quality of the collaterals, the prevailing market conditions as well as any modifications to the law and regulations and will only grant loans of high quality. Notwithstanding the Group's plan to expand its loan book by HK\$150 million by end of 2017, the Directors are of the view that there is no guarantee of the demand for loan in future and so it is prudent to plan for further fund raising activities only when the net proceeds of HK\$60 million earmarked for money lending business has almost used up and the Company has received loan enquiries by then. Thus, as at the Latest Practicable Date, the Board had not formed any plan for further fund raising activities.

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## LETTER FROM THE BOARD

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### GEM LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 10.29(1) of the GEM Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Yu Ka Ho who is interested in 320,000 Share Options, none of the Directors and the chief executive of the Company have interest in the Shares or underlying securities of the Company.

As at the Latest Practicable Date, (i) KMW Investments (being one of the Underwriters, has material interest in the Rights Issue) owned 76,803,600 Shares, representing approximately 8.01% of the entire issued share capital of the Company; (ii) Mr. Wong TC, the sole shareholder of KMW Investments, and his spouse, save for the Shares held by KMW Investments, directly owned 21,348,000 Shares, representing approximately 2.23% of the entire issued share capital of the Company; and (iii) Strong Light, which was wholly-owned by the parents of Mr. Wong TC, owned 29,556,000 Shares, representing approximately 3.08% of the entire issued share capital of the Company. Accordingly, each of KMW Investments, Strong Light, Mr. Wong TC and his spouse and their respective associates shall abstain from voting on the resolution approving the Rights Issue and the Underwriting Agreement at the EGM.

Save as the aforesaid, as at the Latest Practicable Date, SBI China and its respective close associates did not have any shareholding interest in the Company. In the event that SBI China and any of the sub-underwriters have shareholding interest in the Company, it/they shall abstain from voting on the resolution approving the Rights Issue and the Underwriting Agreement at the EGM.

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## LETTER FROM THE BOARD

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### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

The Rights Issue is conditional upon the fulfillment of the conditions set out above under the sub-section headed “Conditions of the Rights Issue” in the section headed “Proposed Rights Issue” above. The Underwriters are entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as described above. The Rights Issue is also subject to the Underwriters not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed.

Any dealings in the Shares from the date of Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Tuesday, 2 May 2017 to Wednesday, 10 May 2017, both days inclusive, will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are advised to consult their own professional advisers.

### **EGM**

A notice of the EGM to be held at 10:30 a.m. on Wednesday, 12 April 2017 at Room 3, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular for the purpose of considering and, if thought fit, approving the Rights Issue.

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 and return the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company’s share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

Subject to the Rights Issue being approved at the EGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Li Fu Yeung, Mr. Kwan Wai Yin, William and Mr. Tam Lok Hang, has been established to provide recommendation to the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Euto Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page IBC-1 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-35 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors believe that the terms of the Rights Issue 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 recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**Food Idea Holdings Limited**  
**Wong Hoi Yu**  
*Chairman and executive Director*

Hong Kong, 25 March 2017

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.*

### 新煮意控股有限公司 FOOD IDEA HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8179)**

25 March 2017

*To the Independent Shareholders*

Dear Sir or Madam,

#### **RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 25 March 2017 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned.

Euto Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Having taken into account the terms of the Rights Issue and the advice from the Independent Financial Adviser, we are of the opinion that the Rights Issue is on normal commercial terms, in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

the Independent Board Committee

**Li Fu Yeung**

**Kwan Wai Yin, William**

**Tam Lok Hang**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Euto Capital Partners Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue for the purpose of inclusion in this circular.*



Euto Capital Partners Limited  
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www.eutocapital.com

25 March 2017

*To the Independent Board Committee and the Independent Shareholders of  
Food Idea Holdings Limited*

Dear Sirs and Madams,

### **RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Letter**”) contained in the circular of the Company to the Shareholders dated 25 March 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

#### **The proposed Rights Issue**

On 28 February 2017, the Company proposed to raise not less than approximately HK\$134 million and not more than HK\$137 million (before expenses) on the basis of one (1) Rights Share for every one (1) Share held on the Record Date, by issuing not less than 958,464,000 Rights Shares (assuming no new Shares will be allotted and issued from the exercise of the outstanding Share Options on or before the Record Date) and not more than 975,104,000 Rights Shares (assuming 16,640,000 new Shares have been allotted and issued upon full exercise of the outstanding Share Options on or before the Record Date) at the Subscription Price of HK\$0.14 per Rights Share.

Qualifying Shareholders may apply for Rights Shares in excess of their respective entitlements under the Rights Issue. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The estimated net proceeds of the Rights Issue is expected to be not less than approximately HK\$132 million and not more than approximately HK\$135 million, of which (i) approximately HK\$35 million for the acquisition of a commercial property as the office of the Company; (ii) approximately HK\$60 million for development of the Group's money lending business ("**Money Lending Business**"); (iii) approximately HK\$20 million for the development of the Group's investment business, including but not limited to the investment in a securities investment company; and (iv) the remaining balance will be used as general working capital of the Company.

Each of KMW Investments and Strong Light has given an irrevocable undertaking to the Company and the Underwriter(s), to subscribe for 76,803,600 Rights Shares and 29,556,000 Rights Shares to which KMW Investments and Strong Light are entitled to under the Rights Issue respectively. Mr. Wong TC has given an irrevocable undertaking to the Company and the Underwriters to subscribe for, and to procure his spouse to subscribe for, a total of 21,348,000 Rights Shares to which Mr. Wong TC and his spouse are entitled to under the Rights Issue.

### **GEM Listing Rules implication**

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 10.29(1) of the GEM Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Yu Ka Ho who is interested in 320,000 Share Options, none of the Directors and the chief executive of the Company have interest in the Shares or underlying securities of the Company.

As at the Latest Practicable Date, (i) KMW Investments (being one of the Underwriters, has material interest in the Rights Issue) owned 76,803,600 Shares, representing approximately 8.01% of the entire issued share capital of the Company; (ii) Mr. Wong TC, the sole shareholder of KMW Investments, and his spouse, save for the Shares held by KMW Investments, directly owned 21,348,000 Shares, representing approximately 2.23% of the entire issued share capital of the Company; and (iii) Strong Light, which was wholly-owned by the parents of Mr. Wong TC, owned 29,556,000 Shares, representing approximately 3.08% of the entire issued share capital of the Company. Accordingly, each of KMW Investments, Strong Light, Mr. Wong TC and his spouse and their respective associates shall abstain from voting on the resolution approving the Rights Issue and the Underwriting Agreement at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Save as the aforesaid, as at the Latest Practicable Date, SBI China and its respective close associates did not have any shareholding interest in the Company. In the event that SBI China and any of the sub-underwriters have shareholding interest in the Company, it/they shall abstain from voting on the resolution approving the Rights Issue and the Underwriting Agreement at the EGM.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Li Fu Yeung, Mr. Kwan Wai Yin, William, and Mr. Tam Lok Hang, all being the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account of our recommendations.

### OUR INDEPENDENCE

We, Euto Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Mr. Manfred Shiu is the person signing off the opinion letter from Euto Capital contained in the Circular. Mr. Shiu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2009 and has participated in and completed various independent financial advisory transactions in Hong Kong. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or its substantial Shareholders, Directors or chief executive, or any of their respective associates. We are independent under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue. Apart from normal professional fees paid/payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Euto Capital has not acted as a financial adviser to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the Transactions.

Our role as the Independent Financial Adviser is to (i) give our independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue 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; and (ii) advise the Independent Shareholders on how to vote in relation to (i) above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the Rights Issue, we have considered the following principal factors and reasons:

#### 1. Background information of the Group

##### *(a) Principal business*

As stated in the Letter, the Group is principally engaged in (i) catering services (“**Catering Business**”); (ii) production, sales and distribution of food products to supermarket chains in Hong Kong (“**Food Operation Business**”); (iii) investments in securities (“**Securities Investment Business**”); and (iv) Money Lending Business.

##### *(b) Financial information*

Set out below is a summary of the consolidated financial performance and consolidated financial position of the Group for the two financial years ended 31 December 2015 and 31 December 2014 as extracted from the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”) and for the two financial periods ended 30 June 2016 and 30 June 2015 as extracted from the interim report of the Company for the six months ended 30 June 2016 (the “**2016 Interim Report**”):

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**Table 1: Summary of the consolidated financial performance of the Group**

	For the six months		For the year ended	
	ended 30 June		31 December	
	2016	2015	2015	2014
	(unaudited)	(unaudited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>				
Revenue				
– Catering Business ( <i>Note</i> )	–	–	371,588	405,215
– Food Operation Business	45,031	42,810	88,818	59,709
– Securities Investment Business	1,056	–	1,833	–
– Money Lending Business	4,409	152	3,413	–
	<u>50,496</u>	<u>42,962</u>	<u>465,652</u>	<u>464,924</u>
Impairment loss of property, plant and equipment	–	(5)	(8,457)	(3,769)
(Loss)/gain on disposal of financial assets at fair value through profit or loss	–	–	(13,077)	1,193
(Loss)/gain on fair value change of financial assets at fair value through profit or loss	(45,016)	142,970	151,324	93,351
Loss on fair value of contingent consideration payable	(1,220)	(836)	(7,582)	–
Share of (loss)/profit of an associate	(3,652)	13,895	11,653	–
(Loss)/profit attributable to owners of the Company from the continuing operations for the period/year	<u>(59,443)</u>	<u>128,427</u>	<u>90,249</u>	<u>81,626</u>

*Note:* As the disposal of the Chinese Restaurant Business (as defined below) was completed on 1 August 2016, the financial performance of the Catering Business was classified as discontinued operation for the six months ended 30 June 2016 and the prior period figures (for the six months ended 30 June 2015) have been reclassified accordingly.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**Table 2: Summary of the consolidated financial position of the Group**

	<b>As at 30 June 2016</b>	<b>As at 31 December</b>	
	(unaudited)	2015	2014
	HK\$'000	(audited)	(audited)
		HK\$'000	HK\$'000
Non-current assets	183,750	221,689	76,944
Current assets	477,739	633,494	208,975
Assets of a disposal group classified as held for sale	<u>158,570</u>	—	—
Total assets	<u>820,059</u>	<u>855,183</u>	<u>285,919</u>
Current liabilities	49,642	90,456	61,376
Liabilities of a disposal group classified as held for sale	<u>79,455</u>	—	—
Total current liabilities	<u>129,097</u>	<u>90,456</u>	<u>61,376</u>
Non-current liabilities	<u>133,055</u>	<u>138,328</u>	<u>18,765</u>
Total liabilities	<u>262,152</u>	<u>228,784</u>	<u>80,141</u>
Total equity	<u>557,907</u>	<u>626,399</u>	<u>205,778</u>

(i) For the financial year ended 31 December 2015

According to the 2015 Annual Report and as shown in Table 1 above, the Group's recorded revenue of approximately HK\$465.7 million for the year ended 31 December 2015, representing an increase of approximately 0.17% as compared to approximately HK\$464.9 million for the corresponding year ended 31 December 2014. Although the revenue from the Catering Business recorded a drop from approximately HK\$405.2 million for the year ended 31 December 2014 to HK\$371.6 million for the year ended 31 December 2015, the negative impact was diminished by (i) the Food Operation Business segment, with its revenue fully accounted for the twelve months in 2015 while it was accounted for only eight months in last corresponding year after the acquisition of Food Operation Business completed on 1 May 2014; and (ii) the interest income of approximately HK\$3.4 million generated from the Money Lending Business segment.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Profit attributable to the owners of the Company rose to approximately HK\$90.2 million, being an increase of approximately 11% as compared to last year. Such increase was mainly attributable to the gain on fair value of financial assets at fair value through profit or loss (“FVTPL”) and the share of profit of an associate, amounting to approximately HK\$151.3 million and HK\$11.7 million respectively. After eliminating the abovementioned effect, there was a loss attributable to owners of the Company amounted to approximately HK\$72.8 million. Such loss was mainly due to (i) the lackluster performance from the Catering Business, leading to a segment loss of approximately HK\$13.2 million; (ii) the impairment loss on property, plant and equipment from the loss making restaurants of approximately HK\$8.5 million; (iii) the realised loss of disposal of financial assets at FVTPL amounting to approximately HK\$13.1 million; (iv) a change in fair value of contingent consideration payable of approximately HK\$7.6 million and (v) the increment of other operating expenses.

As shown in Table 2 above, as at 31 December 2015, the Group had total assets, total liabilities and total equity of approximately HK\$855.2 million, HK\$228.8 million and HK\$626.4 million respectively. Total assets increased by approximately HK\$569.3 million mainly attributable to (i) the enlarged and diversified equity investment portfolio of financial assets at FVTPL of approximately HK\$422.6 million as at 31 December 2015; (ii) the increase in loan and interest receivables of approximately HK\$129.7 million, with effective interest rate ranging from 3% to 24% per annum had been built up by Group during the year ended 31 December 2015; and (iii) the increase in interest in an associate of approximately HK\$97.83 million due to the acquisition of the entire issued share capital of Brilliant Forever Limited which was completed on 29 April 2015. The carrying amount of the Group’s unpledged bank balances and cash increased from approximately HK\$69.3 million as at 31 December 2014 to approximately HK\$96.7 million as at 31 December 2015 mainly due to the issuance of new shares which raised approximately HK\$341.9 million during the year ended 31 December 2015. The pledged bank deposits of approximately HK\$3.5 million as at 31 December 2015 was pledged to banks for the banking facilities of the Group.

As at 31 December 2015, the Group had secured bank borrowings and unsecured other borrowing of approximately HK\$34.4 million and HK\$1.4 million respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(ii) For the 6 months ended 30 June 2016*

According to the 2016 Interim Report and as shown in Table 1 above, during the six months ended 30 June 2016, the Group's revenue from continuing operations amounted to approximately HK\$50.5 million which was approximately 18% higher than that of the last corresponding period. The increment was mainly due to (i) the rise in revenue from Food Operation Business from approximately HK\$42.8 million for the six months ended 30 June 2015 to approximately HK\$45.0 million for the six months ended 30 June 2016; and (ii) the interest income of approximately HK\$4.4 million (net of inter segment elimination) generated from the Money Lending Business segment during the six months ended 30 June 2016.

Loss attributable to the owners of the Company from the continuing operations was approximately HK\$59.4 million for the six months ended 30 June 2016, a significant drop when compared with profit of approximately HK\$128.4 million in last corresponding period. Such significant drop was mainly attributable to the unrealised loss from financial assets at FVTPL amounting to approximately HK\$45.0 million for the six months ended 30 June 2016 while an unrealised gain of approximately HK\$143.0 million was recorded in the last correspondence period. Although there was an increase in revenue and tax credit for the six months ended 30 June 2016, such financial impact was offset by the increase in other operating expenses and the share of loss from an associate.

As at 30 June 2016, the Group had total assets, total liabilities and total equity of approximately HK\$820.1 million, HK\$262.2 million and HK\$557.9 million respectively. As shown in Table 2 above, there are assets and liabilities of a disposal group classified as held for sale of approximately HK\$158.6 million and HK\$79.5 million respectively, which are attributable to the disposal of the entire issued share capital of GR Holdings Limited (the "**Chinese Restaurant Business**"), a direct wholly owned subsidiary of the Company. As stated in the 2016 Interim Report, the aforesaid disposal was completed on 1 August 2016. The carrying amount of the Group's unpledged bank balances and cash decreased from approximately HK\$96.7 million as at 31 December 2015 to approximately HK\$24.3 million as at 30 June 2016. The pledged bank deposits of approximately HK\$2.0 million as at 30 June 2016 was pledged to banks for the banking facilities of the Group.

As at 30 June 2016, the Group had secured bank borrowings and unsecured other borrowing of approximately HK\$33.3 million and HK\$1.4 million respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Reasons for the Rights Issue and intended use of proceeds

#### (a) *Intended use of proceeds*

As stated in the Letter, the Company is seeking to undertake the Rights Issue to fund the relevant acquisitions and business development. The estimated net proceeds of the Rights Issue is expected to be not less than approximately HK\$132 million and not more than approximately HK\$135 million. The Company intends to apply the net proceeds from the Rights Issue in the following manner, which is expected to be utilised by 31 December 2017:

- (i) as to approximately HK\$35 million for the acquisition of a commercial property as the office of the Company;
- (ii) as to approximately HK\$60 million for development of the Group's Money Lending Business;
- (iii) as to approximately HK\$20 million for the development of the Group's investment business, including but not limited to the investment in a securities investment company; and
- (iv) the remaining balance will be used as general working capital.

As disclosed in the Group's third quarterly report for the nine months ended 30 September 2016, after deducting the revenue and income, the net expenses (including cost of inventories, salaries and employee benefits related expenses, operating lease rentals and related expenses, utilities, finance costs and other operating expenses, etc. but excluding the non-cash expenses and results from investing activities) for nine months ended 30 September 2016 amounted to approximately HK\$18.2 million. Based on these figures, the Board expects the projected net expenses will amount to approximately HK\$24.3 million for the year ended 31 December 2016. With reference to the net cash and bank balance of the Group of HK\$7.2 million as at 31 January 2017, assuming there is same amount of net expenses in 2017, there will be a shortfall of cash of approximately HK\$17.1 million. Together with the aggregate of HK\$4.5 million for development of the Food Operation Business, the Company intends to use the remaining amount of the net proceeds for general working capital of the Group. Details of the funding needs of the Group for the year ending 31 December 2017 are set out in the subsection headed "Business plan of the Group" below.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(b) Business plan of the Group**

As stated in the Letter, after the disposal of Chinese Restaurant Business in August 2016, the Group will further develop its Food Operation Business, Money Lending Business and the Securities Investment Business. Details of the business plan of the Group for the year ending 31 December 2017 are set out below.

*(i) Acquisition of a commercial property*

As stated in the Letter, as at the Latest Practicable Date, the Company leases a commercial unit in Wan Chai for office use. The Company decides to acquire for an office premises not because of any particular urgent need but is of the view that it is in the best interest of the Company and the Shareholders as a whole as (i) the acquisition of commercial property for its office use allows the Group to save rental costs from a long term perspective; and (ii) the commercial property will appreciate in the long run.

The Company currently rents its office and the lease commenced on 1 March 2016 and is to expire on 28 February 2018, with no early termination penalty.

As stated in the Letter, the Company has been actively looking for a potential commercial property suitable for office use. As at the Latest Practicable Date, the Company has identified a commercial unit in Wan Chai with the total area of around 2,000 square feet which is suitable to be used for the office of the Company.

According to the Letter, the Company expects that financing the acquisition cost of the commercial property by part of the proceeds from the Rights Issue will (i) reduce the interest burden incurred by the Group when compared with the borrowed funds through other bank financing facilities; and will (ii) concurrently not increase the gearing ratio of the Group. The Board intends to utilise the amount of approximately HK\$35 million for financing the acquisition cost of the commercial property and related expenses include but not limited to costs of renovation and initial set up. As stated in the Letter, it is expected that the acquisition of the real property in Hong Kong will take place in about August 2017.

Our view

We have reviewed certain market research report released by global real estate services providers and statistics report issued by Hong Kong government authority.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the report named “Hong Kong Office MarketView Q4 2016” released by CB Richard Ellis Group, Inc. in January 2017, the office leasing demand on Hong Kong Island picked up in the fourth quarter 2016. Net absorption in the last quarter of the year was 86,200 square feet, ensuring year to date net absorption (the net change in occupied space in a given market between the current measurement period and the last measurement period) recovered to positive territory at 52,900 square feet. The report further reveals that the space availability in Central will remain limited in 2017. Activity will continue to be focused on shadow space and future vacant space as no major leases are scheduled to expire in 2017. Chinese enterprises will retain a strong appetite for en-bloc office acquisitions but transaction volume is expected to decline in the short-term as investors will find it more difficult to channel capital out of the PRC. Companies with solid cash holdings in Hong Kong will be less affected and are expected to continue to seek purchasing opportunities.

On top of the above research, according to the “Hong Kong Monthly Digest of Statistics – February 2017” (the “**Monthly Digest**”) issued by the Census and Statistics Department of Hong Kong Special Administrative Region, we note that the rental indices (reflecting the movement of rent paid for private office premises in Hong Kong) of private offices premises in Hong Kong increased from 213.7 in year 2014 to 232.3 in year 2016. Based on the above, we are of the view that there is an increasing trend in the rental indices of private office in Hong Kong. According to the Monthly Digest, we further noted that the price indices (reflecting the movement of consideration paid for acquisition of private non-domestic premises in Hong Kong) for private non-domestic premises in Hong Kong increased from 423.0 in year 2014 to 426.1 in year 2016. Based on the above, we are of the view that there is an increasing trend in the price indices of private office in Hong Kong.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With reference to the above research report and statistics report and on top of the view of the management of the Company, we consider that (i) the office leasing demand in Hong Kong picked up and the space availability will remain limited in 2017; (ii) both the rental indices of private office and price indices for private non-domestic premises in Hong Kong demonstrated an increasing trend (though not particularly significant); and (iii) purchasing a new office for own use can avoid the effect of the increase of rental payment in the future and save the administration expenses for the relocation of office at the end of each tenancy period.

In addition, due to (i) the limited supply and increasing demand of private office and non-domestic premises as shown in the above research report and (ii) the increasing trend of the historical movement of consideration paid for acquisition of private non-domestic premises in Hong Kong as shown in the above statistic report, we expect that the market research results indicate an increasing price trend of the non-domestic premises in the future. Hence, the acquisition can enable the Group to realise the property for capital gain if there is a significant increase in the value of the property in the future. Therefore, it is in the interests of the Company and the Shareholders as a whole.

*(ii) Food Operation Business*

As stated in the Letter, the Food Operation Business was operated by the non wholly-owned subsidiaries of the Company to produce and supply barbequed food and Taiwanese Lou Mei to over 60 concessionaire stores in major supermarket chains in Hong Kong, which have new outlets from time to time. According to the Letter, apart from the increase in supply of food products when new outlets are opened, the Group targets to expand the Food Operation Business by operating canteens at universities in Hong Kong. The Group has already submitted a tender to a university in February 2017. The tendering results will be announced in March 2017. As at the Latest Practicable Date, the tendering results has not yet released. It is estimated that an initial set up fee of approximately HK\$2.5 million is required for the establishment and operation of the canteen in around June 2017 if the Group can successfully win the tender.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Further, the Food Operation Business is currently financing its operation by using invoice financing and overdraft of approximately HK\$2 million (“**Operation Loan**”). In respect of the Operation Loan, the Company is currently incurring an accrued monthly interest payment of approximately HK\$16,000. In light of this, the Group intends to use HK\$2 million to fund the Food Operation Business in order to save the aforesaid finance cost.

To sum up, the aggregate of approximately HK\$4.5 million (initial set up fee: approximately HK\$2.5 million + replacement of Operation Loan: approximately HK\$2 million) shall be funded by the Group’s general working capital as raised from the net proceeds of the Rights Issue.

### Our view

After enquiring with the Company, we understand that the tendering results has not yet announced as at the Latest Practicable Date and the agreement relating to the above tendering is possible (though the Company cannot guarantee) to be reached. As further advised by the management of the Company, in case the agreement cannot be reached, the Company will continue to look for other tendering in order to expand its Food Operation Business. Hence, we concur with the Board’s consideration that (i) the aforesaid tendering results will be announced in March 2017, which is close to the expected completion time of the proposed Rights Issue in mid May 2017 as scheduled; (ii) it is possible that an agreement may be reached with the view that it is prudent for the Company to conduct the Rights Issue at the current time in order to obtain the necessary funding to prepare for the potential establishment and operation of the canteen in around June 2017, as the case may be (iii) in case the relevant tender would fail, the allocated fund (which is in small proportion to the proceeds from the Right Issue) can be reserved for other similar business opportunities in the Food Operation Business; and (iv) the potential funding from the Rights Issue can save the finance cost for the daily operation of the Food Operation Business and is in the interests of the Company and the Shareholders as a whole.

### *(iii) Money Lending Business*

As stated in the Letter, the Group has experienced an unexpected overwhelming demand for loans by borrowers and therefore has conducted two placings for a net proceeds of approximately HK\$19.58 million and approximately HK\$22.8 million in July 2016 and December 2016 respectively to meet such demands, of which the Group has fully utilised the net proceeds of the two placings for provision of loans to various individuals in January 2017, while the Company over the recent two months, has received loan enquiries amounted to not less than HK\$33 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Since the commencement of the Group's Money Lending Business in about June 2015, it has generated interest income of approximately HK\$12 million to the Group. In view of the interest income attributable to the Group and the growing demand of loans, the Board plans to further develop the Money Lending Business.

After enquiring with the Company, we are given to understand that the aggregate loans offered up to 31 December 2015 and 31 December 2016 was of approximately HK\$234 million and HK\$342 million respectively, representing an increase of approximately 46%. All of the Group's clients negotiated with the Group directly without involving any financial intermediaries. With regard to the recent combat on the illegal malpractices of financial intermediaries which charge exorbitant intermediary fees, the Board believes more borrowers will avoid using financial intermediaries and turn to deal with licensed money lenders which are more reliable and regulated, such as banks and licensed money lenders of listed companies directly.

In the premises, the Board intends to expand its loan book by approximately HK\$150 million by the end of 2017, the then aggregate loans offered would be increased by approximately 44%, subject to the assessment on the borrowers and the quality of the collaterals.

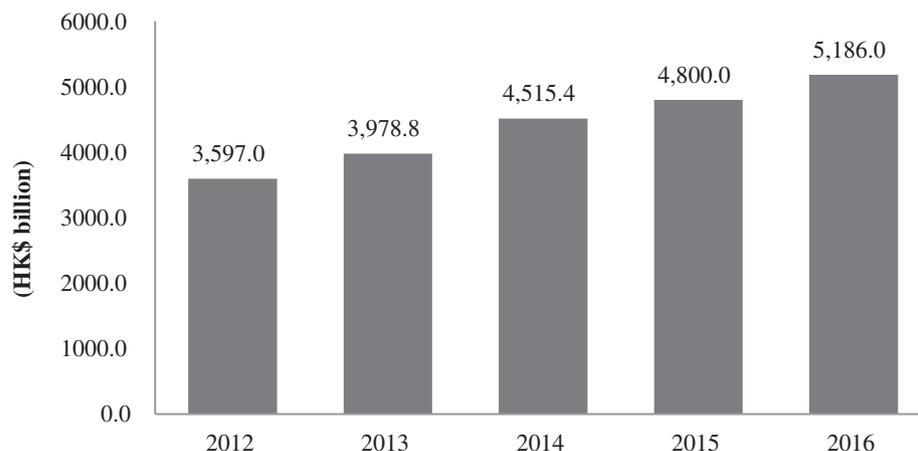
### Our view

To assess the merits to expand in the Money Lending Business, we have studied statistics of the money lending market in Hong Kong. Whilst there are no official statistics for the loans and advances granted by licensed money lenders in Hong Kong, the statistics of loans and advances granted by authorised institutions as reported by the Hong Kong Monetary Authority can be used as reference for the credit market growth. Loans and advances for use in Hong Kong refer to the credit facilities made available or disbursed in Hong Kong to borrowers with residence or principal place of business in Hong Kong. The balance of loans and advances for use in Hong Kong is generally correlated to the level of economic activities in Hong Kong.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Source: the website of Hong Kong Monetary Authority (<http://www.hkma.gov.hk>)

As illustrated in the chart above, the amount of loans and advances for use in Hong Kong has been growing over the past few years and has reached approximately HK\$5,186 billion as at 31 December 2016 representing an increase of HK\$386 billion or 8% when compare to the corresponding year. Overall, the compound annual growth rate of loans and advances was approximately 14.83% during December 2012 to December 2016 and therefore we are of the view that the money lending market in Hong Kong is expanding and the allocation of more financial resources to the Money Lending Business is in the benefit of the Company and the Shareholders as a whole.

We have discussed with the management of the Company and understand that while the Group closely monitors the developments in the money lending market, the Group may come across opportunities to broaden its income source and customer base by expanding its loan book. In such circumstances, the existing financial capacities of the Group may not be sufficient to capitalize on and develop these opportunities. Based on the above statistics and given that (i) the Company targets to achieve 44% (approximately HK\$150 million) increase in the aggregate loan offered representing 0.04% of the overall market expansion (HK\$386 billion) and (ii) taking into account no provision for impairment or write-off has been recognized on loans and interest receivables as disclosed in the 2015 Annual Report and 2016 Interim Report, we are of the view that (i) the money lending market in Hong Kong is expanding, (ii) the target of the Company to expand its loan book is insignificant when compare to the overall market (though the percentage change is 44%); and (iii) the proceeds from the Rights Issue can help the Company to capture the market opportunities, hence we are of the view the allocation is in the benefit of the Company and Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(iv) Securities Investment Business*

As stated in the Letter, in order to further diversify its business and broaden the income sources to maximise the return to the Shareholders, the Group plans to develop its Securities Investment Business in (i) securities investment and (ii) acquisition of a licensed corporation which carries out Type 1 regulated activity under the SFO.

As further mentioned in the Letter, the Group has been investing in different investment products, including bonds, funds and listed securities in Hong Kong and non-listed securities. In the first half year of 2016, the Group invested HK\$1 million in securities of a non-listed company, and up to the Latest Practicable Date, the Group has received dividends of a total of HK\$200,000, representing a return of 20% in less than one year. Based on the fact that the non-listed securities investment has been generating satisfying returns (e.g. interest and dividends) to the Group and therefore the Board intends to assign approximately HK\$10 million to pursue and further invest in unlisted companies of growth potentials.

Further, the Group is looking for investment opportunity in licensed corporation(s) which is/are licensed to conduct regulated activities, such as securities trading, underwriting and placing, under the SFO. The Company intends to invest approximately HK\$10 million for acquiring interests in and further development of such licensed corporation(s). As at the Latest Practicable Date, the Group was still in the course of identifying potential licensed corporation(s).

Our view

As advised by the Board, the Company will continue to retain experienced staff and recruit suitable expertise to manage the investment portfolio of the Company. Given that (i) approximately HK\$10 million of the net proceeds from the Rights Issue will be assigned for investing in non-listed securities and HK\$10 million of the net proceeds from the Rights Issue will be assigned for acquiring interests in the aforesaid licensed corporations; (ii) the proposed investments are in line with the principal activities of the Group; (iii) the proposed investments can increase the size of the Group's investment portfolio; and (iv) the proposed investments can further diversify the investment portfolio of the Group and minimise its investment risk by investment allocation (i.e. the Company will invest in companies of relatively stable market) and portfolio adjustment in regard to the changes of market conditions using the proceeds from the Rights Issue, we have considered the above investment strategy and arrangement and we are of the view that investing in various non-listed securities as well as the aforesaid licensed corporation enables the company to broaden its income sources and enable the Group to mitigate the effects of any downturn or cyclical change in any particular industry on the Group and minimise its investment risk which can maximize the interest of the Company and its shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(v) *General working capital of the Group*

As disclosed in the Group's third quarterly report for the nine months ended 30 September 2016, the revenue (together with the other income) was approximately HK\$76.2 million. Deducting the same by expenses (including cost of inventories consumed, employee benefit expenses, operating lease rentals and related expenses, utilities expenses, finance costs and other operating expenses (excluding the non-cash expenses and results from investing activities)) for the period of HK\$94.4 million, the net expenses for the nine months ended 30 September 2016 amounted to approximately HK\$18.2 million. The Board expects the projected net expenses for the year ended 31 December 2016 will amount to approximately HK\$24.3 million, based on the net expenses for the nine months ended 30 September 2016 of approximately HK\$18.2 million, projected to 12 months. With reference to the cash and bank balances of the Group of HK\$7.2 million as at 31 January 2017, assuming there is same amount of net expenses in 2017, there will be a shortfall of cash of approximately HK\$17.1 million (being HK\$24.3 million minus HK\$7.2 million) for the 12 months thereafter.

We have reviewed, and discussed with the management of the Company, the budget of the Group for the coming year and noted that the projected operating expenses of the Group for the next year is similar to that for the year ending 31 December 2017. Having considered (i) the net cash position of the Group as at 31 January 2017; (ii) the actual amount of operating expenses incurred for the year ended 31 December 2016; and (iii) the projected operating expenses of the Group for the coming year, we consider that it is appropriate to allocate the remaining net proceeds from the Rights Issue for the general working capital of the Group.

***Conclusion***

Based on the above and the fact that the Rights Issue will (i) give all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company without diluting their corresponding shareholdings and (ii) participate in the long-term growth of the Company at a price lower than the current market level, we concur with the view of the Board that it is fair and reasonable and in the interest of the Company to conduct the Rights Issue to support the growth of the Group and the intended use of proceeds are reasonable and commercially justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(c) Fund raising activities during the past 12 months and funding needs of the Company**

The following table sets out the fund raising activities of the Company during the past 12 months immediately before the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
20 December 2016	Placing of new Shares	HK\$22.8 million	For the development of the Group's Money Lending Business	For lending to less than 5 individuals with loans amounting over HK\$22.8 million under various terms of not more than 1 year with interest rate from 5% to 10% per annum
29 July 2016	Placing of new Shares	HK\$19.58 million	For the development of the Group's Money Lending Business	For lending to less than 5 individuals with loans amounting over HK\$19.6 million under various terms of not more than 1 year with interest rate from 5% to 12% per annum

Save as disclosed above, the Company has not conducted any other equity fund raising activities during the past twelve months immediately preceding the Latest Practicable Date.

Pursuant to the Group's business plan, the net proceeds from Rights Issue could satisfy the initial funding need of the Group for the next twelve months. However, the actual funding need for the development of the Money Lending Business is driven by the market demand. If the demand for the loan is huge and the existing funding of the Group is insufficient, further fund raising may be required. The Group will prudently assess the credit risk of each applicant, the quality of the collaterals, the prevailing market conditions as well as any modifications to the law and regulations and will only grant loan of high quality. Notwithstanding the Group's plan to expand its loan book by HK\$150 million by end of 2017, the Directors are of the view that there is no guarantee of the demand for loan in future and so it is prudent to plan for further fund raising activities only when the net proceeds of HK\$60 million earmarked for money lending business has almost used up and the Company has received loan enquiries by then. Thus, as at the Latest Practicable Date, the Board has not formed any plan for further fund raising activities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(d) Other financing alternatives*

As stated in the Letter, the Board has explored possible fund raising methods, such as debt financing, placing of or subscription for new Shares or convertible securities and rights issue. Given that 45% of the fund raised will be used for the Money Lending Business, the Directors consider that debt financing will incur interest costs which will (i) jeopardise the competitiveness of the Group's Money Lending Business as the Group has to impose a higher interest rate for the loan advanced by the Group; and (ii) increase the gearing ratio and result in additional cost burden to the Group. Hence, debt financing is not preferable.

Besides, given that the minimum funding needs is of approximately HK\$132 million, it cannot be achieved by issue of securities under general mandate. To raise fund from placing or subscription, substantial amount of securities must be issued under specific mandate to be sought at the general meeting of the Company and usually the subscriber(s) will ask for a deep discount to the trading price of the Shares in view of the substantial amount of securities involved. The Company is unable to secure any placing agents and subscribers with such large amount of securities but having subscription price comparable to that of the Rights Issue. Further, issue of substantial amount of securities and underlying securities will cause huge dilution effect to the Shareholders and deny the Shareholders to participate in the fund raising activities in order to maintain their shareholdings. As such, the Directors believe that Rights Issue is the best alternative among other fund raising alternatives.

Among different fund raising methods, the Directors consider that it is prudent to finance the Group's long term growth by way of the Rights Issue which will not only strengthen the Group's capital base and enhance its financial position without increasing finance costs or incurring debts, but will also allow all Qualifying Shareholders the opportunity to participate in the growth of the Group through the Rights Issue at a price lower than the current trading price of the Shares. The Directors consider that the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Considering the reasons as stated above, including (i) debt financing will incur interest cost (a) jeopardising the competitiveness of the Group's Money Lending Business and (b) increasing the gearing ratio and resulting in additional cost burden to the group; (ii) deep discount to the trading price of the Shares occurred by placing or subscription; and (iii) placing or subscription will deny the Shareholders to participate in the fund raising activities and cause huge dilution effect; (iv) more cost effective when compared to debt financing, we are of the view and concur with the view of the management of the Company that the conduct of the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Principal terms of the Rights Issue

#### *(a) Basis of the Rights Issue*

As stated in the Letter, the Company proposed to raise not less than approximately HK\$134 million and not more than HK\$137 million (before expenses) on the basis of one (1) Rights Share for every one (1) Share held on the Record Date, by issuing not less than 958,464,000 Rights Shares (assuming no new Shares have been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date) and not more than 975,104,000 Rights Shares (assuming 16,640,000 new Shares have been allotted and issued upon full exercise of the outstanding Share Options on or before the Record Date) at the Subscription Price of HK\$0.14 per Rights Share.

Qualifying Shareholders may apply for Rights Shares in excess of their respective entitlements under the Rights Issue. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

#### *(b) Subscription Price*

The Subscription Price is HK\$0.14 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance under the PAL(s). As stated in the Letter, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriters with reference to the market price of the Shares under the prevailing market conditions, the financial position of the Company and the business prospect of the Company.

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following informative analysis for illustrative purpose:

#### *(i) Comparison with prevailing market price*

We note that the Subscription Price represents:

- a discount of approximately 7.89% to the closing price of HK\$0.152 per share on the Latest Practicable Date;
- a discount of approximately 17.65% to the closing price of HK\$0.17 per Share on the Last Trading Day;
- a discount of approximately 16.07% to the average of the closing prices of approximately HK\$0.1668 per Share, based on the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and

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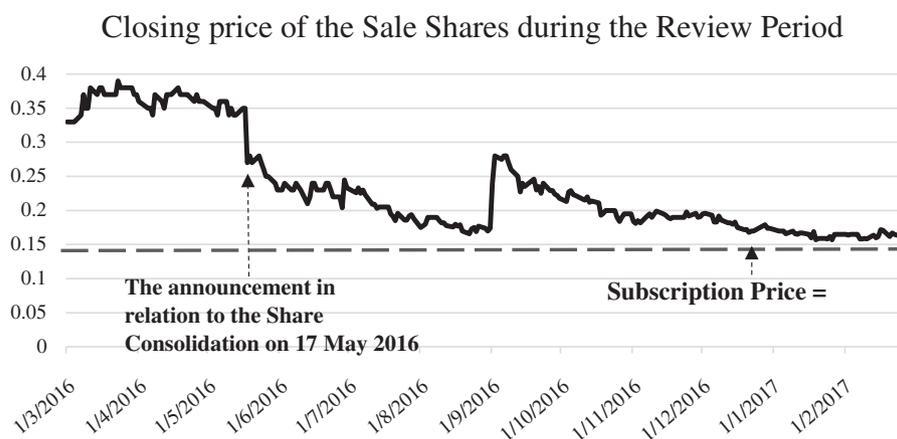
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- a discount of approximately 9.68% to the theoretical ex-rights price of approximately HK\$0.155 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Directors consider that the Subscription Price is set at a discount with an objective to lower the further investment cost of the Shareholders, to encourage them to take up their entitlements and to participate in the potential growth of the Company. In order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price to the market price is appropriate. The Directors (other than the independent non-executive Directors whose view will be formed after considering the opinion of the Independent Financial Adviser regarding the Rights Issue) consider the terms of the Rights Issue, including the Subscription Price, are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. The net price per Rights Share will be approximately HK\$0.1379.

*(ii) Comparison with historical closing prices*

Set out below is the movements in the daily adjusted closing price per Share based on the closing price per Share as quoted on the Stock Exchange for a 12-month period from 1 March 2016 up to and including the Last Trading Day (the “**Review Period**”):



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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the chart above, the average daily Share price for the period from 1 March 2016 to 17 May 2016 (the “**1st Period**”) was approximately HK\$0.36 representing a discount of approximately 61.1% to the Subscription Price. We notice from the website of the Stock Exchange that the Company proposed to consolidate every ten (10) existing issued and unissued Shares into one (1) consolidated Share on 17 May 2016 (the “**Share Consolidation**”).

Subsequent to the 1st Period, we note that the average daily Share price for the period from 18 May 2016 to 28 February 2017 (the “**2nd Period**”) was approximately HK\$0.20, representing a decrease of approximately 44.4% to the 1st Period and a discount of approximately 30% to the Subscription Price. After reviewing the trend of the daily closing price per share during the Review Period, we note that it demonstrates a declining trend as shown in the chart above. Based on this, we consider that the average daily closing prices of the Shares during the 2nd Period reflected (i) the market’s reaction to the Share Consolidation and subsequent corporate actions including the very substantial disposal as announced on 10 March 2016; (ii) the placing of Shares under general mandate as announced on 29 July 2016; (iii) the placing of Shares under general mandate as announced on 20 December 2016; and (iv) the profit warning on 13 January 2017. Apart from the above, we are not aware of any public information relating to the price movement during the 2nd Period and. We enquired with the management of the Company regarding the possible reasons for the decrease in the Share price during such period and were advised that the Company was not aware of any particular matters which might have impact on the Share price during such period.

In light of the above, we are of the view the slight surge in Share price during the 2nd Period reflects the change in the fundamentals of the Company and therefore, the Share price during such period serve a fair and meaningful indicator for assessing the Subscription Price.

During the Review Period and as shown in the chart above, the closing price of the Shares ranged from the lowest closing price of HK\$0.157 on 19 January 2017 and 26 January 2017 to the highest closing price of HK\$0.390 on 23 March 2016, with an average daily closing price of approximately HK\$0.233. The Subscription Price of HK\$0.14 per Rights Share represents (i) a discount of approximately 10.8% to the lowest closing price; (ii) a discount of approximately 30.0% to the average daily Share price during the 2nd Half Period; and (iii) a discount of approximately 39.9% to the average daily closing price during the Review Period. In view of this, we consider that (i) the Subscription Price is fair and reasonable and (ii) the discount of the Subscription Price to the prevailing market price is necessary to encourage the Qualifying Shareholders and SBI China to participate in the Rights Issue and underwrite the Underwritten Shares respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(iii) Review on the trading liquidity of the Shares*

Set out below is a table showing the (i) monthly total trading volume of the Shares, (ii) the number of trading days, (iii) the average daily trading volume of the Shares, (iv) the total issued Shares at the end of each month and (v) the percentage of the average daily trading volume of the Shares to the total issued Shares as at the end of each month during the Review Period:

Month	Monthly total trading volume of the Shares (A)	No. of trading days (B)	Average daily trading volume of the Shares (C) = (A) / (B)	Total issued Shares at the end of each month (D) <i>(Note 2)</i>	Percentage of the average daily trading volume of the Shares to the total issued Shares (C) / (D) (%) <i>(Note 1)</i> (Approximate)
<b>2016</b>					
March	526,724,000	21	25,082,095	6,528,000,000	0.38
April	345,824,000	20	17,291,200	6,528,000,000	0.26
May	734,724,000	21	34,986,857	6,528,000,000	0.54
June <i>(Note 3)</i>	518,689,600	21	24,699,505	5,688,685,714	0.43
July	25,410,800	20	1,270,540	652,800,000	0.19
August <i>(Note 4)</i>	29,040,800	22	1,320,036	735,883,636	0.18
September <i>(Note 5)</i>	130,876,890	21	6,232,233	791,192,381	0.79
October	40,167,270	19	2,114,067	798,720,000	0.26
November	7,292,000	22	331,455	798,720,000	0.04
December	8,172,000	20	408,600	798,720,000	0.05
<b>2017</b>					
January <i>(Note 6)</i>	12,961,200	19	682,168	924,833,684	0.07
February	6,781,200	20	339,060	958,464,000	0.04
March	28,811,400	17	1,694,788	958,464,000	0.18

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

*Note:*

- The calculation is based on the average daily trading volume of the Shares divided by the total issued Shares at the end of each month or at the Latest Practicable Date as applicable.
- The total issued Shares at the end of June 2016, August 2016, September 2016 and January 2017 are calculated by the weighted average of total issued Shares at the end of the respective month.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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3. As stated in the announcements of the Company dated 17 May 2016 and 27 June 2016 and the circular of the Company dated on 20 May 2016, the Company proposed to consolidate every ten (10) existing issued and unissued Shares of HK\$0.001 each in the share capital of the Company into one (1) consolidated Share of HK\$0.01 each. The Share consolidation was completed on 28 June 2016.
4. As stated in the announcements of the Company dated 29 July 2016 and 11 August 2016, the Company entered into the placing agreement with a placing agent for the placing of 130,560,000 new ordinary shares of the Company at a price of HK\$0.153 per share. The placing was completed on 11 August 2016.
5. On 12 September 2016, 13 September 2016, 19 September 2016 and 21 September 2016, the Company allocated and issued 5,760,000, 3,200,000, 3,200,000 and 3,200,000 Shares respectively pursuant to the exercise of the Share Options granted under the Share Option Scheme.
6. As stated in the announcements of the Company dated 20 December 2016 and 6 January 2017, the Company entered into the placing agreement with a placing agent for the placing of 159,744,000 new ordinary shares of the Company at a price of HK\$0.144 per share. The placing was completed on 6 January 2017.

Based on the above table, the percentage of the average daily trading volume of the Shares to the total issued Shares ranged from 0.04% to 0.79%.

We note that the average daily trading volume of the Shares was generally below 0.1% to the total issued Shares after November 2016, indicating thin trading liquidity of the Shares during the Review Period.

*(iv) Comparison with recent rights issue transactions*

We have conducted a search of rights issue transactions announced by companies listed on the Stock Exchange during the six-month period prior to the date of the Underwriting Agreement and have identified, based on such search criteria, twelve rights issues (the “**Rights Issue Comparable(s)**”) for comparison purpose. To the best of our endeavour, we believe that the list of Rights Issue Comparables is an exhaustive list of rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Although the Rights Issue Comparables may be different from the Group in terms of business nature, financial performance, financial position and funding requirements, the Rights Issue Comparables can serve as a market reference for the recent market practice in relation to the subscription prices under other rights issues as compared to the relevant prevailing market share prices and provide an insight to the reasonableness of the Subscription Price in respect of the Rights Issue.

We set out our findings in the following table:

Date of initial announcement	Company name	Stock code	Basis of entitlement	Discount of subscription price to the closing price on the last trading day (%)	Discount of subscription price to the theoretical ex-entitlement price (Note 1) (%)	Underwriting commission (%)	Maximum dilution (Note 2) (%)
16 Jan 2017	Landing International Development Limited	582	5 for 1	(41.86)	(10.71)	2% and 2.5% (Note 3)	83.33
4 Jan 2017	Celebrate International Holdings Limited	8212	3 for 1	(15.20)	(4.50)	3.00	75.00
22 Dec 2016	Tack Fiori International Group Limited	928	1 for 1	(35.05)	(21.25)	2.75	50.00
9 Dec 2016	New Ray Medicine International Holding Limited	6108	3 for 1	(31.25)	(10.13)	3.50	75.00
11 Nov 2016	Capital VC Limited	2324	3 for 1	(50.00)	(20.00)	1.50	75.00
28 Oct 2016	Manson Financial Holdings Limited	273	6 for 5	(45.40)	(27.40)	0.46	54.55
20 Oct 2016	Heng Tai Consumables Group Limited	197	1 for 1	(17.20)	(9.40)	3.50	50.00
13 Oct 2016	Eminence Enterprise Limited	616	3 for 1	(33.12)	(6.00)	1.00	75.00

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Date of initial announcement	Company name	Stock code	Basis of entitlement	Discount of subscription price to the closing price on the last trading day (%)	Discount of subscription price to the theoretical ex-entitlement price (Note 1) (%)	Underwriting commission (%)	Maximum dilution (Note 2) (%)
20 Sep 2016	Sun Century Group Limited	1383	3 for 1	(20.00)	(6.10)	3.00	75.00
7 Sep 2016	Chinlink International Holdings Limited	997	5 for 1	(76.19)	(34.75)	2.00	83.33
12 Aug 2016	Enterprise Development Holdings Limited	1808	3 for 1	(56.00)	(24.24)	3.00	75.00
12 Jul 2016	Universe International Holdings Limited	1046	2 for 1	(25.00)	(10.04)	3.00	66.67
			<b>Minimum</b>	(15.20)	(4.50)	0.46	50.00
			<b>Maximum</b>	(76.19)	(34.75)	3.50	83.33
			<b>Average</b>	(38.08)	(15.65)	2.43	70.22

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

**Notes:**

- The theoretical ex-rights price is calculated by adding the market value of all the issued shares (based on the closing price of the shares on the last trading day) with the gross amount of subscription proceeds expected to be received from the rights issue (before expenses), and then divided by the total number of issued shares as enlarged by the rights issue. Taking the Company's case as an example, in case of every 1 rights share for every 1 existing shares,  $(1 \times \text{closing price on the last trading day}) + 1 \times (\text{the subscription price}) / (1 + 1)$  (i.e.  $(1 \times \text{HK\$}0.17 + 1 \times \text{HK\$}0.14) / (1 + 1) = \text{approximately HK\$}0.155$ )
- Maximum dilution effect of each rights issue is calculated as:  $(\text{number of rights shares and (if any) bonus shares to be issued under the basis of entitlement}) / (\text{number of existing shares held for the entitlement for the rights shares under the basis of entitlement} + \text{number of rights shares and (if any) bonus shares to be issued under the basis of entitlement}) \times 100\%$ . Taking the Company's case as an example, for a rights issue with basis of 1 rights share for every 1 existing share taken up, the maximum dilution effect is calculated as  $((1) / (1 + 1)) * 100 = 50.0\%$ .

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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3. Landing International Development Limited has entered into underwriting agreements with Kingston Securities Limited (“**Kingston**”) and Landing International Limited (“**LIL**”) in respect of the rights issue, pursuant to which 2.5% of the aggregate subscription price in respect of the maximum number of underwritten shares underwritten by Kingston is payable to Kingston; and 2.0% of the aggregate subscription price in respect of the maximum number of underwritten shares underwritten by LIL is payable to LIL.

As shown on the above table, the subscription prices of all of the Rights Issue Comparables are set at a discount to the respective closing price per share on the last trading day, ranging from approximately 15.20% to approximately 76.19% with an average discount of approximately 38.08%. The Subscription Price represented a discount of approximately 17.65% to the closing price per Share on the Last Trading Day, which is lower than the average discount and within the range of discounts of the Rights Issue Comparables. We note that out of the twelve comparables, six of which set the subscription price of the right shares at a higher discount than the average discount of the Rights Issue Comparables.

We also note that the discount to the theoretical ex-rights price per share represented by the Rights Issue Comparables ranged from a discount of approximately 4.50% to a discount of approximately 34.75%, with an average discount of approximately 15.65%. The Subscription Price represented a discount of approximately 9.68% to the theoretical ex-rights price per Share, which falls within the range of the Rights Issue Comparables but represents a lower discount than the corresponding average represented by the Rights Issue Comparables.

### ***Conclusion***

Notwithstanding the discount represented by the Subscription Price to the prevailing market price of the Shares and the closing prices per Share during the Review Period, we have taken into account that:

- (i) the setting of the Subscription Price at a discount to the market price could enhance the attractiveness of the Rights Issue for encouraging Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interest in the Company and participate in the future growth of the Company;
- (ii) the discounts represented by the Subscription Price to the closing Share price on the Last Trading Day and to the theoretical ex-rights price are within the corresponding ranges of discounts represented by the Rights Issue Comparables;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) the trading volume of the Shares during the Review Period, as represented by the average number of Shares traded per trading date in each month during the Review Period as a percentage of the total number of issued Shares as at the respective month-ends, fluctuated notably, was generally below 1% to the total issued Shares;
- (iv) the Rights Issue offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares and hence avoids dilution;
- (v) the Subscription Price was a commercial decision arrived at after arm's length negotiation between the Company and the Underwriters; and
- (vi) as stated in the Letter, during the negotiation of the Underwriting Agreement, it was indicated to the Company that such level of the Subscription Price is necessary to enable the Underwriters to provide the underwriting commitment.

Based on the totality of the foregoing factors, we are of the view that the scale of the Rights Issue and the Subscription Price are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

**(c) *Underwriting commission***

Pursuant to the Underwriting Agreement, the Company will pay SBI China an underwriting commission of 0.25% of the aggregate subscription price in respect of the maximum number of the Underwritten Shares taken by it and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriters in respect of the Rights Issue. For avoidance of doubt, KMW Investments will not be entitled to any underwriting commission. The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriters, but the Company shall pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriters in respect of the Rights Issue.

The commission rate was determined between the Company and the Underwriters by reference to the market rate. The Directors (including the independent non-executive Directors) consider the terms of the Underwriting Agreement including the commission rate to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Rights Issue Comparables (details of which are set out in the subsection headed “Comparison with recent rights issue transactions” above), the underwriting commission of the Rights Issue Comparables ranged from a minimum of 0.46% to a maximum of 3.5%, with an average of approximately 2.43%. As the underwriting commission of the Rights Issue of 0.25% is out of the range and below the average of that of the Rights Issue Comparables, we are of the view that the underwriting commission of 0.25% under the Underwriting Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

***(d) Application for excess Rights Shares***

As stated in the Letter, Qualifying Shareholders will be entitled to subscribe for (i) the Rights Shares representing any unsold entitlements of the Excluded Shareholders; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (i) preference will be given to applications for less than a board lot of Rights Shares where it appears to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse the mechanism; and
- (ii) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of excess Rights Shares available for excess application and the number of the excess Rights Shares applied for by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive larger number of Rights Shares) and with board lot allocations to be made on a best effort basis.

In the event that the Board noted unusual patterns of excess applications and had reason to believe that any application may have been made with the intention to abuse the mechanism when applying the allocation principle (i) above, such application for excess Rights Shares may be rejected at the sole discretion of the Board.

Based on our review of the basis of allocation, we are not aware of any unusual arrangement as compared to the Rights Issue Comparables. We therefore consider that such allocation basis is consistent with normal market practice.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(e) Potential dilution effect of the Rights Issue**

As at the Latest Practicable Date, the Company has 958,464,000 Shares in issue and 16,640,000 outstanding Share Options which confer holders thereof the rights to subscribe for 16,640,000 new Shares.

The table below depicts the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders and no option holder exercising the outstanding Share Options; (iii) immediately upon completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders other than KMW Investments, Strong Light, Mr. Wong TC and his spouse, and no option holders exercising the outstanding Share Options; (iv) immediately upon completion of the Rights Issue assuming the option holders having exercised the outstanding Share Options in full and full acceptance by the Qualifying Shareholders (including the option holders); and (v) immediately upon completion of the Rights Issue assuming the option holders have exercised the Share Options in full but nil acceptance by the outstanding Qualifying Shareholders (including the option holders) other than KMW Investments, Strong Light, Mr. Wong TC and his spouse:

	(i)		(ii)		(iii)		(iv)		(v)	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
KMW Investments	76,803,600	8.01	153,607,200	8.01	377,607,200	19.70	153,607,200	7.88	377,607,200	19.36
Strong Light	29,556,000	3.08	59,112,000	3.08	59,112,000	3.08	59,112,000	3.03	59,112,000	3.03
Mr. Wong TC and his spouse	<u>21,348,000</u>	<u>2.23</u>	<u>42,696,000</u>	<u>2.23</u>	<u>42,696,000</u>	<u>2.23</u>	<u>42,696,000</u>	<u>2.19</u>	<u>42,696,000</u>	<u>2.19</u>
Sub-total (note)	127,707,600	13.32	255,415,200	13.32	479,415,200	25.01	255,415,200	13.10	479,415,200	24.58
Yu Ka Ho	-	-	-	-	-	-	640,000	0.03	320,000	0.02
Public Shareholders	830,756,400	86.68	1,661,512,800	86.68	830,756,400	43.34	1,661,512,800	85.20	830,756,400	42.60
Other option holder	-	-	-	-	-	-	32,640,000	1.67	16,320,000	0.84
SBI China	-	-	-	-	<u>606,756,400</u>	<u>31.65</u>	-	-	<u>623,396,400</u>	<u>31.96</u>
<b>Total</b>	<u>958,464,000</u>	<u>100.00</u>	<u>1,916,928,000</u>	<u>100</u>	<u>1,916,928,000</u>	<u>100</u>	<u>1,950,208,000</u>	<u>100</u>	<u>1,950,208,000</u>	<u>100</u>

*Note:*

The sub-total figures represent the aggregate of (a) the Shares owned by KMW Investments, Strong Light, Mr. Wong TC and his spouse; (b) the Rights Shares to be taken up by KMW Investments, Strong Light, Mr. Wong TC and his spouse; and (c) the Underwritten Shares to be taken up by KMW Investments assuming that no other Qualifying Shareholders take up their entitlement to the Rights Shares.

As at the Latest Practicable Date, SBI China and its respective close associates did not have any shareholding interest in the Company. In circumstances where the Rights Issue were to become unconditional and the Underwriters were obliged to take up Underwritten Shares in their respective entirety, the underwriting commitment of SBI China would extend to a stake of approximately from 31.65% to 31.96% (as the case may be) in the share capital of the Company as enlarged by the issue of the Rights Shares. However, scenarios (iii) and (v) are for illustration only.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, SBI China is in the course of identifying sub-underwriters to sub-underwrite the Underwritten Shares and no binding agreement had been entered into with any sub-underwriter. Pursuant to the Underwriting Agreement, SBI China will use its best endeavours to ensure that (1) such subscribers and/or sub-underwriters are Independent Third Parties; (2) the public float requirements under Rule 11.23 of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue; (3) itself, (together with its parties acting in concert or any of its connected persons or associates) will not hold in aggregate 19.99% or more of the voting rights of the Company immediately after the Rights Issue; and (4) each of the sub-underwriter(s) or each of the ultimate subscribers or purchasers procured by SBI China or the sub-underwriter(s) will not hold in aggregate 10% or more of the voting rights of the Company immediately after the Rights Issue.

SBI China is and each of the sub-underwriters will be a licenced corporation under the SFO and principally carries on regulated activities under the SFO, including but not limited to type 1 (dealing in securities). Hence, the sub-underwriting arrangement is in the ordinary course of business of each of SBI China and the sub-underwriters while KMW Investment's ordinary course of business does not include underwriting.

### Our view

We are aware of the cumulative potential dilution effect as a result of the Rights Issue and those from arising from the fund raising activities in the past 12 months immediately preceding the Latest Practicable Date. However, we consider that the foregoing should be balanced against, among others, the following factors:

- (i) as discussed in sub-section headed "Business plan of the Group" above, the Rights Issue enables the Group to enhance its capital base and its future business development and is in the interest of the Company and the Shareholders as a whole;
- (ii) as discussed in sub-section headed "Subscription Price" above, the scale of the Rights Issue and the Subscription Price are fair and reasonable so far as the Company and the Independent Shareholders are concerned;
- (iii) the Independent Shareholders are offered an opportunity to attend and vote for or against the relevant resolution in relation to the Rights Issue and the Underwriting Agreement at the EGM;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) the Qualifying Shareholders are given an opportunity to elect whether to accept the Rights Issue or not;
- (v) the Qualifying Shareholders who do not wish to take up the Rights Shares have the opportunities to sell their nil-paid rights to subscribe for the Rights Shares in the market for economic benefits;
- (vi) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for their Right Shares for the purpose of maintaining their respective pro-rata shareholding interests in the Company at a discount as compared to the historical and prevailing market price of the Shares; and
- (vii) those Qualifying Shareholders who take up their assured entitlements in full under the Rights Issue will be able to maintain their respective pro-rata shareholding interests in the Company after completion of the Rights Issue.

Based on the foregoing, in view of (i) the positive financial effect as a result of the Rights Issue; and (ii) the maximum dilution of the Rights Issue of 50% falls within the range of the Rights Issue Comparables as illustrated in the table in sub-section headed “Comparison with recent rights issue transactions” above, ranging from 50.00% to 83.33%, we consider that the Rights Issue is fair and reasonable and in the interest of the Shareholders and the Company as a whole.

#### **4. Possible financial effects of the Rights Issue**

##### ***(a) Gearing ratio***

According to the 2016 Interim Report, the net debt (borrowing and promissory note less pledged bank deposit, bank balances and cash) and the total equity of the Group as at 30 June 2016 was approximately HK\$105.81 million and HK\$557.9 million respectively. The gearing ratio (being calculated as net debt divided by the total of net debt and total equity) of the Group was 16%. According to the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2016 was approximately HK\$544.54 million. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue would be approximately HK\$676.73 million as a result of the inflow of net proceeds from the estimated net proceeds from the Rights Issue. As such, the gearing ratio of the Company will be improved, which is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(b) Cash resources**

Upon completion of the Rights Issue, it is expected that the Company can raise a net proceed of approximately HK\$132 million, and its unaudited bank balances and cash would increase by approximately HK\$132 million from approximately HK\$12.93 million as at 30 September 2016 to approximately HK\$144.93 million. The amount of net proceeds earmarked for the business plan of the Group is fair and reasonable as discussed in the paragraph “Reasons for the Rights Issue and intended use of proceeds” above in this letter.

### RECOMMENDATION

Taking into account the factors and reasons as mentioned under the section headed “Principal factors and reasons considered” above in this letter, which include:

- (i) the financial information of the Group;
- (ii) the use of proceeds from the Rights Issue is consistent with the Group’s policy to (1) adopt a financial management strategy; (2) maintain a suitable level of liquidity to meet operation requirements and capture acquisition requirements; and (3) improve the financial position of the Group continuously;
- (iii) the funding raising method of Rights Issue is fair and reasonable as compared to the debt financing and the placing of new Shares and open offer;
- (iv) the discount of the Subscription Price to the prevailing market price is necessary to encourage the Qualifying Shareholders and SBI China to participate in the Rights Issue and underwrite the Underwritten Shares respectively;
- (v) the Rights Issue is on the basis that all the Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company;
- (vi) the Subscription Price is fair and reasonable as stated in the sub-paragraphs headed “(b) Subscription price” under the paragraph headed “Principal terms of the Rights Issue” above in this letter; and
- (vii) the underwriting commission of the Rights Issue is fair and reasonable,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we are of the view and concur with the view of the Board that the terms of the Rights Issue are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of  
**Euto Capital Partners Limited**  
**Manfred Shiu**  
*Director*

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for the three years ended 31 December 2013, 2014 and 2015 are disclosed on pages 39 to 94 of the 2013 annual report published on 30 March 2014, pages 37 to 114 of the 2014 annual report published on 30 March 2015, pages 45 to 144 of the 2015 annual report published on 30 March 2016 respectively, and the financial information of the Group for the three, six and nine months ended 31 March 2016, 30 June 2016 and 30 September 2016 are disclosed on pages 4 to 11 of the 2016 first quarterly report published on 13 May 2016, pages 4 to 38 of the 2016 interim report published on 12 August 2016 and pages 4 to 14 of the 2016 third quarterly report published on 14 November 2016 respectively, all of which are published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.foodidea.com.hk>).

Please refer to the hyperlinks as stated below:

2013 annual report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2014/0330/GLN20140330003.pdf>

2014 annual report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2015/0330/GLN20150330337.pdf>

2015 annual report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0330/GLN20160330391.pdf>

2016 first quarterly report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0513/GLN20160513167.pdf>

2016 interim report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0812/GLN20160812215.pdf>

2016 third quarterly report:

<http://www.hkexnews.hk/listedco/listconews/GEM/2016/1114/GLN20161114179.pdf>

## 2. INDEBTEDNESS STATEMENT

### Statement of Indebtedness

As at the close of business on 31 January 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group was as follows:

#### *(i) Secured bank borrowings*

The Group had outstanding bank borrowings of approximately HK\$3,558,000, which were secured by the Group's pledged bank deposits, leasehold land and building, limited guarantees by Hong Kong Mortgage Corporation Limited and the government of the Hong Kong Special Administrative Region and unlimited guarantees by a non-controlling shareholder and a director of a subsidiary of the Group.

#### *(ii) Unsecured other borrowings*

The Group had outstanding unsecured and non-guaranteed other borrowings of approximately HK\$1,407,000 advanced from a non-controlling interest of the Group.

#### *(iii) Other indebtedness*

The Group had outstanding promissory note (including accrued interest) payable of approximately HK\$71,427,000 to Mr. Wong Tai Chun, brother of the substantial shareholder of the Company which is unsecured and non-guaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Group since 31 January 2017, being the latest practicable date for determining Group's indebtedness up to the date of this circular.

### 3. MATERIAL ADVERSE CHANGE

On 10 March 2016, the Company, as vendor, entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to dispose of the Chinese restaurant operation through the disposal of the entire issued share capital of GR Holdings Limited (“**GR Holdings**”), a direct wholly-owned subsidiary of the Company, and all the liabilities, obligations and indebtedness due by GR Holdings to the Group at the preliminary consideration of HK\$49 million (subject to adjustment) payable in cash (the “**Disposal**”) to Mr. Wong Kwan Mo and Ms. Lau Lan Ying, the then executive Directors, which constituted as a very substantial disposal of the Company. The Disposal was completed on 1 August 2016.

As disclosed in the third quarterly report of the Company for the nine months ended 30 September 2016, the Group has recorded a loss of approximately HK\$242.9 million, due to (i) the decrease in fair value of certain financial assets at fair value through profit or loss (“**FVTPL**”); and (ii) an increase in realised loss on disposal of financial assets at FVTPL. On 13 January 2017, the Company made a profit warning announcement stating that based on the preliminary assessment by the Board of the information currently available to the Company and the unaudited financial information of the Group, it is expected that the Group will record a loss before tax of approximately HK\$288 million for the year ended 31 December 2016 compared to a profit before tax of approximately HK\$140 million for the year ended 31 December 2015 in the investment segment. The factors attributable to the abovementioned loss for the year ended 31 December 2016 in the investment segment are mainly due to (i) the decrease in fair value of certain financial assets at FVTPL; and (ii) an increase in realised loss on disposal of financial assets at FVTPL.

On 21 March 2017, the Company further announced that the Group is expected to recognise a share of loss of an associate of approximately HK\$35 million for the year ended 31 December 2016.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

### 4. WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the Group’s internal resources, the existing available banking facilities and the estimated net proceeds from the Disposal, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

### **Business Review**

The Group's principal activities during the period were (i) catering services; (ii) Food Operation Business; (iii) investments in securities; and (iv) money lending business.

Despite significant efforts undertaken by the Group to expand its catering services, the Group suffered from the deteriorating financial results in light of the severe market competition, the weakening local economy and customer sentiments, and the rising costs of food, labour and rental in the past few years. In respect of the segment results in catering services of the Group, the catering services was the least-performed segment as compared with the Food Operation Business, securities investment and money lending business. Based on the 2015 annual report, the Group recorded a segmental loss of approximately HK\$13.21 million in catering services for the year ended 31 December 2015, as compared to the profit of approximately HK\$10.71 million for the corresponding year ended 31 December 2014.

Should the Company keep operating the Chinese restaurant business, apart from continuous operating loss, the Group will have to make substantial capital commitment due to refurbishment of certain restaurants whose rental contracts will be expired and subject to renewal in the upcoming few years.

Having considered (i) the deteriorating results of the Chinese restaurant business which has already exerted a significant pressure on the overall profitability of the Group; (ii) the estimated capital expenditures to be undertaken by the Group as mentioned above; and (iii) the unfavourable market conditions surrounding the restaurant business in Hong Kong, the Board considers that the Disposal represents a good opportunity not only to dispose of its loss-making business but also to unlock the maximum value for the Shareholders.

### **Remaining businesses of the Group after the Disposal**

The Disposal was completed on 1 August 2016. Following the Disposal, the remaining businesses of the Group comprise Food Operation Business, investments in securities, money lending business and dessert catering business.

### ***Food Operation Business***

The Food Operation Business represents the production, sales and distribution of food products, such as barbecued food and Taiwanese Lou Mei, to major supermarket chains. The Group operates a food processing factory in Tsuen Wan and over 60 concessionaire stores in Hong Kong. The Food Operation Business establishes an extensive sales and distribution network. The Group can reach out to large amount of customers in local supermarkets and achieve economies of scale through the bulk purchases from the suppliers.

During the nine months ended 30 September 2016, the Food Operation Business recorded revenue and segment profit of approximately HK\$67,039,000 and approximately HK\$1,860,000 respectively.

During the year ended 31 December 2016 and up to the Latest Practicable Date, the Food Operation Business had a steady growth.

As disclosed in the paragraphs headed “Business plan for 2017” in the letter from the Board of this circular, the Group intends to operate canteens at universities in Hong Kong and have submitted a tender in February 2017. As at the Latest Practicable Date, the tender results has not yet released.

#### ***Securities investment business***

As at 30 September 2016, the Group had a portfolio of securities investment of approximately HK\$136,595,000 and approximately HK\$109,969,000 of which were equity securities listed in Hong Kong. During the nine months ended 30 September 2016, the Group recorded a net unrealised gain of approximately HK\$8,363,000 from continuing operations and net unrealised loss of approximately HK\$2,653,000 from discontinued operation in its entire securities investment.

Details of the investments and unrealised fair value change of equity securities listed in Hong Kong are set out in the third quarterly report for the nine months ended 30 September 2016 of the Company.

The Group’s investment portfolio is subject to the volatility of the market. The management will cut losses on certain investments which will be in vulnerable position and keep those which will be better performed in this financial environment. The Group will continue to monitor the existing portfolio closely to maximise the return prospect for the investments.

Pursuant to the announcement of the Company dated 13 January 2017, the Group is expected to record a loss before tax of approximately HK\$288 million for the year ended 31 December 2016 compared to a profit before tax of approximately HK\$140 million for the year ended 31 December 2015 in the investment segment. The factors attributable to the abovementioned loss for the year ended 31 December 2016 in the investment segment are mainly due to (i) the decrease in fair value of certain financial assets at FVTPL; and (ii) an increase in realised loss on disposal of financial assets at FVTPL.

As disclosed in the paragraphs headed “Business plan for 2017” in the letter from the Board of this circular, the Group intends to pursue and further invest in non-listed companies of growth potentials and look for investment opportunity in licensed corporation(s) which is/are licensed to conduct regulatory activities, such as securities trading, underwriting and placing, under the SFO.

***Money lending business***

Since the commencement of the money lending business in June 2015, the Group's money lending business has grown in a rapid pace.

During the nine months ended 30 September 2016, it had generated interest income of approximately HK\$6,364,000 (net of inter segment elimination) and recorded a segment profit of approximately HK\$5,192,000.

An aggregate loan of approximately HK\$342 million with effective interest rate ranging from 3% to 24% per annum had been built up by the Group up to 30 September 2016, of which approximately HK\$182 million was repaid by its customers. As at 30 September 2016, the outstanding loan receivables of the Group amounted to approximately HK\$160 million. The Group holds collaterals (e.g. real estates, corporation bonds, shares) for its loan and interest receivables. In the event of default or failure to repay any outstanding amounts by the debtors, the Group will proceed with sale of collaterals.

During the year ended 31 December 2016 and up to the Latest Practicable Date, the Group has experienced an unexpected overwhelming demand for loans by borrowers and therefore has conducted two placings in July 2016 and December 2016 respectively to meet such demands. Over the recent two months, the Company, has received loan enquiries amounted to not less than HK\$33 million. As such, the Group intends to expand its loan book by HK\$150 million by end of 2017, subject to the assessment on the borrowers and the quality of the collaterals.

***Dessert catering business***

With the intention to enhance and enrich the Group's business scope and product line, and thus bringing an additional stream of profit to the Group, the Group started its expansion, through its associate, into the dessert catering business, "Lucky Dessert 發記甜品" in the PRC in 2015.

As at 31 December 2016, the associate group had one self-operated dessert catering restaurant and licence rights were granted to two operators to operate another three in Tianjin and Taiyuan, Shanxi. However, due to the fact that the expansion plan of dessert catering restaurants was slower than expected, the Group is expected to recognise a share of loss of an associate of approximately HK\$35 million for the year ended 31 December 2016.

The associate group will decisively discontinue or adjust the business of outlets with subpar revenue contribution after careful assessment. Resources will be concentrated on existing profitable restaurants to boost revenue. The management reckons that Lucky Dessert possesses the distinctive attributes to be a competitive brand in the PRC's causal catering industry.

**Financial Review*****Revenue***

During the nine months ended 30 September 2016, the Group's revenue from continuing operations amounted to approximately HK\$75,794,000 which was approximately 11% higher than that of the last corresponding period. The increment was mainly due to (i) the rise in revenue of Food Operation Business from approximately HK\$65,970,000 for the nine months ended 30 September 2015 to approximately HK\$67,039,000 for the nine months ended 30 September 2016; and (ii) the rise in interest income (net of inter segment elimination) generated from the money lending business segment to approximately HK\$6,364,000 for the nine months ended 30 September 2016 from approximately HK\$1,495,000 for the nine months ended 30 September 2015.

***Loss attributable to the owners of the Company***

During the nine months ended 30 September 2016, loss attributable to the owners of the Company from continuing operations was approximately HK\$242,851,000, a significant drop as compared to the profit of approximately HK\$184,877,000 in last corresponding period. Such significant drop was mainly attributable to the net realised loss from financial assets at FVTPL amounting to approximately HK\$264,460,000 for the nine months ended 30 September 2016 and the drop of net unrealised gain on fair value change of financial assets at FVTPL from approximately HK\$220,890,000 for the nine months ended 30 September 2015 to approximately HK\$8,363,000 for the nine months ended 30 September 2016. Although there was an increase in revenue and tax credit for the nine months ended 30 September 2016, such financial impact was offset by the increase in other operating expenses and the share of loss of an associate.

***Cost of inventories consumed***

The cost of inventories consumed from continuing operations for the nine months ended 30 September 2016 amounted to approximately HK\$28,234,000 (2015: HK\$29,156,000). The cost of inventories consumed was approximately 42% (2015: 44%) of the Group's revenue on Food Operation Business during the nine months ended 30 September 2016.

The Group will keep the strategy on bulk purchases of food raw materials from suppliers in order to enjoy a larger discount and achieved optimum food mixing.

***Employee benefits expenses***

Employee benefits expenses from continuing operations for the nine months ended 30 September 2016 amounted to approximately HK\$23,638,000 (2015: HK\$20,904,000). The increase was mainly due to the development of money lending business and the wage adjustments to retain experienced staff under the inflationary environment during the nine months ended 30 September 2016.

The Group regularly reviews the work allocation of the staff to improve and maintain a high standard of service.

***Operating lease rental and related expenses***

The operating lease rental and related expenses from continuing operations for the nine months ended 30 September 2016 amounted to approximately HK\$3,660,000 (2015: HK\$527,000). The increase was mainly due to the new leasing of office premise and a yacht for business purpose.

***Principal Risks and Uncertainties***

The Directors are aware that the Group is exposed to a variety of risks, some are specific to the business in which the Group operates while others are common risks that most businesses face. Procedures have been established by the Directors to ensure significant risks that may adversely affect the Group's operation and performance are identified and corresponding measures are in place to mitigate those risks. The followings are the most significant risks identified at the Latest Practicable Date. If any of these events occur, the Group's businesses, financial conditions, results of operations and/or prospects of the Group could be materially and adversely affected. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those highlighted below, which are not known by the Group or which may not appear significant now but could turn out to be so in the future. Key risks related to the Group's businesses and to the industries in which the Group operates include:

***The Group's business is affected by changes in the economic, political and social conditions***

As the Group generates income from its business and operation mainly in Hong Kong, the economic, political and social conditions in Hong Kong, together with the business environment and its development, will have a direct impact on the Group's financial performance and operational results. In addition, Hong Kong's economy and business environment is open to influences from conditions and developments of the world economy as well as the economic and business environment of other territories relevant to Hong Kong such as the PRC.

There is no assurance that any changes in the world economy or the economic, political, social and business environment in Hong Kong will continue to have a positive effect on the Group's business and operation in the future.

### ***Money Lending Business***

*We are exposed to credit risks of our customers who may default on their loans*

The Group engages in money lending business which provides financing to customers and is premised on the fact that such loans will be repaid together with interest. The business is therefore subject to risks that the customers may fail to perform their contractual obligations and default on payment of interest and/or the principal. In the event that the customers are late with their payments, the Group's credit collection staff will contact such customers to remind them of their late repayment. Where, after multiple reminders, the customer does not repay such outstanding amounts, or where the Group is unable to locate such customer, the Group may consider commencing legal proceedings in order to enforce its secured interest against any such assets. If the customers delay or default on their payments, the Group may have to incur additional legal costs and expenses in order to enforce its security and/or make provision for impairment or write-off the relevant loans and interest receivables, which in turn may adversely affect its financial position and profitability.

*The Group may fail to renew its money lenders licence*

The Group's money lending business is subject to licensing requirements under the provisions of the Money Lenders Ordinance. Money lenders licences are granted by the Licensing Court and are renewable annually subject to satisfaction of all licensing conditions. The Licensing Court has the discretion to suspend or revoke a licence if a licensee is in breach of any licensing conditions. In the event that the Group is unable to renew its money lenders licence in a timely manner or if the Licensing Court or other relevant authorities do not approve the application for a renewal of its money lenders licence, the Group may not be able to operate its business until such time as the Group receives a new licence, which may have a material adverse effect on its financial condition and results of operation.

*The Group may not be able to obtain sufficient funding to finance its money lending operation*

During the year, the Group's money lending business was primarily financed by (i) cash flow from the operating activities; and (ii) two placings for a net proceeds of approximately HK\$19.58 million and approximately HK\$22.8 million in July 2016 and December 2016 respectively. The Group may need additional capital to fund its expansion and growth and to increase its loan portfolio. There is no assurance that the Group will

generate sufficient cash flow from the operating activities for the intended expansion plans. In the event that the Group does not have such operating cash flow, the Group may need to obtain alternative financing. However, as a result of actions taken by the Hong Kong government, as well as banks and financial institutions to prevent overheating in the property market since the end of 2013, the Group has experienced difficulties in obtaining financing from banks and financial institutions, which has resulted in the Group seeking more expensive financing alternatives and an increase in its finance costs.

There is no assurance that the Group will be able to obtain adequate financing from other sources on acceptable terms or at all. As the Group does not anticipate being able to obtain financing from banks and financial institutions in the near future, the Group may be required to seek more expensive financing alternatives which may result in an increase in its finance costs and adversely affect its financial position. In addition, any expansion plans will be limited by its capacity to obtain financing from sources other than banks or financial institutions and the Group may be required to scale back its planned expansion, which may adversely affect its ability to execute the planned growth strategy.

*The value or the residual value of the pledged property may not be sufficient to cover the exposure of the loans*

The Group have granted certain property mortgage loans, including first mortgage loans and subordinated mortgage loans to its customers. All of these outstanding balances were secured by properties pledged to the Group. However, if the value or the residual value of the mortgaged property declines and the borrower is unable to repay the full value of the loan, the safety margin of the Group's outstanding loans will be reduced and the risk of recovering its exposure to such loan will be increased. Failure to recover the Group's exposure to any loan would adversely affect the profitability of the money lending business.

*The Group's business may be affected by changes in the Money Lenders Ordinance*

The Group's business operation is regulated under the Money Lenders Ordinance and full compliance with such regulation is essential for us to carry on the money lending business. Notwithstanding this, the relevant regulatory authorities may from time to time amend the Money Lenders Ordinance or adopt new laws and regulations applicable to licensed money lenders in Hong Kong. The Group's operation, financial performance and business prospects may be materially and adversely affected if the Group is not able to comply with any changes and/or new requirements in applicable laws and regulations related to the money lending industry in Hong Kong.

***Food Operation Business***

*Most of the Group's revenue from Food Operation Business is derived from the concessionaire stores in supermarket chains in Hong Kong*

Over 90% of the revenue from Food Operation Business is derived from the concessionaire stores in supermarket chains in Hong Kong. The management anticipates that such business will remain core in the foreseeable future. As at 31 December 2016, we operated over 60 concessionaire stores in supermarket chains in Hong Kong.

Competition in the Hong Kong food products operation is keen, and the operating results may fluctuate from time to time subject to various factors, including customers' taste and economic performance. Most of these factors fall outside the Group's control. If we are not able to compete with the competitors, in terms of brand recognition, price levels and food and service quality, the business could be adversely affected.

Should the supermarket chains discontinue the concessionaire store agreements with the Group, the Group's operation, financial performance and business prospects may be materially and adversely affected.

***Food safety issue***

Given the nature of the food production industry, the Group faces an inherent risk of food contamination and product liability claims. Any outbreak of contamination, allegations of poor standards of hygiene or cleanliness, adverse publicity resulting from publication of industry findings or research reports in relation to any of food ingredients used by the Group could affect public confidence in the Group's food products may lead to a loss in consumer confidence and reduction in consumption of the particular food product concerned. The Group may also have to incur additional costs in placating any customers or salvaging its reputation or may have to look for alternative sources of food supply which may be more costly.

***Securities investments***

The performance of the Group's securities investment business is determined by its investment decisions and judgment. Such are based on the management's assessment of existing and future market conditions. The management closely monitors the market value and financial performance of the Group's investment portfolio. If the decision-making for the investments fails, or actual changes in market conditions differ from the projection of the management, the securities investment business may suffer and not achieve the investment returns the Group anticipated, which would materially adversely affect the Group's business, financial condition and results of operations.

**Outlook and Prospects**

After the completion of the Disposal, the Group will focus on developing other businesses with higher growth potential. The Board believes that (i) the businesses remained in the Group can serve as a better driver for the Group's performance with solid revenue stream and capital gain potentials; and (ii) the sale proceeds arising from the Disposal can be immediately used for expansion of money lending business which has been growing in a rapid pace. The Group could streamline its operations and allocate its financial resources better.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET  
TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets which has been prepared by the Directors on the basis of the notes set out below for the purpose of illustrating the effects of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 30 June 2016. As it is prepared for illustrative purpose only, based on the judgements and assumptions of the Directors and because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue as at 30 June 2016 or at any future date. The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2016 as extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 included in the published interim report of the Group for the six months ended 30 June 2016, after incorporating the unaudited pro forma adjustments as set out below.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share <i>HK\$</i> <i>(Note 4 &amp; Note 5)</i>
Rights Issue of 958,464,000 rights shares to be issued at subscription price of HK\$0.14 per rights share	<u>544,542</u>	<u>132,185</u>	<u>676,727</u>	<u>0.420</u>
Rights Issue of 975,104,000 rights shares to be issued at subscription price of HK\$0.14 per rights share	<u>544,542</u>	<u>134,515</u>	<u>679,057</u>	<u>0.417</u>

## Notes

1. The amount of unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 is based on the unaudited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$555,274,000 adjusted for the goodwill and intangible asset of approximately HK\$6,186,000 and HK\$4,546,000, respectively, as extracted from the published interim report of the Group for the six months ended 30 June 2016.
2. The estimated net proceeds from the Rights Issue are based on the issuance of (i) minimum number of 958,464,000 rights shares (the "Rights Shares") and (ii) maximum number of 975,104,000 Rights Shares to be issued as defined in this Circular at the subscription price of HK\$0.14 per Rights Share, after deducting the estimated underwriting commission and other related expenses of approximately HK\$2,000,000 to be incurred by the Company assuming the issuance for the minimum and maximum Rights Shares are the same.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as adjusted for the Rights Issue of approximately HK\$676,727,000 for minimum number of Rights Shares to be issued and HK\$679,057,000 for maximum number of Rights Shares to be issued do not take into account (i) the net proceeds of approximately HK\$19,580,000 from the placing of 130,560,000 new shares of HK\$0.153 per share completed on 11 August 2016; (ii) the net proceeds of approximately HK\$22,800,000 from the placing of 159,744,000 new shares at HK\$0.144 per share completed on 6 January 2017; and (iii) the net proceeds of approximately HK\$3,686,000 from the exercise of 15,360,000 share options at HK\$0.24 per option resulting in 15,360,000 new shares issued during the period from 1 July 2016 up to 31 December 2016.
4. The number of shares used in the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share for minimum number of Rights Shares to be issued is as follow:

	<b>Number of shares</b>
Issued and fully paid as at 30 June 2016 (extracted from the published interim report of the Group for the six months ended 30 June 2016)	652,800,000
Rights Shares to be issued on the basis of one Rights Share for every one ordinary share on the record date	<u>958,464,000</u>
	<u><u>1,611,264,000</u></u>

The number of shares used in the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share does not take into account the aggregate of 305,664,000 new ordinary shares issued as mentioned in Note 3. The number of Rights Shares to be issued in the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share is based on the number of shares in issue on the record date. The number of shares in issue on the record date is 958,464,000 shares assuming the outstanding share option granted on 1 September 2016 will not be exercised prior to the completion of the Rights Issue.

5. The number of shares used in the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share for maximum number of Rights Shares to be issued is as follow:

	<b>Number of shares</b>
Issued and fully paid as at 30 June 2016 (extracted from the published interim report of the Group for the six months ended 30 June 2016)	652,800,000
Rights Shares to be issued on the basis of one Rights Share for every one ordinary share on the record date	<u>975,104,000</u>
	<u><u>1,627,904,000</u></u>

The number of shares used in the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share does not take into account the aggregate of 305,664,000 new ordinary shares issued as mentioned in Note 3. The number of Rights Shares to be issued in the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share is based on the number of shares in issue on the record date. The number of shares in issue on the record date is 975,104,000 shares assuming the outstanding share options granted on 1 September 2016 will be exercised prior to the completion of the Rights Issue.

6. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2016.

*The following is the text of an accountant's report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.*

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

SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

25 March 2017

The Board of Directors  
Food Idea Holdings Limited  
Room A, 6/F., CNT Tower,  
338 Hennessy Road,  
Wan Chai, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Food Idea Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2016 and related notes as set out on pages II-1 to II-3 of Appendix II to the circular dated 25 March 2017 (the "Circular") in connection with the proposed rights issue on the basis of one rights share for every one share held on the record date (the "Rights Issue") issued by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 to the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Rights Issue on the Group's net tangible assets as at 30 June 2016 as if the Rights Issue had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's unaudited financial information for the six months ended 30 June 2016, on which an interim report has been published.

**Directors' Responsibility for the Unaudited pro forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") 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 requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Rules and with reference to AG7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue 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 Rights Issue at 30 June 2016 would have been as presented.

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

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

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

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

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

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Tang Kwan Lai**

Practising Certificate Number P05299

Hong Kong

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

**2. SHARE CAPITAL****As at the Latest Practicable Date**

<i>Authorised:</i>		<i>HK\$</i>
10,000,000,000	Shares at nominal value of HK\$0.01 each	100,000,000
<i>Issued and fully-paid or credited as fully-paid:</i>		
958,464,000	Shares at nominal value of HK\$0.01 each	9,584,640

**Immediately after the Rights Issue****(1) Assuming all the outstanding Share Options are not exercised on or before the Latest Lodging Date**

<i>Authorised:</i>		<i>HK\$</i>
10,000,000,000	Shares	100,000,000
<i>Issued and fully-paid or credited as fully-paid:</i>		
958,464,000	Shares as at the Latest Practicable Date	9,584,640
<u>958,464,000</u>	Rights Shares to be issued	<u>9,584,640</u>
<u>1,916,928,000</u>	Shares at upon completion of the Rights Issue	<u>19,169,280</u>

**(2) Assuming all the outstanding Share Options have been exercised on or before the Latest Lodging Date**

<i>Authorised:</i>		<i>HK\$</i>
10,000,000,000	Shares as at the Latest Practicable Date	100,000,000
<i>Issued and fully-paid or credited as fully-paid:</i>		
958,464,000	Shares as at the Latest Practicable Date	9,584,640
16,640,000	Shares upon full exercise of the outstanding Share Options	166,400
<u>975,104,000</u>	Rights Share to be issued	<u>9,751,040</u>
<u>1,950,208,000</u>	Shares upon completion of Rights Issue	<u>19,502,080</u>

All the Shares in issue and the Rights Shares (when allotted and fully-paid) to be issued rank *pari passu* with each other in all respects including as regards to dividends and voting rights. The Rights Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, save for the 16,640,000 outstanding Share Options which confer holders thereof the rights to subscribe for 16,640,000 new Shares, the Company had no outstanding warrants, options or convertible or exchangeable securities in issue which would otherwise confer any right to subscribe for, convert or exchange into existing Shares.

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

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

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executives' interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

***Long position in the Shares, underlying Shares and debentures of the Company and associated corporations***

Name of Director	Capacity/nature of interest	Number of Shares	Number of underlying Shares (Note)	Aggregate interest	Approximate percentage of interest
Mr. Yu Ka Ho	Beneficial owner	–	320,000	320,000	0.03%

*Note:* These represent the Shares to be issued and allotted by the Company upon exercise of the Share Options granted under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

**(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares**

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

***Long position in the Shares, underlying Shares and debentures of the Company and associated corporations***

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest</b>
KMW Investments (notes 1 & 2)	Beneficial owner	377,607,200	19.36%
Mr. Wong TC (notes 1, 2 & 3)	Beneficial owner	3,156,000	0.16%
	Interest of spouse	18,192,000	0.93%
	Interest in controlled corporation	377,607,200	19.36%
Ms. Fung Pui Wah ("Ms. Fung") (notes 1, 2 & 3)	Beneficial owner	18,192,000	1.86%
	Interest of spouse	380,763,200	19.52%
SBI China (notes 1 & 4)	Beneficial owner	623,396,400	31.96%
Probest Limited (notes 1 & 4)	Interest in controlled corporation	623,396,400	31.96%
Cao Guoqi (notes 1 & 4)	Interest in controlled corporation	623,396,400	31.96%
Long Vehicle Capital Ltd. (notes 1 & 5)	Interest in controlled corporation	623,396,400	31.96%
Zhang Xiongfeng (notes 1 & 5)	Interest in controlled corporation	623,396,400	31.96%

*Notes:*

1. The Shares are the Rights Shares which the Underwriters are interested under the Underwriting Agreement on the assumption of no acceptance by the Qualifying Shareholders under the Rights Issue.
2. As at the Latest Practicable Date, Mr. Wong TC was the beneficial owner of 3,156,000 Shares and was deemed to be interested in 76,803,600 Shares held through KMW Investments which is wholly and beneficial owned by him. He is the spouse of Ms. Fung and is deemed to be interested in all the 18,192,000 Shares in which Ms. Fung is interested under Part XV of the SFO. Each of Mr. Wong TC and KMW Investments has given the undertaking in favor of the Company and the Underwriters, to subscribe for, and (as the case may be) procure Ms. Fung to subscribe for, in aggregate, 98,151,600 Rights Shares to which KMW Investments, Mr. Wong TC and Ms. Fung are entitled to under the Rights Issue.
3. Ms. Fung is the spouse of Mr. Wong TC. As at the Latest Practicable Date, Ms. Fung was the beneficial owner of 18,192,000 Shares and is deemed to be interested in all the Shares in which Mr. Wong TC is interested under Part XV of the SFO.
4. Based on the notice of disclosure of interest filed by SBI China on 28 February 2017, 623,396,400 Shares are held by SBI China. SBI China is wholly-owned by SBI China Capital Securities Limited, which is in turn wholly-owned by SBI China Capital Holdings Limited. SBI China Capital Holdings Limited is owned as to 72.63% by Probest Limited which is in turn wholly-owned by Cao Guoqi. Each of SBI China Capital Securities Limited, SBI China Capital Holdings Limited, Probest Limited and Cao Guoqi is deemed to be interested 623,396,400 Shares held by SBI China.
5. Based on the notice of disclosure of interest filed by Long Vehicle Capital Ltd. on 28 February 2017, SBI China Capital Holdings Limited is owned as to 23.46% by Long Vehicle Capital Ltd. which is in turn wholly-owned by Zhang Xiongfeng.

Save as disclosed above and as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

**5. EXPERTS**

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

SHINEWING (HK) CPA Limited	Certified Public Accountants
Euto Capital Partners Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, valuation certificate, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, each of above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**6. LITIGATION**

As at the Latest Practicable Date, so far as the Directors were aware of, no member of the Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

- (1) the placing agreement dated 9 March 2015 entered into between the Company and Orient Securities Limited, an Independent Third Party, as placing agent for the placing, on a best efforts basis, of up to 160,000,000 placing shares to not less than six places at the placing price of HK\$0.125 per placing share;
- (2) the loan agreement dated 29 April 2015 entered into between Food Idea Group Limited, as lender, and Lucky Dessert (China) Holdings Limited, a 49% indirectly-owned associate of the Company, as borrower, for a loan facility of up to HK\$15,000,000 at the interest of the best lending rate of the Hong Kong and Shanghai Banking Corporation Limited as at the date of draw down plus 1% for a period of 2 years from the date of the loan agreement;
- (3) the placing and subscription agreement dated 6 May 2015 entered into among the Company, FP Sino-Rich Securities & Futures Limited (“**FP Sino-Rich**”), an Independent Third Party, as placing agent and KMW Investments, a substantial shareholder of the Company, for (i) the placing, on a best efforts basis, of up to 480,000,000 placing shares to not less than six places at the placing price of HK\$0.193 per placing share and (ii) the subscription for up to 480,000,000 subscription shares by KMW Investments at the subscription price of HK\$0.193 per subscription share;
- (4) the loan agreement dated 19 June 2015 entered into between Happy Credit Limited (“**Happy Credit**”), a direct wholly-owned subsidiary of the Company, as lender and three customers, who are family members and Independent Third Parties, as borrowers, for a loan facility of up of HK\$32,000,000 (the “**HK\$32 million Loan**”) at the interest of 8% per annum for a period of 12 months from the date of the loan agreement (the “**Previous Loan Agreement A**”);
- (5) the underwriting agreement dated 26 June 2015 (as supplemented by the letter agreement dated 24 July 2015 and the supplemental underwriting agreement dated 13 August 2015) entered into among the Company, Kingston Securities Limited and FP Sino-Rich, both being Independent Third Parties, as underwriters in relation to the underwriting and certain other arrangements in respect of 1,920,000,000 rights shares by way of rights issue to the qualifying Shareholders for subscription on the basis of one (1) rights share for every two (2) Shares held on the record date at the subscription price of HK\$0.105 per right share;

- (6) the loan agreement dated 16 October 2015 entered into between Happy Credit as lender and a customer, an Independent Third Party, as borrower, for a loan facility of up of HK\$60,000,000 at the interest of 3% per annum for a period of 36 months from the date of the loan agreement;
- (7) the placing and subscription agreement dated 18 December 2015 entered into among the Company, Emperor Securities Limited, an Independent Third Party, as placing agent and KMW Investments, a substantial shareholder of the Company, for (i) the placing, on a best efforts basis, of up to 768,000,000 placing shares to not less than six places at the placing price of HK\$0.036 per placing share and (ii) the subscription for up to 768,000,000 subscription shares by KMW Investments at the subscription price of HK\$0.036 per subscription share;
- (8) the conditional sale and purchase agreement dated 10 March 2016 entered into between Mr. Wong Kwan Mo and Ms. Lau Lan Ying (collectively, the “**Purchasers**”), the former Directors for the previous 12 months, and the Company in relation to the Disposal;
- (9) the renewed loan agreement dated 17 June 2016 entered into among Happy Credit as lender and the three customers to the Previous Loan Agreement A, all being Independent Third Parties, as borrowers to extend the repayment date of the HK\$32 million Loan for the period of 12 months from 17 June 2016;
- (10) the placing agreement dated 29 July 2016 entered into between the Company and FP Sino-Rich, an Independent Third Party, as placing agent for the placing, on a best efforts basis, of up to 130,560,000 placing shares to not less than six places at the placing price of HK\$0.153 per placing share;
- (11) the loan agreement dated 5 August 2016 entered into among, Happy Credit as lender and two borrowers, all being Independent Third Parties, as borrowers, for a loan of HK\$25 million (the “**HK\$25 million Loan**”) at the interest rate of 5% per annum for a period from the date of the draw down of the loan up to 31 December 2016 (both days inclusive) (the “**Previous Loan Agreement B**”),
- (12) the supplemental loan agreement dated 14 December 2016 entered into among Happy Credit and the borrowers to the Previous Loan Agreement B, all being Independent Third Parties, to amend the provision of the Previous Loan Agreement B in relation to the security of the HK\$25 million Loan;

- (13) the placing agreement dated 20 December 2016 entered into between the Company and SBI China, an Independent Third Party, as placing agent for the placing, on a best efforts basis, of up to 159,744,000 placing shares to not less than six places at the placing price of HK\$0.144 per placing share;
- (14) the renewed loan agreement dated 30 December 2016 entered into among Happy Credit and the borrowers to the Previous Loan Agreement B, all being Independent Third Parties, to extend the repayment date of the outstanding HK\$16 million loan for a period of 12 months for the date of the renewed loan agreement;
- (15) the renewed loan agreement dated 30 December 2016 entered into among Happy Credit and a borrower (an Independent Third Party) to a previous loan agreement dated 26 September 2016 for the loan of HK\$9 million at the interest rate of 5% per annum for a period from the date of the draw down of the loan up to 31 December 2016 (both days inclusive), to extend the repayment date for a period of 12 months for the date of the renewed loan agreement;
- (16) the Underwriting Agreement; and
- (17) the Supplemental Underwriting Agreement.

## **8. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which competed or might compete with the businesses of the Group or had any other conflict of interests with the Group.

## **9. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## **10. EXPENSES**

The expenses in connection with the Rights Issue, including underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2 million, which are payable by the Company.

## 11. CORPORATE INFORMATION

**Executive Directors**

Mr. Wong Hoi Yu  
10/F, Flat B  
Yuen Long Plaza  
Yuen Long  
New Territories  
Hong Kong

Mr. Yu Ka Ho (余嘉豪)  
Room G, 27/F  
Block 3, Phase 2  
Belvedere Garden  
Tsuen Wan  
New Territories  
Hong Kong

**Independent non-executive Directors**

Mr. Li Fu Yeung (李富揚)  
Flat G, 4/F  
Kimberley Mansion  
15 Austin Avenue  
Tsim Sha Tsui  
Kowloon  
Hong Kong

Mr. Kwan Wai Yin, William (關偉賢)  
Rm 1301  
Lai Choi House  
Lai Yan Court  
Lai Chi Kok  
Kowloon  
Hong Kong

Mr. Tam Lok Hang  
Flat E, 22/F, Block 1  
Prima Villa  
Shatin  
New Territories  
Hong Kong

**Company secretary**

Mr. Wong Tin King, Richard (黃天競)  
Room A, 6/F  
CNT Tower  
338 Hennessy Road  
Wan Chai, Hong Kong

**Compliance officer**

Mr. Yu Ka Ho (余嘉豪)  
Room G, 27/F  
Block 3, Phase 2  
Belvedere Garden  
Tsuen Wan  
New Territories  
Hong Kong

**Authorised representatives**

Mr. Yu Ka Ho (余嘉豪)  
Room G, 27/F  
Block 3, Phase 2  
Belvedere Garden  
Tsuen Wan  
New Territories  
Hong Kong

Mr. Wong Tin King, Richard (黃天競)  
Room A, 6/F  
CNT Tower  
338 Hennessy Road  
Wan Chai, Hong Kong

**Registered office**

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

**Auditor**

SHINEWING (HK) CPA Limited  
Certified Public Accountants  
43/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

**Head office and principal place of business in Hong Kong**

Room A, 6/F  
CNT Tower  
338 Hennessy Road  
Wan Chai  
Hong Kong

**Principal banker**

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

**Hong Kong share registrar and transfer office**

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

**12. PARTIES INVOLVED IN THE RIGHTS ISSUE****Underwriters**

SBI China Capital Financial Services Limited  
 Room 2418, 24/F  
 Wing On Centre  
 111 Connaught Road Central  
 Sheung Wan  
 Hong Kong

KMW Investments Limited  
 Quastisky Building  
 PO Box 4389  
 Road Town  
 Tortola  
 British Virgin Islands

**Reporting accountants**

SHINEWING (HK) CPA Limited  
 43/F, Lee Garden One  
 33 Hysan Avenue  
 Causeway Bay  
 Hong Kong

**Independent Financial Adviser**

Euto Capital Partners Limited  
 Room 2418, 24/F  
 Wing On Centre  
 111 Connaught Road Central  
 Sheung Wan  
 Hong Kong

**Legal advisers to the Company**

*as to Hong Kong law*  
 Michael Li & Co.  
 19/F Prosperity Tower  
 No. 39 Queen's Road Central  
 Central  
 Hong Kong

*as to Cayman Islands*  
 Hills & Co.  
 11th Floor, Central Tower  
 No. 88 Fu Hua 1st Road  
 Fu Tian District  
 Shenzhen, PRC

**13. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT****Executive Directors**

**Mr. Wong Hoi Yu** (黃愷宇先生) (“**Mr. Wong**”), aged 33, is an executive Director. Mr. Wong was appointed as an executive Director and chairman of the Board on 16 August 2016. Mr. Wong obtained his bachelor's degree of science in Computer Science from Chu Hai College of Higher Education in Hong Kong in 2008. He has more than 7 years' solid marketing and management experience, including operations, recruitment, managing food and service quality, etc., from his previous employments in the catering industry in Hong Kong. Mr. Wong is responsible for the overall management, business development and strategic planning of the Group.

**Mr. Yu Ka Ho** (余嘉豪先生)(“**Mr. Yu**”), aged 34, is an executive Director. He was appointed as an executive Director on 22 June 2015 and appointed as the chief executive officer, compliance officer and authorised representative of the Company on 22 November 2016. Mr. Yu was an independent non-executive Director, chairman of the audit committee, and a member of the remuneration committee and nomination committee of the Company when the shares of the Company were listed on GEM in July 2011. He retired at the annual general meeting of the Company in May 2012 and was then appointed as vice president, business development department of Food Idea Group Limited, a wholly-owned subsidiary of the Company on 1 June 2012, and is currently a director of certain subsidiaries of the Group. He is responsible for business development, finance, accounting, human resources and marketing of the Group.

#### **Independent non-executive Directors**

**Mr. Li Fu Yeung** (李富揚先生)(“**Mr. Li**”), aged 37, was appointed as an independent non-executive Director on 25 June 2011. He is also the chairman of the nomination committee and audit committee of the Company and a member of the remuneration committee of the Company. Mr. Li has over 10 years of experience in the financial industry. Since 2004, Mr. Li has worked in Manulife (International) Limited and his current position is Unit Manager and is responsible for the sales and marketing of insurance related product. Mr. Li obtained a diploma in computer science from the Sydney Institute of Business and Technology in 2001.

**Mr. Kwan Wai Yin, William** (關偉賢先生)(“**Mr. Kwan**”), aged 41, was appointed as an independent non-executive Director on 2 September 2013. He is also a member of the audit committee, nomination committee and remuneration committee of the Company. Mr. Kwan possesses extensive experience in marketing and sales. He was the Vice President of the corporate sales department of Sun Hung Kai Financial Group from August 2006 to November 2008. From February 2009 to August 2012, he was a sales manager of a private trading company. After which, Mr. Kwan has been operating a tailor business since August 2012. Mr. Kwan obtained his Bachelor of Arts Degree in Economics from York University, Ontario, Canada.

**Mr. Tam Lok Hang** (譚諾恒先生)(“**Mr. Tam**”), aged 34, was appointed an independent non-executive Director on 7 January 2016. He is also the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. He has more than 7 years’ solid experience in auditing, finance and accounting gained from his previous employment in local and international CPA firms, listed and unlisted companies in Hong Kong. He is now an entrepreneur. Mr. Tam obtained his bachelor’s degree in Business from Queensland University of Technology in 2006.

**Senior management**

**Mr. Wong Tin King, Richard (黃天競) (“Mr. T.K. Wong”)**, CPA, FCA aged 39, has been appointed as the chief financial officer and the company secretary of the Company since 24 June 2011. He graduated from The Hong Kong Polytechnic University with a bachelor’s degree in accountancy in 2000. Mr. T.K. Wong has over 15 years of accounting experience accumulated from working for various professional accounting firms and listed Company. Mr. T.K. Wong is responsible for the accounting and financial functions of the Company, including developing financial strategy to support the Company’s growth plan.

Mr. T.K. Wong is currently a fellow member of The Institute of Chartered Accountants in England and Wales and an associate member of Hong Kong Institute of Certified Public Accountants.

**Audit committee**

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. On 30 December 2015, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirement in relation to the internal control by introducing the concept of the risk management. The primary duties of the Audit Committee, among other things, are to assist the Board in overseeing and reviewing (i) the effectiveness of the Group’s risk management and internal control systems and regulatory compliance of the Group; (ii) the integrity of the Company’s financial statements and application of accounting standards and significant judgements contained in the financial statements; and (iii) the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Li Fu Yeung, Mr. Kwan Wai Yin, William and Mr. Tam Lok Hang.

**14. MISCELLANEOUS**

This circular and the accompanying proxy form have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong. Save and except for Renminbi, the Group has no exposure to foreign exchange liabilities.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Room A, 6/F, CNT Tower, 338 Hennessy Road, Wan Chai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2014 and 2015;
- (c) the first quarterly report of the Company for the three months ended 31 March 2016;
- (d) the interim report of the Company for the six months ended 30 June 2016;
- (e) the third quarterly report of the Company for the nine months ended 30 September 2016;
- (f) the letter from the Independent Board Committee, the text of which is set out on page IBC-1 of this circular;
- (g) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-35 of this circular;
- (h) the accountant's report from SHINEWING (HK) CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (i) the written consents referred to in the paragraph headed "Experts" in this appendix;
- (j) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (k) a copy of each of the circulars issued pursuant to the requirements set out in Chapter 19 and/or Chapter 20 (the date to which the latest published audited consolidated financial statements of the Group were made up); and
- (l) this circular.

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## NOTICE OF EGM

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# 新煮意控股有限公司 FOOD IDEA HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8179)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the shareholders of Food Idea Holdings Limited (the “**Company**”) will be held at Room 3, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Wednesday, 12 April 2017 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT** subject to (i) the fulfillment of the conditions as set out in the underwriting agreement dated 28 February 2017 (the “**Underwriting Agreement**”) and the supplemental underwriting agreement dated 23 March 2017 (the “**Supplemental Underwriting Agreement**”), (a copy of the Underwriting Agreement has been produced to the EGM marked “**A**” and a copy of the Supplemental Underwriting Agreement has been produced to the EGM marked “**B**” and signed by the chairman of the EGM for the purpose of identification) entered into among the Company, KMW Investments Limited and SBI China Capital Financial Services Limited (the “**Underwriters**”), and (ii) the Underwriting Agreement and the Supplemental Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4:00 p.m. on the first business day after the last day of acceptance of the Rights Shares (as defined below),

- (i) the issue by way of rights issue (the “**Rights Issue**”) of not less than 958,464,000 shares of the Company and not more than 975,104,000 shares of the Company (the “**Rights Shares**”) at the subscription price of HK\$0.14 per Rights Share to the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on the date by reference to which entitlements to the Rights Issue are to be determined (the “**Record Date**”) (excluding those shareholders (the “**Excluded Shareholders**”) of the Company with registered addresses as shown in the register of members of the Company at the close of business on the Record Date in places outside Hong Kong in respect of whom the board (the “**Board**”) of directors (the “**Directors**”) of the Company considers it necessary or expedient not to offer the Rights Shares after making the relevant enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange in those places) on the basis of one Rights Share for every one Share then held on the Record Date is hereby approved, confirmed and ratified;

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## NOTICE OF EGM

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- (ii) any one Director be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that (a) the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to the Excluded Shareholders as he/she/it deems necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;
- (iii) the Underwriting Agreement and the Supplemental Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Rights Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified; and
- (iv) any one Director be and is hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things incidental to the Rights Issue or as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

By Order of the Board  
**Food Idea Holdings Limited**  
**Wong Hoi Yu**  
*Chairman and executive Director*

Hong Kong, 25 March 2017

*Registered office*  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Head office and principal place of business in Hong Kong*  
Room A, 6/F  
CNT Tower  
338 Hennessy Road  
Wan Chai  
Hong Kong

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## NOTICE OF EGM

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*Notes:*

- (1) A member entitled to attend and vote at the EGM 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/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon.
- (3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
- (4) Completion and return of a proxy form shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the proxy form appointing a proxy shall be deemed to be revoked.
- (5) In the case of joint registered holders of shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (6) Pursuant to the Rules Governing the Listing of the Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange, the voting on the ordinary resolution at the EGM will be conducted by way of poll.
- (7) If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at [www.foodidea.com.hk](http://www.foodidea.com.hk) and on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) to notify shareholders of the Company of the date, time and place of the rescheduled meeting.