



11 October 2021

*To the Independent Board Committee of  
Sun International Group Limited*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
RED SUN CAPITAL LIMITED FOR AND ON BEHALF OF  
FRESH SUCCESS INVESTMENTS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
SUN INTERNATIONAL GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
FRESH SUCCESS INVESTMENTS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) of Sun International Group Limited (the “**Company**”) in relation to the mandatory unconditional cash offer (the “**Offer**”) for all the issued shares of the Company (other than those already owned or agreed to be acquired by Fresh Success Investments Limited (the “**Offeror**”) and parties acting in concert with it) being made by Red Sun Capital Limited (“**Red Sun Capital**”) for and on behalf of the Offeror. Details of the Offer are disclosed in the composite offer and response document in respect of the Offer jointly issued by the Offeror and the Company dated 11 October 2021 (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 30 August 2021 (after the trading hours), First Cheer and the Offeror entered into the Sale and Purchase Agreement pursuant to which First Cheer has agreed to sell and the Offeror has agreed to purchase an aggregate of 1,435,009,040 Sale Shares, representing approximately 62.82% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement. The consideration for the Sale Shares is HK\$143,500,904, which is equivalent to HK\$0.10 per Sale Share. Completion took place immediately upon the signing of the Sale and Purchase Agreement on 30 August 2021.

As at the Latest Practicable Date, the Company had 2,284,254,768 Shares in issue and 29,219,400 outstanding Share Options which entitle the holders thereof to subscribe for 29,219,400 new Shares and are not transferable. Save for the Share Options, the Company did not have any outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or other securities which are convertible or exchangeable into Shares. Save for the Shares and the Share Options, the Company had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Before Completion, First Cheer was interested in 1,435,009,040 Shares, representing approximately 62.82% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement. First Cheer is owned as to 50% by Mr. Cheng and as to 50% by Mr. Chau. As Mr. Cheng and Mr. Chau were parties acting in concert with each other, each of them was deemed to be interested in 1,435,009,040 Shares prior to Completion. Upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in a total of 1,435,009,040 Shares, representing approximately 62.82% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Pursuant to the Undertakings, all the Optionholders have irrevocably and unconditionally undertaken to and covenant with the Offeror (i) not to exercise the conversion rights attached to the Share Options held by them; and (ii) not to accept the Offer if made by the Offeror in respect of the Share Options held by them. The Undertakings will cease upon the close of the Offer. In view of the Undertakings and all the Share Options being not transferable, the Offer will not be extended to the Share Options.

## **THE INDEPENDENT BOARD COMMITTEE**

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen and Mr. Jim Ka Shun, has been established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee in this regard. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

## **INDEPENDENCE DECLARATION**

During the last two years, we have acted as (i) the independent financial adviser of a listed company on the Stock Exchange, where Mr. Chau (who is the beneficial owner of 50% of the issued share capital of First Cheer) is the executive director, chairman of board of directors and controlling shareholder, in respect of certain connected transactions; and (ii) the independent financial adviser of a listed company on the Stock Exchange, where Mr. Cheng (who is the ultimate sole shareholder of the Offeror) is the executive director, chairman of board of directors and one of the controlling shareholders, in respect of a connected transaction. In addition, during the last two years, we have acted, and are acting as, the independent

financial adviser of a listed company on the Stock Exchange, where Mr. Cheng is one of the controlling shareholders and Mr. Chau is the non-executive director, chairman of board of directors and one of the controlling shareholders, in respect of certain connected transactions. In view of the fact that each of the aforementioned engagements was an individual appointment of Astrum Capital Management Limited to act as independent financial adviser for providing independent opinion to the independent board committee and the independent shareholders in connection with different transactions, we are of the view that none of the previous engagements shall jeopardize our independence nor cause Astrum Capital Management Limited to have conflict of interest in acting as the independent financial adviser to the Independent Board Committee regarding the Offer.

Save as disclosed above, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, the Offeror, Mr. Cheng, First Cheer, Mr. Chau, or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates, and/or any party acting, or presumed to be acting, in concert with any of them. In the last two years prior to the commencement of the Offer Period, there was no engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for this engagement, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under the GEM Listing Rules and the Takeovers Code to act as the independent financial adviser to the Independent Board Committee in connection with the Offer.

## **BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have reviewed, amongst others, the Joint Announcement, the annual reports of the Company for the years ended 31 March 2020 and 31 March 2021 (the “**2019/20 Annual Report**” and “**2020/21 Annual Report**”, respectively), the first quarterly report of the Company for the three months ended 30 June 2021 (the “**2021/22 First Quarterly Report**”), the profit warning announcement of the Company dated 7 October 2021 (the “**Profit Warning Announcement**”), the unaudited consolidated management accounts of the Group for the five months ended 31 August 2021, and the information contained in the Composite Document. We have also discussed with and reviewed the information provided by the management of the Group (the “**Management**”) regarding the business and outlook of the Group.

We have relied on the information and facts provided, and the opinions expressed, by the Directors and the Management, which we have assumed to be true, accurate, complete and not misleading in all material aspects as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have sought and received confirmation from the Directors and the Management that no material facts have been omitted from the information provided and opinions expressed by them to us. We consider that the information which we have received is sufficient for us to reach our opinion and recommendations as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth, accuracy or completeness of the information provided to us or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information provided.

We have not considered the tax and regulatory implications to the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders, who are residents outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings, should consider their own tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

**PRINCIPAL TERMS OF THE OFFER**

Red Sun Capital, for and on behalf of the Offeror, is making the Offer to acquire all the Offer Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in compliance with the Takeovers Code on the following basis:

**For each Offer Share ..... HK\$0.10 in cash**

The Offer Price of HK\$0.10 per Offer Share is equal to the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

Based on the Offer Price of HK\$0.10 per Offer Share and 2,284,254,768 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at HK\$228,425,476.8. As at the Latest Practicable Date, excluding the total Shares of 1,435,009,040 Shares held by the Offeror and the parties acting in concert with it and assuming there is no change in the number of issued Shares before the close of the Offer, a total of 849,245,728 Shares will be subject to the Offer and the value of the Offer is HK\$84,924,572.8.

The Offer is unconditional in all aspects when it is made.

For further details of the Offer (including the terms and procedures for acceptance of the Offer), please refer to the “Letter from Red Sun Capital” as set out on pages 6 to 13 of the Composite Document, Appendix I to the Composite Document and the accompanying Form of Acceptance.

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the terms of the Offer, we have considered the following principal factors and reasons:

**1. Business, financial performance and prospects of the Group**

**A. Business of the Group**

The Company is a company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in money lending, securities and futures brokerage, assets management services, properties investment, digital currency mining and investment in stallions.

**B. Financial information of the Group**

Set forth below are (i) the audited consolidated financial information of the Group for the three years ended 31 March 2019, 31 March 2020 and 31 March 2021 (“**FY2018/19**”, “**FY2019/20**” and “**FY2020/21**”, respectively) as extracted from the 2019/20 Annual Report and the 2020/21 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the three months ended 30 June 2020 and 30 June 2021 (“**1Q2020/21**” and “**1Q2021/22**”, respectively) as extracted from the 2021/22 First Quarterly Report:

**Table 1: Financial information of the Group**

	<b>FY2018/19</b>	<b>FY2019/20</b>	<b>FY2020/21</b>	<b>1Q2020/21</b>	<b>1Q2021/22</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	119,216	98,073	63,724	17,558	11,250
– Equine services	46,538	26,443	21,999	2,597	561
– Financial services	72,678	71,630	41,725	14,961	10,255
– Rental Income	–	–	–	–	434
Gross Profit	81,108	91,408	57,332	16,501	10,832
(Loss) before tax	(102,981)	(60,227)	(57,452)	(4,365)	(6,605)
(Loss) attributable to owners of the Company for the year/period	(105,538)	(60,485)	(61,928)	(4,481)	(6,605)
	<b>As at 31 March 2019</b>	<b>As at 31 March 2020</b>	<b>As at 31 March 2021</b>		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
	(audited)	(audited)	(audited)		
Non-current assets	143,957	93,475	65,529		
Current assets	506,703	465,135	325,358		
Current (liabilities)	(463,843)	(261,890)	(159,771)		
Net current assets	42,860	203,245	165,587		
Non-current (liabilities)	(371,847)	(186,156)	(169,137)		
Equity attributable to owners of the Company	(185,030)	110,564	61,979		

Source: the 2019/20 Annual Report, the 2020/21 Annual Report and the 2021/22 First Quarterly Report

(i) For the year ended 31 March 2020 (i.e. FY2019/20)

In FY2019/20, the Group recorded total revenue of approximately HK\$98.1 million, representing a decline of approximately 17.7% as compared to approximately HK\$119.2 million in FY2018/19. Such deterioration was mainly attributable to the decrease in revenue generated from the equine services segment of approximately HK\$20.1 million, which was, in turn, due to (i) the decrease in sales of biological assets of approximately HK\$14.6 million; (ii) the decrease in stallions service income of approximately HK\$3.8 million; and (iii) the decrease in biological assets handling services income of approximately HK\$1.7 million. The Group's gross profit increased by approximately 12.7% from approximately HK\$81.1 million in FY2018/19 to approximately HK\$91.4 million in FY2019/20. As advised by the Management, such increase in gross profit was mainly due to the decrease in direct cost of the Group's horse trading business from approximately HK\$37.1 million in FY2018/19 to approximately HK\$5.4 million in FY2019/20, mainly as a result of the disposal (the "Disposal") of entire issued share capital of Sun Kingdom Pty Ltd to Prestige Summit Investments Limited (which is ultimately wholly-owned by Mr. Cheng) which was completed during FY2019/20.

In FY2019/20, the Group recorded loss attributable to owners of the Company of approximately HK\$60.5 million, representing a significant decrease of approximately 42.7% as compared to approximately HK\$105.5 million in FY2018/19. Such decrease was mainly attributable to (i) the decrease in net foreign exchange loss of approximately HK\$24.3 million; (ii) the decrease in finance costs of approximately HK\$22.0 million; (iii) the increase in gross profit of approximately HK\$10.3 million; and (iv) the recognition of reversal of allowance for expected credit loss of approximately HK\$7.6 million in FY2019/20 (FY2018/19: provision of allowance for expected credit loss of approximately HK\$14.9 million), which was partially offset by (i) the increase in impairment loss recognised in respect of goodwill of approximately HK\$19.7 million; and (ii) the recognition of fair value loss of biological assets, net, of approximately HK\$8.1 million in FY2019/20 (FY2018/19: fair value gain of approximately HK\$6.6 million).

The total assets of the Group decreased by approximately HK\$92.1 million from approximately HK\$650.7 million as at 31 March 2019 to approximately HK\$558.6 million as at 31 March 2020. The total assets of the Group as at 31 March 2020 mainly comprised (i) cash held on behalf of customers of approximately HK\$194.5 million (31 March 2019: approximately HK\$121.0 million); (ii) cash and cash equivalents of approximately HK\$110.5 million (31 March 2019: approximately HK\$110.5 million); (iii) advances to customers in margin financing of approximately HK\$82.7 million (31 March 2019: approximately HK\$78.3 million); (iv) trade receivables of approximately HK\$37.5 million (31 March 2019: approximately HK\$18.6 million); and (v) property, plant and equipment of approximately HK\$34.4 million (31 March 2019: approximately HK\$42.6 million).

The total liabilities of the Group decreased by approximately HK\$387.6 million from approximately HK\$835.7 million as at 31 March 2019 to approximately HK\$448.0 million as at 31 March 2020. The total liabilities of the Group as at 31 March 2020 mainly comprised (i) trade payables of approximately HK\$208.1 million (31 March 2019: approximately HK\$143.4 million); (ii) promissory notes of approximately HK\$183.3 million (31 March 2019: approximately HK\$474.9 million); (iii) medium-term bonds of approximately HK\$26.6 million (31 March 2019: approximately HK\$34.3 million); and (iv) accruals and other payables of approximately HK\$24.1 million (31 March 2019: approximately HK\$58.7 million).

The Company recorded equity attributable to owners of the Company of approximately HK\$110.6 million as at 31 March 2020 as compared to a deficit of approximately HK\$185.0 million as at 31 March 2019. Such improvement was mainly attributable to (i) the issue of new shares of approximately HK\$268.8 million in FY2019/20; and (ii) the deemed capital contribution from the controlling shareholders of the Company of approximately HK\$92.8 million in FY2019/20 (including but not limited to (a) gain on the Disposal of approximately HK\$14.0 million; (b) waiver of interest accrued from promissory notes due to First Cheer of approximately HK\$13.7 million; and (c) gain on modification of terms of promissory notes due to First Cheer of approximately HK\$70.7 million) (please refer to the circular of the Company dated 6 June 2019 for further details), which was partially offset by the loss attributable to owners of the Company of approximately HK\$60.5 million recorded in FY2019/20.

*(ii) For the year ended 31 March 2021 (i.e. FY2020/21)*

In FY2020/21, the Group recorded total revenue of approximately HK\$63.7 million, representing a substantial decline of approximately 35.0% as compared to approximately HK\$98.1 million in FY2019/20. Such deterioration was mainly attributable to the decrease in revenue generated from the financial services segment of approximately HK\$29.9 million, which was, in turn, predominately due to (i) the decrease in interest income from loan receivables of approximately HK\$18.3 million; and (ii) the decrease in fee and commission income from securities brokerage of approximately HK\$15.8 million. As a result of the decrease in revenue, the Group's gross profit decreased by approximately 37.3% from approximately HK\$91.4 million in FY2019/20 to approximately HK\$57.3 million in FY2020/21. In FY2020/21, the Group recorded loss attributable to owners of the Company of approximately HK\$61.9 million, representing a slight increase of approximately 2.4% as compared to approximately HK\$60.5 million in FY2019/20.

The total assets of the Group decreased by approximately HK\$167.7 million from approximately HK\$558.6 million as at 31 March 2020 to approximately HK\$390.9 million as at 31 March 2021. The total assets of the Group as at 31 March 2021 mainly comprised (i) cash held on behalf of customers of approximately HK\$119.3 million (31 March 2020: approximately HK\$194.5 million); (ii) cash and cash equivalents of approximately HK\$106.9 million (31 March 2020: approximately

HK\$110.5 million); (iii) advances to customers in margin financing of approximately HK\$55.0 million (31 March 2020: approximately HK\$82.7 million); and (iv) investment properties of approximately HK\$43.2 million (31 March 2020: nil).

The total liabilities of the Group decreased by approximately HK\$119.1 million from approximately HK\$448.0 million as at 31 March 2020 to approximately HK\$328.9 million as at 31 March 2021. The total liabilities of the Group as at 31 March 2021 mainly comprised (i) promissory notes of approximately HK\$162.3 million (31 March 2020: approximately HK\$183.3 million); (ii) trade payables of approximately HK\$127.1 million (31 March 2020: approximately HK\$208.1 million); and (iii) accruals and other payables of approximately HK\$29.5 million (31 March 2020: approximately HK\$24.1 million).

The equity attributable to owners of the Company decreased from approximately HK\$110.6 million as at 31 March 2020 to approximately HK\$62.0 million as at 31 March 2021. Such decrease was mainly due to the loss attributable to owners of the Company of approximately HK\$61.9 million recorded in FY2020/21.

*(iii) For the three months ended 30 June 2021 (i.e. 1Q2021/22)*

On 31 March 2021, the Group restructured its equine business by leasing out certain lands and farm in Australia, which was previously occupied and operated by the Group, under operating leases to an independent third party (the “**Tenant**”) for a period of five years (the “**Restructuring**”). The Tenant will also manage the stallions held by the Group under certain profit sharing scheme. The Restructuring contributed rental income of approximately HK\$0.4 million to the Group in 1Q2021/22, representing approximately 3.9% of the Group’s total revenue in 1Q2021/22, while the revenue generated from the equine services segment decreased by approximately 78.4% from approximately HK\$2.6 million in 1Q2020/21 to approximately HK\$0.6 million in 1Q2021/22. Please refer to the 2021-22 First Quarterly Report for further details on the Restructuring.

In 1Q2021/22, the Group recorded total revenue of approximately HK\$11.3 million, representing a notable decline of approximately 35.9% as compared to approximately HK\$17.6 million in 1Q2020/21. Such deterioration was mainly attributable to (i) the decrease in revenue generated from financial services segment of approximately HK\$4.7 million; and (ii) the decrease in revenue generated from the equine services segment of approximately HK\$2.0 million. In line with the decline in revenue, the Group’s gross profit decreased by approximately 34.4% from approximately HK\$16.5 million in 1Q2020/21 to approximately HK\$10.8 million in 1Q2021/22.

In 1Q2021/22, the Group recorded loss attributable to owners of the Company of approximately HK\$6.6 million, representing a significant increase of approximately 47.4% as compared to approximately HK\$4.5 million in 1Q2020/21. Such deterioration was primarily attributable to the decrease in gross profit of approximately HK\$5.7 million, which was partially offset by (i) the decrease in administrative expenses of approximately HK\$2.3 million; and (ii) the decrease in finance costs of approximately HK\$1.3 million.

*(iv) Business Update*

On 26 March 2021 (after trading hours), the Group entered into sale and purchase agreements with two independent third parties (the “**Vendors**”) in relation to the proposed purchase of an aggregate of 2,082 units of cryptocurrency mining equipment (the “**Purchase of Mining Equipment**”) at the aggregate consideration of approximately HK\$100.0 million (the “**Equipment Consideration**”). The Purchase of Mining Equipment completed on 30 April 2021 and an aggregate of 112,522,768 new Shares were allotted and issued by the Company to the Vendors for settlement of the Equipment Consideration. Please refer to the announcements of the Company dated 26 March 2021, 22 April 2021 and 30 April 2021 for further details.

As disclosed in the announcements of the Company dated 24 May 2021 and 7 July 2021, in light of the statement made by the State Council’s Financial Stability and Development Committee of the PRC on 21 May 2021 on Bitcoin mining and trading activities, the Group instructed the relevant service provider to suspend the cryptocurrency miner operating service in the PRC. Subsequently, the Company relocated its equipment for cryptocurrency mining from Inner Mongolia, the PRC to Kazakhstan and commenced its cryptocurrency mining activities in Kazakhstan.

As disclosed in the Profit Warning Announcement, based on the preliminary assessment on the unaudited consolidated management accounts of the Group for the five months ended 31 August 2021, the business operation and information of the Group currently available to the Directors as at the date of the Profit Warning Announcement, the Group is expected to record a loss attributable to owners of the Company of not less than HK\$16 million for the six months ended 30 September 2021 (“**1H2021/22**”), as compared to a profit attributable to owners of the Company of approximately HK\$12.1 million for the six months ended 30 September 2020 (“**1H2020/21**”).

Following the commencement of the Group's cryptocurrency mining activities in Kazakhstan in July 2021, the Group has successfully mined Bitcoin through its cryptocurrency mining activities. As at the date of the Profit Warning Announcement, the Group has disposed of part of Bitcoin mined. Notwithstanding the increase in revenue from the disposal of Bitcoin, the Group is expected to record a loss attributable to owners of the Company for 1H2021/22 mainly attributable to the following factors:

- (i) the Group is expected to recognise an impairment loss for expected credit losses on trade receivables during 1H2021/22 instead of the reversal of impairment losses for expected credit losses on trade receivables of approximately HK\$16.2 million for 1H2020/21;
- (ii) the Group established the cryptocurrency mining segment during 1H2021/22 and the Group incurred non-recurring expenses of approximately HK\$7.8 million during the relocation of the equipment for cryptocurrency mining from the PRC to Kazakhstan. As a result, it is preliminarily expected that the cryptocurrency mining segment of the Group would incur a segment loss of approximately HK\$6.4 million for 1H2021/22; and
- (iii) the overall decrease in total revenue from financial and equine services segment for 1H2021/22 comparing with 1H2020/21.

As advised by the Management, after deducting the relocation expenses (which is non-recurring) of approximately HK\$7.8 million, the Management expected that the cryptocurrency mining business of the Group would record a segment profit to the Group for 1H2021/22. Therefore, the Management believes that the cryptocurrency mining business of the Group will contribute positively to the financial performance of the Group in the future.

(v) *Analysis*

Notwithstanding that the Group has commenced its cryptocurrency mining activities in Kazakhstan in July 2021, having considered (i) the substantial decline in the Group's gross profit in FY2020/21 and 1Q2021/22 as compared to FY2019/20 and 1Q2020/21, respectively; and (ii) the expected loss of not less than HK\$16 million for 1H2021/22 as disclosed in the Profit Warning Announcement; and (iii) the continuous loss-making position of the Group for the last three financial years, it is uncertain as to whether the Group can improve its financial performance in the near future. Those Independent Shareholders who wish to retain some or all of the Shares should consider the past financial performance of the Group and the business prospects of the Group as detailed in the paragraph headed "C. Business prospects of the Group" below, or otherwise are reminded to closely monitor the development of the Group and the publications of the Company (including the Composite Document) in this regard.

(vi) *Dividend payout*

In June 2011, the Board declared a final dividends of HK\$0.015 per Share for the year ended 31 March 2011 (the “**FY2010/11 Dividends**”). Save for the FY2010/11 Dividends, the Board did not declare any dividend since the listing of Shares on GEM in December 2000. Given that (i) save for the FY2010/11 Dividends, the Board did not declare any dividend since the listing of Shares on GEM in December 2000; (ii) the unsatisfactory financial performance of the Group in the past three years as discussed above; (iii) the forthcoming challenging business environment as mentioned in the paragraph headed “C. Business prospects of the Group” below; and (iv) the intention of the Offeror to continue the existing principal business of the Group as mentioned in the paragraph headed “B. Intention of the Offeror on the Group” under the section headed “3. Information on the Offeror and the intention of the Offeror in relation to the Group” below, there is no guarantee that the Company will pay dividends to the Shareholders in future.

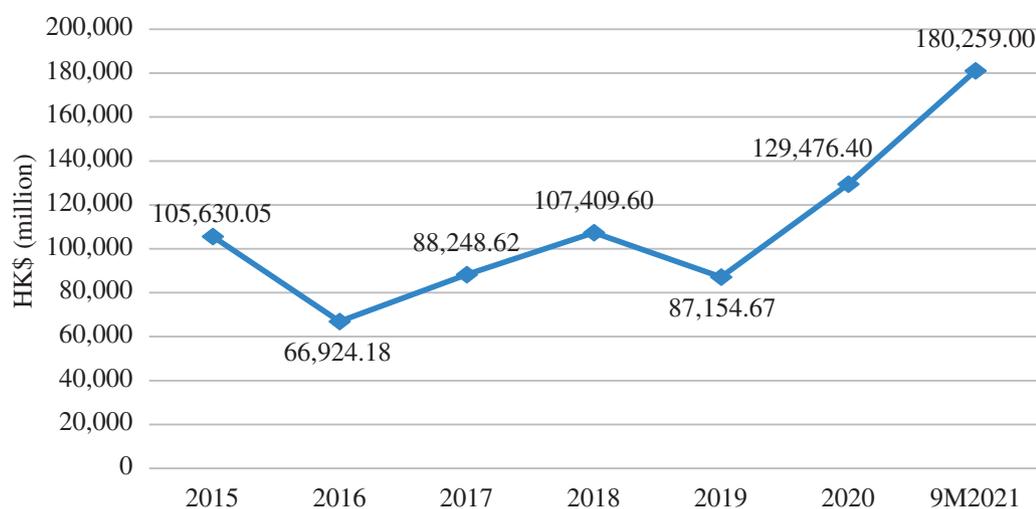
**C. *Business prospects of the Group***

As mentioned in the Letter from the Board, the Group is principally engaged in money lending, securities and futures brokerage, assets management services, properties investment, digital currency mining and investment in stallions. Given that (i) the Group has conducted the Restructuring in March 2021 and has leased out certain land and farm in Australia, which was previously self-occupied and operated in the equine segment, to the Tenant for a period of five years with an annual rental income of approximately HK\$1.8 million; (ii) under the Restructuring, the Tenant would also manage the stallions held by the Group under certain profit sharing scheme, which contributed revenue of approximately HK\$0.56 million to the Group in 1Q2021/22, representing merely approximately 5.0% of the Group’s total revenue; (iii) as at the Latest Practicable Date, the Group did not have any concrete plan for material investments or capital injection into its equine services business (such as acquisition of new stallions) in the coming twelve months, the Management expected that the revenue of the Group to be generated from its equine business under the profit sharing scheme with the Tenant will significantly decrease as compared to the Group’s self-operated equine services business prior to the Restructuring. Therefore, we focused to conduct research on the prospect of (i) the financial services industry in Hong Kong (the “**Financial Services Industry**”); and (ii) the cryptocurrency mining industry (the “**Cryptocurrency Mining Industry**”) through public domains.

### *The Financial Services Industry*

According to the FY2020/21 Annual Report, the Group's fee and commission income generated from financial services represents the major source of revenue to the Group. Set out below is the chart showing the average daily turnover value on the Stock Exchange from 2015 to 2020 and for the nine months ended 30 September 2021 ("9M2021"):

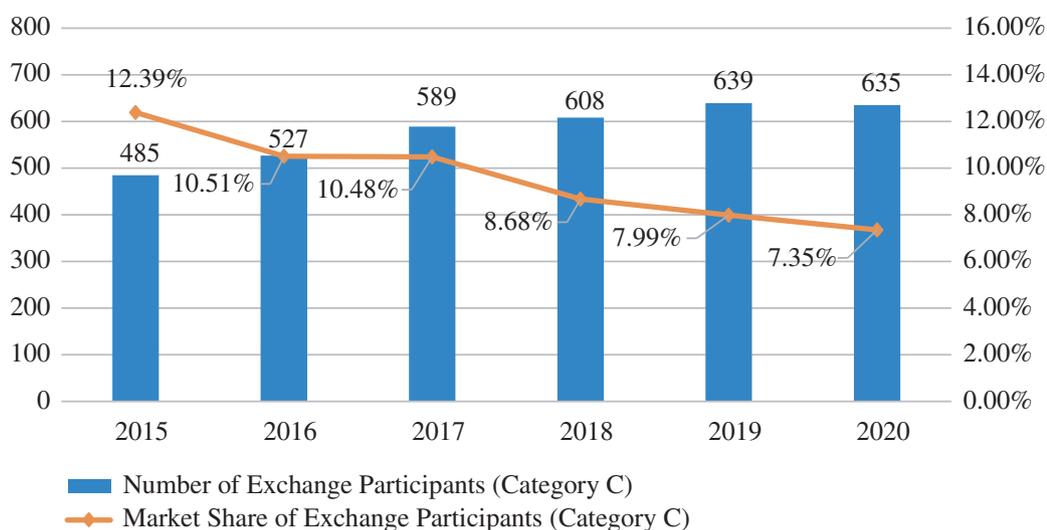
**Chart 1: Average daily turnover value on the Stock Exchange**



Source: HKEx Fact Books

As shown in Chart 1 above, the average daily turnover value on the Stock Exchange fluctuated within the range of approximately HK\$66,924.18 million to approximately HK\$129,476.4 million during the period from 2015 to 2020. According to the latest HKEx Monthly Market Highlights published by the Stock Exchange, the average daily turnover value for 9M2021 amounted to approximately HK\$180,259 million, representing an increase of approximately 43.4% as compared to approximately HK\$125,716 million for the same period in 2020. Even though the average daily turnover value reached the peak of approximately HK\$129,476.4 million in 2020 and further increased to approximately HK\$180,259 million for 9M2021, it is still uncertain as to whether the growth in the average daily turnover value can be sustained given the fluctuations in the past few years. Such fluctuations may introduce volatility to the Group's revenue from securities and futures brokerage business and contribute to an unstable revenue source to the Group's financial services segment.

**Chart 2: Number of Category C Exchange Participants and the market share of Category C Exchange Participants from 2015 to 2020**



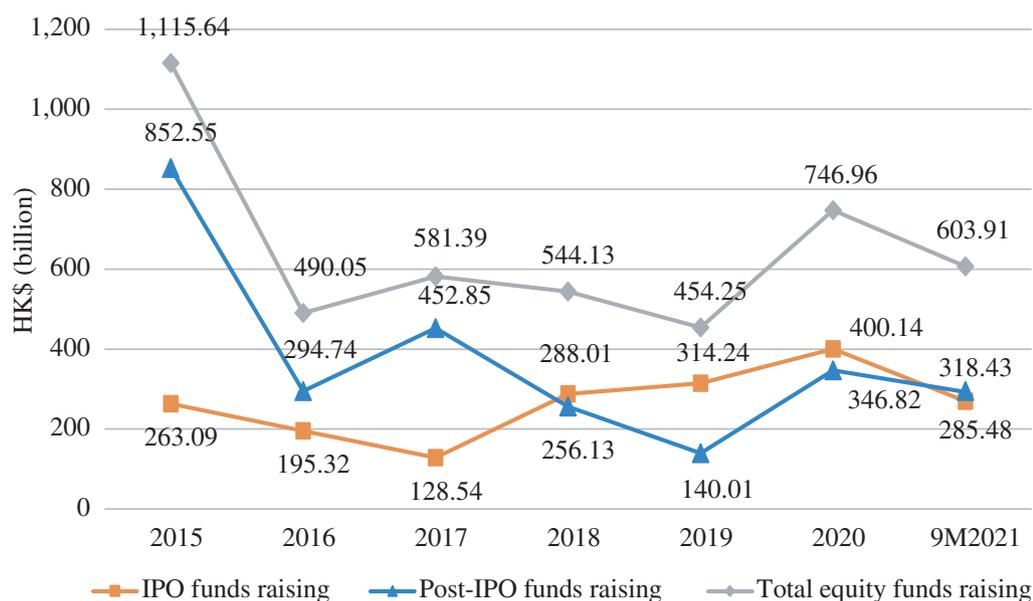
Source: HKEx Fact Books

As shown in Chart 2 above, the number of Exchange Participants in Category C (which categorised brokers who are Stock Exchange participants that ranked below 65th in term of their turnover value of securities trading on the Stock Exchange (including Sun International Securities Limited, a wholly-owned subsidiary of the Company)) increased steadily from 485 as at 31 December 2015 to 635 as at 31 December 2020, representing a compound annual growth rate of approximately 5.5%. According to the HKEx Fact Books, the market share of the Category C Exchange Participants demonstrated a downward trend, which declined from approximately 12.39% for the year ended 31 December 2015 to approximately 7.35% for the year ended 31 December 2020. According to the HKEx Fact Book 2020, the brokerage business in Hong Kong was dominated by the top 14 Exchange Participants with approximately 58.15% of the total market share for the year ended 31 December 2020 while the average market share per each Category C Exchange Participant was only approximately 0.01% of the total market share for the year ended 31 December 2020. Given the growing number of Exchange Participants, coupled with the diminishing market share of Category C Exchange Participants, competition is considered to be highly fierce in the securities dealing and brokerage services industry.

As advised by the Management, the Group also acted as a placing agent or underwriter for companies listed or to be listed on the Stock Exchange for their fund raising exercises, including initial public offering (“**IPO**”), rights issue, open offer or placing of new or existing shares or bonds. Thus, apart from the change in the average daily turnover value on the Stock

Exchange, the total amount of equity funds raised on the Stock Exchange is also considered to be another crucial element in determining the prospect of the Group's financial services segment.

**Chart 3: Total amount of equity funds raising on the Stock Exchange**



Source: HKEx Fact Books and HKEx Monthly Market Highlights

As shown in Chart 3 above, the total amount of equity funds raising, comprising the amount of funds raising through IPOs and post-IPOs, exhibited a general downward trend from 2015 to 2019 and showed signs of recovery in 2020. The amount of funds raising through IPOs demonstrated a general rising trend and increased from approximately HK\$263.09 billion in 2015 to approximately HK\$400.14 billion in 2020. Meanwhile, the amount of funds raising through post-IPOs exhibited a declining trend and decreased from approximately HK\$852.55 billion in 2015 to approximately HK\$346.82 billion in 2020, resulting in a decline in the total amount of equity funds raising from approximately HK\$1,115.64 billion in 2015 to approximately HK\$746.96 billion in 2020. These may cast uncertainties on the stability of the Group's commission income from the placing and underwriting business, thereby bringing fluctuations to the revenue of the Group's financial services segment. According to the latest HKEx Monthly Market Highlights published by the Stock Exchange, the amount of funds raising through IPOs, the amounts of funds raising through post-IPOs and the total amount of equity funds raising for 9M2021 recorded at approximately HK\$285.48 billion, approximately HK\$318.43 billion and approximately HK\$603.91 billion, respectively.

## *The Cryptocurrency Mining Industry*

As disclosed in the announcement of the Company dated 26 March 2021, the Company decided to tap into the cryptocurrency mining business by purchasing the relevant equipment for cryptocurrency mining and intended to commence cryptocurrency mining activities in the PRC. A research conducted by the Cambridge Centre for Alternative Finance (a research centre of the Cambridge Judge Business School, the University of Cambridge) revealed that China's share of total Bitcoin mining power is currently the largest in the world but has declined from 75.5% in September 2019 to 46.0% in April 2021. Despite having the largest share in cryptocurrency mining globally, the PRC government has promulgated an array of policies in an attempt to tighten the control on the cryptocurrency mining industry during the past few months. In May 2021, the State Council's Financial Stability and Development Committee (the "**FSDC**") of the PRC imposed restriction on Bitcoin mining and trading activities. Subsequently, the Inner Mongolia Development and Reform Commission (the "**Inner Mongolia DRC**") commenced public consultations (including but not limited to 《內蒙古自治區發展和改革委員會關於堅決打擊懲戒虛擬貨幣“挖礦”行為八項措施(徵求意見稿)》 (Eight Measures of the Inner Mongolia DRC on the Strict Crackdown on Cryptocurrency Mining (Consultation Paper)\*, the "**Measures of Restriction on Cryptocurrency Mining**") to further restrict and strengthen the monitoring on cryptocurrency mining activities in the PRC.

In this regard, the Company relocated its equipment for cryptocurrency mining from Inner Mongolia, the PRC to Kazakhstan and commenced its cryptocurrency mining activities in Kazakhstan. However, in June 2021, the government of Kazakhstan made amendments to its tax code to impose a new tax (the "**New Mining Tax**") on cryptocurrency mining based on the electrical energy consumption, which will become effective in 1 January 2022. As an energy-intensive business, such taxation on electricity usage would undoubtedly exert pressure on the cost of the Group's cryptocurrency mining business. With the unfavourable changes in government policies and regulations on the cryptocurrency mining industry in the PRC (such as the release of the Measures of Restriction on Cryptocurrency Mining) and Kazakhstan (such as the introduction of the New Mining Tax), coupled with the unforeseeable idiosyncratic risks of cryptocurrency as compared to traditional asset classes, the prospect of the cryptocurrency mining industry remains uncertain.

Having considered (i) the fluctuations in the average daily turnover value and the total amount of equity funds raising on the Stock Exchange in the past few years; and (ii) the unfavourable regulatory changes of the cryptocurrency mining industry in the PRC and the newly imposed taxation on electricity usage for cryptocurrency mining activities in Kazakhstan, we are of the view that the prospects and future performance of the Group remains uncertain.

## 2. Principal terms of the Offer

Red Sun Capital, for and on behalf of the Offeror, is making the Offer to acquire all the Offer Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in compliance with the Takeovers Code on the following basis:

**For each Offer Share .....HK\$0.10 in cash**

The Offer Price of HK\$0.10 per Offer Share is equal to the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer is unconditional in all respects when it is made.

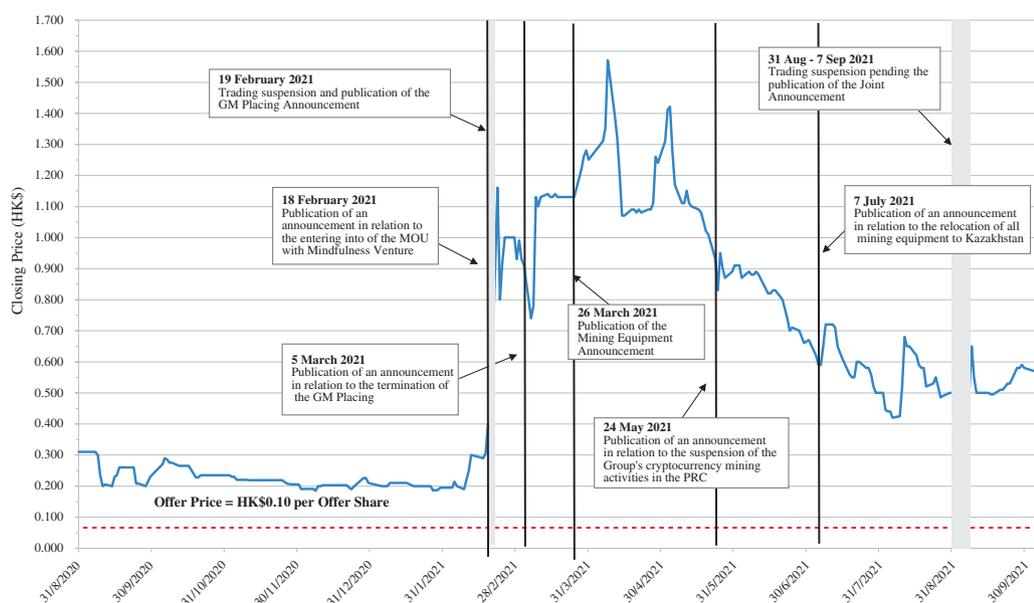
The Offer Price of HK\$0.10 per Offer Share represents:

- (i) a discount of approximately 80.00% to the closing price of HK\$0.5000 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 80.35% to the average of the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5090 per Share (the “**5-day Average Price**”);
- (iii) a discount of approximately 81.29% to the average of the closing prices as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5345 per Share (the “**10-day Average Price**”);
- (iv) a discount of approximately 81.45% to the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5392 per Share (the “**30-day Average Price**”);
- (v) a premium of approximately 269.00% over the audited consolidated net asset value attributable to the owners of the Company (the “**NAV**”) of approximately HK\$0.0271 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 31 March 2021, being the date to which the latest published audited financial results of the Group were made up;
- (vi) a premium of approximately 45.77% over the unaudited NAV of approximately HK\$0.0686 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 30 June 2021; and
- (vii) a discount of approximately 82.76% to the closing price of HK\$0.5800 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

## A. *Historical price performance of the Shares*

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 31 August 2020, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”), which we consider to be reasonably long enough to illustrate the historical trend and level of movement of the closing prices of the Shares:

**Chart 4: Share price performance during the Review Period**



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

As illustrated in Chart 4 above, during the Review Period, the closing price of the Shares ranged from the lowest closing price of HK\$0.185 per Share as recorded on 8 December 2020 to the highest closing price of HK\$1.570 per Share as recorded on 9 April 2021, with an average price of approximately HK\$0.573 per Share. The Offer Price represents (i) a discount of approximately 45.9% to the lowest closing price of the Shares; (ii) a discount of approximately 93.6% to the highest closing price of the Shares; and (iii) a discount of approximately 82.5% to the average closing price of the Shares during the Review Period, respectively.

During the period from 31 August 2020 to 8 December 2020, the closing price of the Shares exhibited, in general, a downward trend and declined from HK\$0.310 per Share on 31 August 2020 to the lowest point of HK\$0.185 on 8 December 2020. We have discussed with the Management regarding the downward trend of the Share price and were advised that save for the interim results announcement for the six months ended 30 September 2020 published on 12 November 2020, they are not aware of other particular reason that led to the decline in the price of the Shares.

After reaching the lowest point, the closing price of the Shares remained relatively stable until it rebounded from HK\$0.190 per Share on 8 February 2021 to a relatively high level at HK\$0.400 per Share on 18 February 2021. On 18 February 2021 (after trading hours), the Group entered into a non-legally binding memorandum of understanding (“**MOU**”) with Mindfulness Venture Fund I, L.P. (being one of the Vendors) in relation to the proposed transfer and assignment of cryptocurrency mining equipment, which consist of an aggregate of 1,000 sets of cryptocurrency miners. At the request of the Company, trading in the Shares was suspended on 19 February 2021 pending the publication of an announcement (the “**GM Placing Announcement**”) in relation to the placing of new shares under general mandate (the “**GM Placing**”), which was subsequently terminated on 5 March 2021. Trading in the Shares was resumed on 22 February 2021 and the closing price of the Shares increased by 190.0% to HK\$1.160 per Share on 22 February 2021. We have discussed with the Management regarding the surge of the Share price on 22 February 2021 and believed that such surge was attributable to the announcement of the entering into of the MOU and the GM Placing. The closing price of the Shares then fluctuated within the range of HK\$0.740 per Share to HK\$1.140 per Share during the period commencing from 23 February 2021 to 26 March 2021.

On 26 March 2021 (after trading hours), the Group entered into formal sale and purchase agreements with the Vendors in relation to the Purchase of Mining Equipment (please refer to the announcement of the Company dated 26 March 2021 (the “**Mining Equipment Announcement**”) for further details). After the publication the Mining Equipment Announcement, the closing price of the Shares demonstrated an increasing trend and reached the highest point of HK\$1.570 per Share on 9 April 2021. We have enquired the Management regarding the increasing trend of the Share price and were advised that save for the Mining Equipment Announcement, they are not aware of other particular reason that led to the surge of the Share price. During the period from 12 April 2021 to 5 May 2021, the closing price of the Shares was fluctuated within the range of HK\$1.070 per Share to HK\$1.420 per Share.

Thereafter, the closing price of the Shares exhibited a decreasing trend and closed at HK\$0.500 per Share on the Last Trading Day (i.e. 30 August 2021). As advised by the Management, the decreasing trend of the Share price was possibly due to (i) the restriction imposed by FSDC and the Measures of Restriction on Cryptocurrency Mining promulgated by Inner Mongolia DRC in May 2021; and (ii) the suspension of the Group’s cryptocurrency mining activities in the PRC and the relocation of all mining equipment to Kazakhstan (please refer to the announcements of the Company dated 24 May 2021 and 7 July 2021 for further details). Save for the aforementioned, the Management is not aware of any particular reason that led to the decreasing trend of the price of the Shares.

At the request of the Company, trading in the Shares was suspended from 31 August 2021 to 7 September 2021 pending the publication of the Joint Announcement. Following the resumption of trading, the closing price of the Shares increased by 30% to HK\$0.650 per Share on 8 September 2021 (being the first trading day after the publication of the Joint Announcement) as compared to that of HK\$0.500 per Share on the Last Trading Day. We reckon that such rise in the closing price of the Shares was likely due to the market reaction to the announcement of the Offer. The closing price of the Shares then fluctuated within the

range of HK\$0.495 per Share to HK\$0.590 per Share during the period commencing from 9 September 2021 to the Latest Practicable Date. As at the Latest Practicable Date, the price of the Shares was closed at HK\$0.580 per Share.

Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price after the Latest Practicable Date.

**B. Historical trading volume of the Shares**

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

**Table 2: Trading volume of the Shares during the Review Period**

Month/period	Total trading volume (No. of Shares)	No. of trading days	Average daily trading volume (No. of Shares)	Percentage of	Percentage of
				the average daily trading volume to the total number of issued Shares (Note 1)	the average daily trading volume to the number of issued Shares held by public Shareholders (Note 2)
August 2020 (i.e. 31 August)	20,000	1	20,000	0.0009%	0.0024%
September 2020	2,940,000	22	133,636	0.0059%	0.0157%
October 2020	75,000	18	4,167	0.0002%	0.0005%
November 2020	1,090,000	21	51,905	0.0023%	0.0061%
December 2020	3,972,500	22	180,568	0.0079%	0.0213%
January 2021	745,000	20	37,250	0.0016%	0.0044%
February 2021	56,100,900	17	3,300,053	0.1445%	0.3886%
March 2021	50,964,200	23	2,215,835	0.0970%	0.2609%
April 2021	28,802,500	19	1,515,921	0.0664%	0.1785%
May 2021	33,555,000	20	1,677,750	0.0734%	0.1976%
June 2021	3,705,000	21	176,429	0.0077%	0.0208%
July 2021	2,490,000	21	118,571	0.0052%	0.0140%
August 2021	2,255,000	21	107,381	0.0047%	0.0126%
September 2021	7,760,000	16	485,000	0.0212%	0.0571%
October 2021 (up to the Latest Practicable Date)	60,000	5	12,000	0.0005%	0.0014%

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

*Notes:*

1. The calculation is based on the average daily trading volume of the Shares divided by the total issued share capital of the Company as at the Latest Practicable Date (i.e. 2,284,254,768 Shares).
2. The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by public Shareholders as at the Latest Practicable Date (i.e. 849,245,728 Shares).

As illustrated in Table 2 above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 4,167 Shares to approximately 3,300,053 Shares, representing approximately 0.0002% to approximately 0.1445% of the total number of issued Shares as at the Latest Practicable Date, or approximately 0.0005% to approximately 0.3886% of the total number of issued Shares held by public Shareholders as at the Latest Practicable Date.

During the period from 31 August 2020 until the publication of the Joint Announcement (the “**Pre-announcement Period**”), we noted that the average daily trading volume of the Shares during the period from February 2021 to May 2021 was relatively high. We have discussed with the Management and were advised that the relatively high trading volume of the Shares was possibly due to the market reaction to (i) the entering into of the MOU; (ii) the Purchase of Mining Equipment; (iii) the GM Placing; and (iv) the restriction imposed to cryptocurrency mining in the PRC. Save for the aforementioned, the Management is not aware of other particular reason that led to the relatively high trading volume of the Shares.

Save for the particularly high daily trading volume of the Shares during the period from February 2021 and May 2021 as discussed above, the average daily trading volume of the Shares was relatively thin during the Pre-announcement Period. On 8 September 2021 (being the first trading day after the publication of the Joint Announcement), the trading volume of the Shares surged from approximately 759,004 Shares during the Pre-announcement Period to approximately 3.3 million Shares. We believe that the increase in trading volume of the Shares on 8 September 2021 was possibly due to the market reaction to the announcement of the Offer. During the period from 9 September 2021 to the Latest Practicable Date, the average daily trading volume of the Shares decreased to approximately 224,750 Shares.

It is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a large volume of the Shares in the open market without depressing the Share price. Therefore, we are of the view that the Offer represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of the Shares, to dispose of part or all of their Shares at the Offer Price if they so wish to.

### *C. Comparison with other comparable companies*

In assessing the fairness and reasonableness of the Offer Price, we attempted to compare the Offer Price against the market valuation of other comparable companies using the price-to-earnings ratio (“**PE ratio**”), the price-to-book ratio (“**PB ratio**”) and the enterprise value to earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) ratio (“**EV/EBITDA ratio**”), which are commonly used valuation multiples. However, since the Company recorded a loss attributable to owners of the Company of approximately HK\$61.9 million and negative EBITDA of approximately HK\$30.2 million in FY2020/21, the assessment of the fairness and reasonableness of the Offer Price by using the implied PE ratio and EV/EBITDA ratio are infeasible. We consider PB ratio to be an appropriate indicator of the fair values of the comparable companies.

Given that (i) over 65% of the Group’s revenue for FY2020/21 was generated from provision of financial services (including but not limited to securities and futures brokerage, provision of margin financing, asset management services and custodian services and money lending) (the “**Relevant Business**”) in Hong Kong; (ii) the Group has restructured its equine business which generated revenue of approximately HK\$0.6 million only in 1Q2021/22; (iii) the cryptocurrency business of the Group is still in its early start-up stage and just commenced to generate revenue in July 2021; and (iv) the market capitalization of the Company was approximately HK\$1,325 million as at the Latest Practicable Date, we identified companies listed on the Stock Exchange based on the criteria that (i) over 65% of the revenue for the latest full financial year was generated from the Relevant Business in Hong Kong; and (ii) market capitalization of which is less than HK\$2 billion as at the Latest Practicable Date. We have identified an exhaustive list of 22 companies (the “**Comparable Companies**”) which met our above-mentioned selection criteria.

**Table 3: Details of the Comparable Companies**

Company name (Stock code)	Principal activities	Market	Net assets	PB ratio (times)
		capitalization	attributable to	
		as at the Latest	as at the Latest	
		Practicable	Practicable	
		Date	Date (Note 1)	
		(HK\$'000)	(HK\$'000)	
Get Nice Holdings Limited (64)	Engaged in (i) money lending business; (ii) property development and holding and investment in financial instruments; (iii) real estate agency; and (iv) the provision of financial services, including securities dealing and broking, futures and options broking, securities margin financing and corporate finance services	1,632,997	5,609,065	0.29
Cinda International Holdings Limited (111)	Engaged in the provision of asset management, corporate finance advisory services, securities brokering, commodities and futures brokering, financial planning and insurance brokering	294,955	1,010,885	0.29
Central Wealth Group Holdings Limited (139)	Engaged in securities and futures dealing business, trading of debts and equity investments and money lending business	207,605	1,277,274	0.16
Shenwan Hongyuan (H.K.) Limited (218)	Engaged in (i) brokerage business; (ii) corporate finance business; (iii) asset management business; (iv) financing and loans business; and (v) investment and other business	1,654,807	4,020,345	0.41
China Strategic Holdings Limited (235)	Engaged in the business of investment in securities, trading of electronic components, money lending as well as securities brokerage	1,141,574	5,727,398	0.20
China Fortune Financial Group Limited (290)	Engaged in securities and insurance brokerage, asset management, corporate finance, margin financing and money lending services	228,827	324,308	0.71
Power Financial Group Limited (397)	Engaged in financial services businesses, money lending business and asset investment	495,472	1,588,376	0.31

Company name (Stock code)	Principal activities	Market	Net assets	PB ratio (times)
		capitalization as at the Latest Practicable Date (HK\$'000)	attributable to equity holders as at the Latest Practicable Date (Note 1) (HK\$'000)	
Cash Financial Services Group Limited (510)	Engaged in (i) provision of online and traditional brokerage of securities, futures and options as well as life insurance, mutual funds and mandatory provident fund products; (ii) proprietary trading of debt and equity securities and derivatives; (iii) provision of margin financing and money lending services; (iv) provision of investment banking services; and (v) provision of asset management services	154,093	436,249	0.35
Imagi International Holdings Limited (585)	Engaged in integrated financial services, investment holdings, computer graphic imaging business and entertainment business	713,733	818,597	0.87
Emperor Capital Group Limited (717)	Engaged in the provision of financial services including (i) commercial and personal lending as well as margin and IPO financing; (ii) brokerage services, wealth management and asset management; (iii) placing and underwriting services for listed issuers; and (iv) corporate finance advisory services	781,938	4,479,476	0.17
Pinestone Capital Limited (804)	Engaged in the provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services	297,785	201,288	1.48
Value Convergence Holdings Limited (821)	Engaged in the provision of financial services	706,691	937,618	0.75
China Tonghai International Financial Limited (952)	Engaged in (i) corporate finance advisory and general advisory services; (ii) fund management, discretionary portfolio management and portfolio management advisory services; (iii) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing, insurance broking and wealth management services; (iv) money lending services; (v) financial media services; and (vi) investing and trading of various investment products	1,338,563	5,874,679	0.23

<b>Company name (Stock code)</b>	<b>Principal activities</b>	<b>Market capitalization as at the Latest Practicable Date (HK\$'000)</b>	<b>Net assets attributable to equity holders as at the Latest Practicable Date (Note 1) (HK\$'000)</b>	<b>PB ratio (times)</b>
Get Nice Financial Group Limited (1469)	Engaged in the provision of financial services, including securities dealing and broking, futures and options broking, underwriting and placements, securities margin financing and corporate finance services	1,900,000	4,021,046	0.47
Fu Shek Financial Holdings Limited (2263)	Engaged in the provision of securities dealing and brokerage services, placing and underwriting services, securities margin financing services and asset management services in Hong Kong	178,000	327,154	0.54
China Industrial Securities International Financial Group Limited (6058)	Engaged in the provision of brokerage services, loans and financing services, corporate finance services, asset management services and financial products and investments	908,000	4,400,936	0.21
Orient Securities International Holdings Limited (8001)	Engaged in the provision of (i) brokerage services and relevant service income; (ii) underwriting and placing services; (iii) margin financing services; and (iv) money lending services	60,480	340,803	0.18
CL Group (Holdings) Limited (8098)	Engaged in the provision of securities, futures and options brokering and trading, loan financing services, placing and underwriting services, securities advisory services and investment holding in Hong Kong	195,800	232,786	0.84
PF Group Holdings Limited (8221)	Engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and initial public offering margin financing; and (iv) asset management services	92,000	178,125	0.52
Koala Financial Group Limited (8226)	Engaged in securities brokerage, share placements, underwriting services and money lending service	41,750	341,500	0.12
Astrum Financial Holdings Limited (8333)	Engaged in provision of (i) brokerage services; (ii) placing and underwriting services; (iii) corporate finance advisory services; (iv) financing services including securities and IPO financing; and (v) asset management services	190,880	179,368	1.06

Company name (Stock code)	Principal activities	Market capitalization as at the Latest Practicable Date (HK\$'000)	Net assets attributable to equity holders as at the Latest Practicable Date (Note 1) (HK\$'000)		PB ratio (times)
Victory Securities (Holdings) Company Limited (8540)	Engaged in the provision of a wide range of securities broking and related financial services including (i) securities/futures/insurance policies broking, placing and underwriting services and advising on securities services; (ii) financing services; (iii) assets management services; (iv) financial advisory services; and (v) investment consultancy services	420,088	215,631		1.95 (Note 2)
				<b>Maximum:</b>	1.95
				<b>Minimum:</b>	0.12
				<b>Average:</b>	0.55
				<b>Median:</b>	0.38
				<b>Standard Deviation:</b>	0.47
				<b>Excluding outlier (Note 2)</b>	
				<b>Maximum:</b>	1.48
				<b>Minimum:</b>	0.12
				<b>Average:</b>	0.48
				<b>Median:</b>	0.35
The Company		228,425 (Note 3)	156,698		1.46

Sources: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the financial reports of the respective Comparable Companies

Notes:

- Based on the figures of the respective Comparable Companies as published in the latest published annual reports or interim reports.
- We noted that the PB ratio of Victory Securities (Holdings) Company Limited (stock code: 8540) (“**Victory Securities**”) exceeds two standard deviations from the average of those of the Comparable Companies. We consider that the PB ratio of Victory Securities is an outlier and was excluded from our analysis for the PB ratios represented by the Comparable Companies.
- The market capitalization of the Company is calculated based on the Offer Price and the number of issued Shares as at the Latest Practicable Date (i.e. 2,284,254,768 Shares).

As set out in Table 3 above, the PB ratios of the Comparable Companies (excluding outlier) ranged from approximately 0.12 times to approximately 1.48 times with an average of approximately 0.48 times and a median of approximately 0.35 times. The PB ratio of the Company implied by the Offer Price of approximately 1.46 times is within the range and higher than the average and median of the PB ratios of the Comparable Companies (excluding outlier).

#### ***D. Conclusion***

Notwithstanding that (i) the Offer Price represents (a) a premium of approximately 269.00% over the audited NAV of approximately HK\$0.0271 per Share as at 31 March 2021; and (b) a premium of approximately 45.77% over the unaudited NAV of approximately HK\$0.0686 per Share as at 30 June 2021; (ii) the PB ratio of the Company implied by the Offer Price of approximately 1.46 times is within the range and higher than the average and median of the PB ratios of the Comparable Companies (excluding outlier); (iii) save for the particularly high average daily trading volume of the Shares during the period from February 2021 to May 2021, the trading volume of Shares was thin during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a large volume of the Shares in the open market without depressing the Share price; and (iv) the Group is expected to record a loss attributable to owners of the Company for 1H2021/22 as disclosed in the Profit Warning Announcement, and there are uncertainties in the future performance of the Group as discussed in the paragraph headed “C. Business prospects of the Group” under the section headed “1. Business, financial performance and prospects of the Group”, having considered the facts that:

- (i) the Offer Price is lower than the closing price of the Shares throughout the Review Period, and even throughout the past five years; and
- (ii) the Offer Price represents (a) a deep discount (i.e. equal to or over 80%) to the Share closing price on the Last Trading Day, the 5-day Average Price, the 10-day Average Price and the 30-day Average Price; and (b) a discount of approximately 82.76% to the closing price of HK\$0.580 per Share as quoted on the Stock Exchange on the Latest Practicable Date,

we are of the view that the Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

### **3. Information on the Offeror and the intention of the Offeror in relation to the Group**

#### ***A. Information on the Offeror***

As stated in the “Letter from Red Sun Capital” contained in the Composite Document, the Offeror is incorporated in the British Virgin Islands with limited liabilities, and is an investment holding company ultimately wholly and beneficially owned by Mr. Cheng, who is also the sole director of the Offeror.

Mr. Cheng is the chairman of the Board and an executive Director. Mr. Cheng is also the chairman and an executive director of Imperium Technology Group Limited (stock code: 776), the issued shares of which are listed on the main board of the Stock Exchange. Imperium Technology Group Limited and its subsidiaries are principally engaged in the manufacturing and sale of furnishings and home products, online game business, property investment, money lending business, esports business and provision of cloud computing and data storage services.

***B. Intention of the Offeror on the Group***

As stated in the “Letter from Red Sun Capital” contained in the Composite Document, upon Completion, the Offeror has become the controlling Shareholder (as defined under the GEM Listing Rules). As at the Latest Practicable Date, the Offeror intended to continue the existing principal business of the Group. Upon close of the Offer, the Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of formulating a sustainable business plan or strategy for the Group’s long-term development. Subject to the results of the aforesaid review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. Notwithstanding the above, as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangements, understandings or undertakings, whether formal or information, to acquire any new business or dispose of/downsize the existing business of the Group. The Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

Having considered the facts that (i) Mr. Cheng is the existing chairman of the Board and intends to continue the existing businesses of the Company; and (ii) the prospect for the securities industry in Hong Kong and cryptocurrency mining industry, in which the Group is engaged in, will remain uncertain (please refer to our analysis as disclosed in the paragraph headed “C. Business prospects of the Group” under the section headed “1. Business, financial performance and prospects of the Group” above for further details), we are of the opinion that there remains uncertainty in the future performance of the Group.

***C. Proposed Changes to the Board***

As at the Latest Practicable Date, the Board comprised eight Directors, namely Mr. Cheng Ting Kong, Ms. Cheng Mei Ching, Mr. Lui Man Wah, Mr. Chim Tak Lai and Mr. Choi Hon Keung Simon as executive Directors; and Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen and Mr. Jim Ka Shun as independent non-executive Directors.

As stated in the “Letter from Red Sun Capital” contained in the Composite Document, as at the Latest Practicable Date, the Offeror had not indicated any intention to change the composition of the Board.

***D. Maintaining the listing status of the Company***

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

As stated in the “Letter from Red Sun Capital” contained in the Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer. The sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

**OPINION AND RECOMMENDATION**

Notwithstanding that (i) the Group has been running in a loss-making position since the financial year ended 31 March 2013 and the Group is expected to record a loss attributable to owners of the Company of not less than HK\$16 million for 1H2021/22 as disclosed in the Profit Warning Announcement; (ii) it is uncertain as to whether the Group can make a turnaround in the near future; (iii) the Offer Price represents (a) a premium of approximately 269.00% over the audited NAV of approximately HK\$0.0271 per Share as at 31 March 2021; and (b) a premium of approximately 45.77% over the unaudited NAV of approximately HK\$0.0686 per Share as at 30 June 2021; (iv) the PB ratio of the Company implied by the Offer Price of approximately 1.46 times is within the range and higher than the average and median of the PB ratios of the Comparable Companies (excluding outlier); and (v) the Offeror intends to continue the existing principal business activities of the Group, which recorded significant loss attributable to owners of the Company of approximately HK\$60.5 million and approximately HK\$61.9 million for FY2019/20 and FY2020/21, respectively, and the prospects and future performance of the Group remains uncertain as discussed in the paragraph headed “C. Business prospects of the Group” under the section headed “1. Business, financial performance and prospects of the Group”, taking into consideration the following:

- (i) the Offer Price is lower than the closing price of the Shares throughout the Review Period, and even throughout the past five years; and

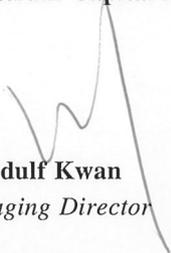
- (ii) the Offer Price represents (a) a deep discount (i.e. equal to or over 80%) to the Share closing price on the Last Trading Day, the 5-day Average Price, the 10-day Average Price and the 30-day Average Price; and (b) a discount of approximately 82.76% to the closing price of HK\$0.580 per Share as quoted on the Stock Exchange on the Latest Practicable Date,

we consider that the terms of the Offer are not fair and reasonable so far as the Independent Shareholders are concerned. On such basis, we do not recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. Nevertheless, we would also like to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period and consider accepting the Offer, instead of selling their Shares in the open market, where possible, if the net amount receivable under the Offer exceeds the net proceeds from such sales or if they are not able to dispose of a large volume of the Shares in the open market.

In addition, we would like to remind the Independent Shareholders that they should bear in mind the potential difficulties they may encounter in disposing of the Shares after the close of the Offer in view of the historical low trading liquidity of the Shares and there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period. The Independent Shareholders are strongly advised that the decision to realise or to continue to hold the Shares is subject to individual circumstances and investment objectives of the Independent Shareholders.

The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer, details of which are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance, if they wish to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Astrum Capital Management Limited**



**Hidulf Kwan**  
*Managing Director*



**Rebecca Mak**  
*Director*

*Note:* Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2011 and has participated in and completed various independent financial advisory transactions.