

EASY REPAY FINANCE & INVESTMENT LIMITED

易還財務投資有限公司

(Continued in Bermuda with limited liability)

(Stock Code: 8079)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2018

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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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This announcement, for which the directors (the “Directors”) of Easy Repay Finance & Investment Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the three months ended 30 June 2018 amounted to approximately HK\$54.3 million, representing an increase of approximately 20.9% as compared with the corresponding period in 2017 (three months ended 30 June 2017: HK\$44.9 million).
- Loss attributable to owners of the Company for the three months ended 30 June 2018 amounted to approximately HK\$3.2 million (three months ended 30 June 2017: profit of HK\$6.2 million).
- The Board of Directors (the “Board”) does not recommend the payment of a dividend for the three months ended 30 June 2018 (three months ended 30 June 2017: Nil).

FIRST QUARTERLY RESULTS

The Board of the Company present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2018

	Notes	Three months ended	
		2018	2017
		HK\$'000	HK\$'000
Revenue	3	54,279	44,910
Cost of sales		(33,793)	(23,059)
Gross profit		20,486	21,851
Investment and other income	4	70	36
Other losses, net	5	(150)	(1,511)
Servicing, selling and distribution costs		(3,404)	(2,772)
Administrative expenses		(19,879)	(11,323)
Operating loss		(2,877)	6,281
Finance costs		(791)	-
Share of results of associates		416	641
(Loss)/profit before income tax		(3,252)	6,922
Income tax	6	-	(766)
(Loss)/profit for the period		(3,252)	6,156
Other comprehensive loss:			
Changes in fair value of financial assets at fair value through other comprehensive loss		(274)	(685)
Other comprehensive (loss) for the period, net of tax		(274)	(685)
Total comprehensive (loss)/income for the period		(3,526)	5,471

	Three months ended	
	30 June	
	2018	2017
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period attributable to:		
Owners of the Company	(3,243)	6,205
Non-controlling interests	(9)	(49)
	<u>(3,252)</u>	<u>6,156</u>
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(3,517)	5,520
Non-controlling interests	(9)	(49)
	<u>(3,526)</u>	<u>5,471</u>
(Loss)/earnings per share	8	
Basic and diluted (HK cents)	<u>(1.48)</u>	<u>2.82</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2018

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Contributed surplus HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 April 2017	2,201	353,907	191	(29,052)	28,392	(14,511)	145,926	487,054	3,217	490,271
Comprehensive income										
Profit for the period	-	-	-	6,205	-	-	-	6,205	(49)	6,156
Other comprehensive income										
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(685)	-	(685)	-	(685)
Total comprehensive income	-	-	-	6,205	-	(685)	-	5,520	(49)	5,471
Balance at 30 June 2017	<u>2,201</u>	<u>353,907</u>	<u>191</u>	<u>(22,847)</u>	<u>28,392</u>	<u>(15,196)</u>	<u>145,926</u>	<u>492,574</u>	<u>3,168</u>	<u>495,742</u>
Balance at 1 April 2018	2,189	353,125	-	(35,811)	28,392	(16,320)	145,926	477,501	2,466	479,967
Comprehensive income										
Loss for the period	-	-	-	(3,243)	-	-	-	(3,243)	(9)	(3,252)
Other comprehensive income										
Changes in fair value of financial assets at fair value through other comprehensive loss	-	-	-	-	-	(274)	-	(274)	-	(274)
Total comprehensive income	-	-	-	(3,243)	-	(274)	-	(3,517)	(9)	(3,526)
Balance at 30 June 2018	<u>2,189</u>	<u>353,125</u>	<u>-</u>	<u>(39,054)</u>	<u>28,392</u>	<u>(16,594)</u>	<u>145,926</u>	<u>473,984</u>	<u>2,457</u>	<u>476,441</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1. General information

The Company was an exempted company continued into Bermuda with limited liability with effect from 30 April 2008. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The principal places of business of the Company and its subsidiaries (collectively referred to as the "Group") are in Hong Kong. The Company's principal place of business in Hong Kong is Unit A, 8/F, D2 Place Two, No 15 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in the money lending business, retail and wholesale business.

2. Basis of preparation

The unaudited quarterly financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and the applicable disclosure requirements of the GEM Listing Rules. The accounting policies used in the preparation of the unaudited condensed consolidated results are consistent with those used in the audited financial statements and notes thereto for the year ended 31 March 2018.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 April 2018, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

The first quarterly results are unaudited but have been reviewed by the Company's audit committee.

3. Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods and related risks and reward of ownership.

Revenue arising from money lending is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

3. Revenue (Continued)

Rental income is recognised on a straight-line basis over the term of the lease.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend is recognised when the shareholder's right to receive payment is established.

(a) Turnover by business segment

	(Unaudited)	
	Three months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
Money lending	14,175	16,361
Sales of grocery products – retail and wholesale	40,104	28,549
	<u>54,279</u>	<u>44,910</u>

(b) Turnover by geographical market

	(Unaudited)	
	Three months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	<u>54,279</u>	<u>44,910</u>

4. Investment and other income

	(Unaudited)	
	Three months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
Interest income from banks	-	1
Rental income from letting of office premises	-	27
Others	70	8
	<u>70</u>	<u>36</u>

5. Other losses, net

	(Unaudited)	
	Three months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
Net exchange losses	(18)	(4)
Fair value losses on financial assets at fair value through profit or loss	(132)	-
Net losses on disposal of financial assets at fair value through profit or loss	-	(1,500)
Others	-	(7)
	<u>(150)</u>	<u>(1,511)</u>

6. Income tax

	(Unaudited)	
	Three months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
Current tax: Hong Kong - Charge for the period	-	766
	<u>-</u>	<u>766</u>

No provision for Hong Kong Profits Tax has been made for the three months ended 30 June 2018 as the Group have no assessable profits for Hong Kong Profits Tax purpose (three months ended 30 June 2017: 16.5%).

7. Dividend

The Board does not recommend payment of a dividend for the three months ended 30 June 2018 (three months ended 30 June 2017: Nil).

8. (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	(Unaudited)	
	Three months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to owners of the Company	<u>(3,243)</u>	<u>6,205</u>
<i>Number of ordinary shares</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>218,894</u>	<u>220,094</u>

9. Share option schemes

The share option scheme approved by the shareholders of the Company on 24 September 2001 was expired and on 4 January 2011, the shareholders of the Company approved to adopt a new share option scheme (the “New Scheme”) under which its Board of Directors may, at its discretion, offer full-time or part time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, suppliers, customers, advisors or consultants options to subscribe for shares of the Company. The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme adopted by the Group shall not exceed 30 per cent. of the share capital of the Company in issue from time to time. The subscription price will be determined by the Company’s Board of Directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company’s shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company’s shares on the five trading days immediately preceding the date of offer of the options.

The New Scheme is valid for ten years from the date of adoption.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

For the three months ended 30 June 2018, no option was granted under the New Scheme.

For the three months ended 30 June 2018, no employee compensation expense has been included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income (three months ended 30 June 2017: Nil).

No liabilities were recognised due to share-based payment transactions.

10. Contingent Liabilities

As at 30 June 2018, except for as disclosed below, the Company did not provide any corporate guarantee to third parties.

Performance Guarantee

The Company provided a performance guarantee for Keep Choice Limited (“KCL”), an associate of the Company, regarding the management, operation and maintenance of New Kowloon Bay Vehicle Examination Centre and the relevant Hong Kong government tender. The letter of guarantee contains no specific amount and until the expiry of such contract. A counter-guarantee of 78% of the guarantee liability was provided by one of the ultimate shareholders of KCL.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The money lending business has been continuing to achieve satisfactory, which will proceed to be the core business of the Group and to generate stable income to the Group.

The Company reviewed that the ecommerce is a part of the modern urban lifestyle in Hong Kong. The Group has been developing the retails and online sales business since year 2015. The Group will keep on to exploit self-own brand products, namely Master Chef Series and FRESHNESSMART, and source different types of products from local or overseas suppliers to satisfy the ever-changing conditions of our customers.

In addition, the Group has been starting the frozen food processing and distribution business since 2016. The Group kicks off to import different kinds of frozen food, such as seafood, meats and fruits from local or overseas suppliers in supporting the retails and wholesales business of the Group. Moreover, the Group also obtained the restricted food permit for online sale of prepackaged frozen meat and frozen poultry in May 2016. Furthermore, the distribution center is located at Kwai Hing which obtained a certificate for the processing, storage and packaging of frozen meat, chilled meat and frozen marine products and also obtained the ISO22000:2005 food safety management system in June 2016 respectively. The Group sets the emphasis on food safety in our operation.

The wholesale business has still been participating since January 2015. The wholesale business produces a sustainable income to the Group.

The Group engages catering coupon distribution business in Hong Kong local market from 2016. End customers are eager to purchase these catering coupons with discounts and more willing to dine out. The Group cooperates with certain key catering companies and builds an extensive sales channel and network. It is expected to be benefit to our shareholders.

Operation Review

Turnover for the three months ended 30 June 2018 was approximately HK\$54.3 million, representing an increase of approximately 20.9% when compared with the same period last year. Loss attributable to owners of the Company for the three months period was approximately HK\$3.2 million and the corresponding period in 2017 was a profit of HK\$6.2 million.

Money Lending Business

The Group has been engaging actively in money lending business for more than seven years and a solid client base was built. For the three months ended 30 June 2018, turnover for this segment under review was approximately HK\$14.2 million. It is expected to generate sustainable income in the coming future.

Retail and Wholesale Business

The Group has been developing the retail services business since June 2012.

The Group has also been developing the wholesale business since January 2015. The wholesale business is a fine supplement to our retail business.

Turnover for this segment for the three months ended 30 June 2018 under review was approximately HK\$40.1 million, being 40.5% increase when compared with the corresponding period in 2017 was of HK\$28.5 million. We will proceed to monitor the operation and develop new market in order to increase the turnover and market share. The Group believes that it will certainly strengthen our overall business in future.

Outlook

The Group will proceed to seek investment opportunities for further improving the business and explore new investments to boarder the business scope of the Group with the ultimate goal to maximise the return to shareholders.

Dividend

The Board does not recommend the payment of a dividend for the three months ended 30 June 2018 (three months ended 30 June 2017: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance ("SFO"), 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

Name	Personal Interests	Family Interests	Other Interests	Total	Approximate percentage to the issued share capital of the Company as at 30 June 2018
Mr. Shiu Yeuk Yuen (note 1)	230,000	7 (note 2)	82,288,613 (note 3)	82,518,620	37.70%
Mr. Leung Ge On, Andy (note 1)	22,050	-	-	22,050	0.01%

Notes:

1. Mr. Shiu Yeuk Yuen (“Mr. Shiu”) and Mr. Leung Ge On, Andy are the Executive Directors of the Company.
2. 7 shares of the Company are held by Ms. Hau Lai Mei, the spouse of Mr. Shiu Yeuk Yuen.
3. 82,288,613 shares of the Company are held by Able Rich Consultants Limited, a wholly-owned subsidiary of Rich Treasure Group Limited, of which Mr. Shiu is the sole director and shareholder of that company. Those shares were pledged to Mr. Cheung Siu Fai on 18 October 2017.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as known to the Directors, as at 30 June 2018, the Directors were not aware of any other person (other than the Directors and chief executive of the Company as disclosed above) who had an interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

Name	No. of Shares	Approximate percentage to the issued share capital of the Company as at 30 June 2018
HMV Digital China Group Limited (<i>note</i>)	26,093,500	11.92%

Note: 26,093,500 shares refer to the aggregate of (a) 21,509,075 shares held by HMV Digital China Group Limited and (b) 4,584,425 shares held by New Smart International Creation Limited, a direct wholly-owned subsidiary of HMV Digital China Group Limited. Those shares were pledged to Ms. Tam Yuk Ching, Jenny on 18 October 2017.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

None of the members of the Group purchased, sold or redeemed any of the Group’s listed securities during the period from 1 April 2018 to 30 June 2018.

COMPETING INTEREST

None of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company has an interest in a business, which competes or may compete with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the “Required Standard of Dealings”) of the GEM Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the three months ended 30 June 2018.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the three months ended 30 June 2018, the Company has complied with the code provisions (“Code”) set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules, except for the following deviation of Code A.2.1.

Code A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The positions of Chairman of the Board and Chief Executive Officer (“CEO”) of the Company are both currently carried on by the same person, Mr. Shiu Yuek Yuen. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

REVIEW OF QUARTERLY RESULTS

The unaudited consolidated results of the Group for the three months ended 30 June 2018 have not been audited nor reviewed by the Company’s auditor, Moore Stephens CPA Limited, but have been reviewed by the Audit Committee of the Company, who is of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made. As at the date hereof, the Audit Committee comprises the three Independent Non-executive Directors of the Company, namely Mr. Kam Tik Lun, chairman of the Audit Committee, Dr. Siu Yim Kwan, Sidney and Mr. Ho Siu King, Stanley.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company’s annual report and financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The Audit Committee comprises three independent Non-executive Directors, Mr. Kam Tik Lun, the Chairman of the Audit Committee, Dr. Siu Yim Kwan, Sidney and Mr. Ho Siu King, Stanley. The Group’s unaudited results for the three months ended 30 June 2018 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results had complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

REMUNERATION COMMITTEE

A remuneration committee (the “Remuneration Committee”), consisting of three Independent Non-executive Directors and two Executive Directors, was set up by the Company in accordance with the Code. The Remuneration Committee is responsible for reviewing and developing the remuneration policies of the Directors and senior management, having regard to the Group’s operating results, individual performance and comparable market practices.

NOMINATION COMMITTEE

A nomination committee (the “Nomination Committee”) consisting of three Independent Non-executive Directors and two Executive Directors was set up by the Company in accordance with the Code. The Nomination Committee is responsible for reviewing and making recommendations to the Board regarding any proposed changes, selection of directorships.

Model Code for Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the “Required Standard of Dealings”) of the GEM Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the three months ended 30 June 2018.

The Company also has established written guidelines on no less exacting terms than the Required Standard of Dealings for securities transactions by employees who are likely to be in possession of any unpublished inside information of the Company.

CONTINUING CONNECTED TRANSACTION

Continuing Connected Transaction

Basic Wholesale Limited (“Basic”) is a subsidiary of the Company. The Company indirectly holds 80% of equity interests in Basic and the remaining 20% is held by Upstair Wholesale (HK) Limited (“Upstair”). Mr. Yeung Tak Lok (“Mr. Yeung”), a director of Basic, is one of the directors and shareholders with 30% or above equity interests in Upstair and Lok Chun Trading Limited.

Mr. Yeung or its related parties has a good networks and a wide range of sources or suppliers in the wholesale industry. Therefore, Basic was authorised to have purchase and sales transactions with Mr. Yeung or its related parties for the three months ended 30 June 2018.

The related party transactions in respect of the sales and purchase of groceries products constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules as the non-controlling shareholder is a connected person at subsidiary level.

LIST OF DIRECTORS

Mr. Shiu Yeuk Yuen	–	Executive Director
Mr. Leung Ge On, Andy	–	Executive Director
Ms. Siu Yeuk Hung, Clara	–	Executive Director
Dr. Siu Yim Kwan, Sidney	–	Independent Non-executive Director
Mr. Kam Tik Lun	–	Independent Non-executive Director
Mr. Ho Siu King, Stanley	–	Independent Non-executive Director

By order of the Board
Easy Repay Finance & Investment Limited
Shiu Yeuk Yuen
Chairman

Hong Kong, 13 August 2018