



Power Financial Group Limited
權威金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 397)

Executive Directors:

Mr. Wu William Wai Leung (*Chief Executive Officer*)

Mr. Sit Sai Hung, Billy

Non-executive Director:

Mr. Choi Chun Chung, Danny (*Chairman*)

Independent non-executive Directors:

Mr. Wong Kun To

Mr. Chu Hau Lim

Ms. Lim Xue Ling, Charlene

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Head Office and principal place of
business in Hong Kong:*

Units 3910–13, 39/F

COSCO Tower

183 Queen's Road Central

Hong Kong

18 July 2018

To the Independent Shareholders and the holders of the Options

Dear Sir or Madam,

**RESPONSE DOCUMENT IN RELATION TO
CONDITIONAL VOLUNTARY SECURITIES EXCHANGE
PARTIAL OFFER AND OPTION OFFER
BY OPTIMA CAPITAL LIMITED
ON BEHALF OF JICHENG INVESTMENT LIMITED TO
ACQUIRE 1,593,874,096 ISSUED SHARES
IN THE ORDINARY SHARE CAPITAL OF THE COMPANY AND
TO CANCEL A MAXIMUM OF 20,068,200 OUTSTANDING OPTIONS
OF THE COMPANY**

INTRODUCTION

Reference is made to the announcements made by the Company on 29 November 2017.

On 17 November 2017, the Offeror proposed to the Board that it would make a pre-conditional voluntary securities exchange partial offer and option offer to (i) acquire 1,593,874,096 issued Shares (represented approximately 54.74% of the issued Shares as at the date of the Initial Announcement); and (ii) to cancel a maximum of 116,886,645 outstanding Options (represented approximately 54.74% of all outstanding Options as at the date of the Initial Announcement).

On 22 December 2017 and 29 December 2017, the Company made announcements, disclosing that an aggregate of 58,220,000 and 116,440,000 Shares have been allotted and issued upon the exercise of 58,220,000 and 116,440,000 2013 Options by the relevant holders of the 2013 Options respectively at the exercise price of HK\$0.17 per Share. On 18 April 2018, all 2003 Options were lapsed. Therefore, as at the Latest Practicable Date, the Company had 3,086,372,734 Shares in issue and 38,860,000 outstanding 2013 Options which entitle the holders of the 2013 Options to subscribe for 38,860,000 Shares at the exercise price of HK\$0.142 per Share with the exercise period commencing from 10 April 2017 to 9 April 2019.

On 27 June 2018, the Offeror made an announcement in relation to the update on the Offers, stating that the Pre-Conditions to the Offers have been fulfilled.

The Offeror despatched the Offer Document to the Independent Shareholders and holders of the Options on 4 July 2018. A Partial Offer was made by the Offeror to acquire 1,593,874,096 Shares (representing approximately 51.64% of the issued share capital of the Company as at the Latest Practicable Date). An Option Offer was made to the holders of the Options in accordance with Rule 13 of the Takeovers Code to cancel up to 20,068,200 outstanding Options (representing approximately 51.64% of all outstanding Options as at the Latest Practicable Date).

According to the information as disclosed in the Offer Document, the Offeror, its sole director and parties acting in concert with it held 2,462,818,000 China Jicheng Shares as at the Offer Document Latest Practicable Date and will settle the consideration of the Offers by way of exchanging part of the China Jicheng Shares held by it.

The purpose of this Response Document is to provide you with, among others, information relating to the Company and the Offers as well as to set out the "Letter from the Independent Board Committee" containing the recommendation of the Independent Board Committee to the Independent Shareholders and the holders of the Options in relation to the terms and conditions of the Offers and the "Letter from Pelican" containing the advice of the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the holders of the Options in respect of the Offers.

THE TERMS OF THE OFFERS

Principal terms of the Offers

The terms of the Offers are set out in the Offer Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance. You should refer to the Offer Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance for further details. Optima Capital, on behalf of the Offeror, in compliance with the Takeovers Code, are making a conditional voluntary securities exchange Partial Offer to acquire 1,593,874,096 Shares (representing approximately 51.64% of the issued share capital of the Company as at the Latest Practicable Date) held by the Shareholders (other than those already owned by the Offeror and parties acting in concert with it) and an Option Offer to cancel a maximum of 20,068,200 outstanding Options (representing approximately 51.64% of all outstanding Options as at the Latest Practicable Date) on the following terms:

The Partial Offer:

For every 4 existing Shares 5 China Jicheng Shares

The Option Offer:

For cancellation of every 320
2013 Options at HK\$0.142 123 China Jicheng Shares

As at the Latest Practicable Date, the Company had (i) 3,086,372,734 Shares in issue and (ii) 38,860,000 outstanding 2013 Options granted under the 2013 Share Option Scheme, which may be converted into an aggregate of 38,860,000 Shares at the exercise price of HK\$0.142 per Share with the exercise period commencing from 10 April 2017 to 9 April 2019. Save for the 2013 Options, the Company has no outstanding warrants, options or derivatives in respect of the Shares or securities convertible into Shares as at the Latest Practicable Date.

The Offers are conditional upon those Conditions set out in the section headed "Conditions to the Offers" in the "Letter from Optima Capital" of the Offer Document.

As disclosed in the Offer Document, as at the Offer Document Latest Practicable Date, the Offeror, its sole director and parties acting in concert with it did not hold any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, and neither the Offeror nor parties acting in concert with it held or had control or discretion over any Shares or held any convertible securities, warrants or options in respect of any Shares.

As the Offers (if completed) could result in the Offeror holding more than 50% of the voting rights of the Company, if the Offers succeed, the Offeror will be free, subject to Rule 28.3 of the Takeovers Code, to acquire further Shares without incurring any obligation to make a general offer under the Takeovers Code.

Further details of the Offers

Further details of the Offers including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the Offer Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance.

INFORMATION ON THE OFFEROR AND CHINA JICHENG GROUP

According to the information as disclosed in the Offer Document, the Offeror is beneficially and ultimately owned as to 100% by its sole director, Mr. Huang Wenji, the Offeror is a controlling shareholder of China Jicheng, directly holding 2,462,818,000 China Jicheng Shares (representing approximately 65.05% of the total issued share capital of China Jicheng as at the Offer Document Latest Practicable Date) and is principally engaged in investment holding, and Mr. Huang is also an executive director and chairman of the board of directors of China Jicheng.

According to the information as disclosed in the Offer Document, China Jicheng is an investment holding company which has been listed on the Stock Exchange since 2015, and China Jicheng Group is principally engaged in the manufacturing and sale of POE umbrellas, nylon umbrellas and umbrella parts such as plastic, cloth and shaft.

Please refer to the section headed “Information on the Offeror and China Jicheng Group” in the “Letter from Optima Capital” of the Offer Document for further information on the Offeror and China Jicheng Group.

INTENTION OF THE OFFEROR REGARDING THE GROUP

As disclosed in the Offer Document, the Board noted that the Offeror intends to continue the current principal business of the Company and is committed to the stability of the principal business and principal operations of Company after closing of the Offers and the Offeror has no plans, if the Offers are completed, to: (i) make any major redeployment of assets of the Group; or (ii) discontinue the employment of the employees of the Group (other than in the ordinary course of business).

Please refer to the section headed “Intentions of the Offeror” in the “Letter from Optima Capital” of the Offer Document for further information.

CHANGE OF BOARD COMPOSITION

As disclosed in the Offer Document, the Offeror intends to nominate additional director(s) to the Board following completion of the Offers.

Please refer to the section headed “Intentions of the Offeror” in the “Letter from Optima Capital” of the Offer Document for further information.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 3,086,372,734 Shares in issue and 38,860,000 outstanding 2013 Options to subscribe for 38,860,000 Shares.

Assuming that there will be no change to the issued share capital of the Company since the Latest Practicable Date and up to the Closing Date, the shareholding structure of the Company, both as at the Latest Practicable Date and immediately after the completion of the Offers, are as follows:

| | As at the Latest Practicable Date | | Immediately after completion of the Offers and assuming all Independent Shareholders (except Mr. Choi Chun Chung, Danny) validly elect to accept the Partial Offer; and Scenario I: all holders of Options validly elect to accept the Option Offer and no Option is exercised and a maximum of 20,068,200 Options are tendered for cancellation or Scenario II: no holders of Options elect to accept the Option Offer and all Options lapsed as no Option is exercised (Note 1) | | | | Scenario III: a maximum of 20,068,200 Options are tendered for cancellation as all holders of Options validly elect to accept the Option Offer and all remaining Options are exercised (Note 1) | | Scenario IV: no holders of Options elect to accept the Option Offer and all Options are exercised (Note 1) | |
|-------------------------------------|-----------------------------------|---------------|---|--------------|----------------------|---------------|---|---------------|--|---------------|
| | No. of Shares | Approx. % | No. of Shares | Approx. % | No. of Shares | Approx. % | No. of Shares | Approx. % | No. of Shares | Approx. % |
| | | | | | | | | | | |
| Offeror and its concert parties | - | - | 1,593,874,096 | 51.64 | 1,593,874,096 | 51.33 | 1,593,874,096 | 51.00 | 1,593,874,096 | 51.00 |
| Mr. Choi Chun Chung, Danny (Note 2) | 822,480,000 | 26.65 | 822,480,000 | 26.65 | 822,480,000 | 26.49 | 822,480,000 | 26.32 | 822,480,000 | 26.32 |
| Public Shareholders | 2,263,892,734 | 73.35 | 670,018,638 | 21.71 | 688,810,438 | 22.18 | 708,878,638 | 22.68 | 708,878,638 | 22.68 |
| Total | 3,086,372,734 | 100.00 | 3,086,372,734 | 100.0 | 3,105,164,534 | 100.00 | 3,125,232,734 | 100.00 | 3,125,232,734 | 100.00 |

Notes:

1. Assuming that all Independent Shareholders (except Mr. Choi Chun Chung, Danny) accept the Partial Offer in respect of all of the Shares held by them and after disposing or topping up of their odd lots.
2. Mr. Choi Chun Chung, Danny is the chairman of the Board and the non-executive Director, who beneficially owned 822,480,000 Shares as at the Latest Practicable Date (representing approximately 26.65% of the number of Shares then in issue).

MAINTAINING THE LISTING STATUS OF THE COMPANY

As disclosed in the Offer Document, the Offeror intends to maintain the listing status and public float of the Company after closing of the Offers, and the sole director of the Offeror has undertaken to the Stock Exchange, and should the Offers become unconditional, the new directors (if any) to be appointed to the Board will jointly and severally undertake to the Stock Exchange, to take appropriate steps (including placing down of sufficient number of accepted Shares by the Offeror) to ensure that sufficient public float exists in the Shares.

Please refer to the section headed “Maintaining Listing Status of Power Financial” in the “Letter from Optima Capital” of the Offer Document for further information.

The Stock Exchange has stated that if, at the completion of the Offers, less than 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 is insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares.

Upon completion of the Offers, if the public float of the Company is below 25%, i.e. the minimum public float under the Listing Rules, trading in the Shares may be suspended until a level of sufficient public float can be attained.

GENERAL INFORMATION ON THE GROUP

The Company was incorporated in Bermuda and its Shares are listed on the Stock Exchange.

The principal activities of the Company and its subsidiaries are, among others, provision for money lending, carry on regulated activity in connection with dealing in securities, asset management, corporate finance and assets investment business.

Please refer to Appendix I to this Response Document for the financial information in relation to the Group.

RECOMMENDATION

The Independent Board Committee, comprising Mr. Choi Chun Chung, Danny (being the sole non-executive Director) and Mr. Wong Kun To, Mr. Chu Hau Lim and Ms. Lim Xue Ling, Charlene (being all the independent non-executive Directors), has been formed to advise the Independent Shareholders and the holders of the Options in respect of the Offers. Further, Pelican has been appointed to advise the Independent Board Committee in relation to the Offers.

You are reminded to read the letter from the Independent Board Committee (which is set out on pages 14 to 15 in this Response Document) and the letter from Pelican (which is set out on pages 16 to 40 in this Response Document) in full. Your attention is drawn to the letters from the Independent Board Committee and Pelican, respectively, which set out their recommendations and opinions in relation to the Offers and the principal factors considered by them before arriving at their recommendations. In particular, the Independent Board Committee considers that the terms of the

Offers are **NOT** fair and reasonable so far as the Independent Shareholders and the holders of the Options are concerned and recommend (i) the Independent Shareholders **NOT** to **APPROVE** the Partial Offer and (ii) the Independent Shareholders and the holders of the Options **NOT** to **ACCEPT** the Partial Offer and the Option Offer respectively.

PROFIT FORECAST UNDER RULE 10 OF THE TAKEOVERS CODE

Reference is made to the following announcements which were published by the Company during the Offer Period:

- (i) the profit warning announcement of the Company dated 5 January 2018 in respect of its financial results for the year ended 31 December 2017 (the “**January Profit Warning Announcement**”);
 - (ii) the supplemental profit warning announcement of the Company dated 21 March 2018 in respect of its financial results for the year ended 31 December 2017 (the “**March Supplementary Profit Warning Announcement**”); and
 - (iii) the profit warning announcement of the Company dated 10 July 2018 in respect of its financial results for the six months ended 30 June 2018 (the “**July Profit Warning Announcement**”),
- ((i) to (iii) collectively the “**Profit Warning Announcements**”).

Pursuant to Rule 10 of the Takeovers Code, the Profit Warning Announcements constitute profit forecasts under Rule 10 of the Takeovers Code. The required financial information must be reported on in accordance with Rule 10 of the Takeovers Code by the Company’s financial adviser and its auditors or accountants and such reports must be lodged with the Executive in accordance with Rule 10.4 of the Takeovers Code.

The Profit Warning Announcements must be reported on in accordance with Rule 10 of the Takeovers Code unless the relevant results to which the Profit Warning Announcements relate have been announced and those relevant results together with the notes to the financial statements are included in this Offer Document. The results relevant to the January Profit Warning Announcement and the March Supplementary Profit Warning Announcement were published by the Company on 26 April 2018. Please refer to Appendix I to this Response Document.

The letters from Pelican and the Reporting Accountants in respect of the required financial information relating to the July Profit Warning Announcement pursuant to Rule 10 of the Takeovers Code are included in Appendix III to this Response Document. The valuation report by the Valuer in respect of the valuation relating to the July Profit Warning Announcement pursuant to Rule 11 of the Takeovers Code is included in Appendix II to this Response Document.

ADDITIONAL INFORMATION

You are advised to read this Response Document together with the Offer Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is also drawn to the additional information contained in the appendices to this Response Document.

Yours faithfully,
By order of the Board
Power Financial Group Limited

A handwritten signature in black ink, appearing to read 'Choi Chun Chung', written in a cursive style.

Choi Chun Chung, Danny
Chairman and non-executive Director