THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in the Company, you should at once hand the circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

MADISON
GROUP

Madison Holdings Group Limited
麥迪森控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8057)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITIONS OF 77% INTEREST IN A TARGET COMPANY; (2) PROPOSED ISSUANCE OF SHARES UNDER SPECIFIC MANDATE; (3) APPLICATION FOR WHITEWASH WAIVER; (4) NOTICE OF EGM; AND (5) CLOSURE OF REGISTER OF MEMBERS

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

Opus Capital Limited
創富融資有限公司

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

A letter from the Board is set out on pages 11 to 38 of this circular. A letter from the Independent Board Committee is set out on pages 39 to 41 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 114 of this circular.

A notice convening the EGM to be held at Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong on 29 March 2019 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at http://www.madison-group.com.hk.

13 March 2019

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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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

EXPECTED TIMETABLE FOR THE ACQUISITIONS AND THE EGM

Despatch of EGM circular and the EGM Notice	Wednesday, 13 March 2019
Latest time for lodging transfer documents for entitlements to the right to attend and vote at the EGM	4:30 p.m., Monday, 25 March 2019
Book Closure of Register of member for determining the entitlement to attend and vote at the EGM	From Tuesday, 26 March 2019 to Friday, 29 March 2019
Latest time for lodging proxy forms for the EGM	10:00 a.m., Wednesday, 27 March 2019
Record date for determining the entitlement of the Shareholders to attend and vote at the EGM	Friday, 29 March 2019
EGM	10:00 a.m., Friday, 29 March 2019
Announcement of voting results of the EGM	Friday, 29 March 2019

Notes:

(1) Shareholders should note that the dates or deadlines specified in the expected timetable for the Acquisitions and the EGM as set out above, and in other parts of this circular, are indicative only. In the event any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers it appropriate to do so. The Company will make an announcement to notify Shareholders and the Stock Exchange of any such extension or adjustment to the expected timetable.

(2) All times and dates in this circular refer to Hong Kong local times and dates.

(3) For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 26 March 2019 to 29 March 2019, both days inclusive, during which period no transfer of shares will be effected and registered. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 25 March 2019.

DEFINITIONS

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

"Acquisitions"	collectively, the CVP Acquisition and the SRA Acquisition
"acting in concert"	has the meaning as ascribed to it under the Takeovers Code
"Agreements"	collectively, the CVP Agreement and the SRA Agreement, and "Agreement" means any one of them
"Announcement"	the announcement of the Company dated 20 November 2018 in relation to, among other things, (i) the Acquisitions of 77% interest in the Target Company, (ii) issuance of Shares under Specific Mandate; and (iii) application for Whitewash Waiver
"Bartha Convertible Bonds"	HK$150 million 0% convertible bonds due 2022 issued by the Company to Bartha Holdings on 28 July 2017 at an initial conversion price of HK$1.1 per Share
"Bartha Holdings"	Bartha Holdings Limited, a company incorporated in Hong Kong with limited liability and indirectly owned by Mr. Ting as to 87.07%
"Bartha International"	Bartha International Limited, an indirect non-wholly owned subsidiary of the Company
"BITOCEAN"	株式會社 BITOCEAN (BITOCEAN Co., Ltd.), a company incorporated in Japan with limited liability
"BITOCEAN Acquisition"	the acquisition of 672 shares in BITOCEAN by Madison Lab from BITOCEAN Sellers pursuant to the agreement dated 9 December 2018 entered into between Madison Lab and BITOCEAN Sellers in connection therewith, details of which are set out in the announcements of the Company dated 20 November 2018, 9 December 2018, 8 January 2019, 11 January 2019 and 23 January 2019
"BITOCEAN Sellers"	Mr. Pu, Mr. Nan Ning (南寧), Mr. Daniel Kelman, Mr. Zhou Jiayu (周家雨), Mr. Hashimoto Yoshikazu (橋本義和) and Mr. Du Ping (杜平), all of whom are Independent Third Parties
"BITPoint"	BITPoint Japan Company Limited, the target company under the BITPoint Agreement

"BITPoint Agreement"	the agreement dated 30 March 2018 entered into between the Company as purchaser, Remixpoint as vendor and BITPoint as target company in relation to, among others, the acquisition of 20% equity interest in BITPoint by the Company from Remixpoint
"Board"	the board of Directors
"Business Day(s)"	a day (other than Saturdays, Sundays, public or statutory holidays and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Company"	Madison Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8057)
"Completion"	completion of the CVP Acquisition and the SRA Acquisition, or completion of any one of them as the context may require
"Completion Date"	the date on which Completion is scheduled to occur, which shall be any business day within five business days after the date on which all the conditions to the relevant Agreement have been satisfied (or waived, if applicable) as the relevant Vendor and the Company may mutually agree, or failing agreement, on the fifth Business Day, whichever is later, or on such other date as the parties to the relevant Agreement(s) may agree in writing
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"connected transaction"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	collectively, the CVP Consideration and the SRA Consideration
"Consideration Shares"	collectively, the CVP Consideration Shares and the SRA Consideration Shares

"Circular"	this circular of the Company dated 13 March 2019
"CVP"	CVP Financial Group Limited (遠見金融集團有限公司), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Ting
"CVP Acquisition"	the acquisition of the CVP Sale Shares by the Company from CVP pursuant to, and in accordance with the terms of, the CVP Agreement
"CVP Agreement"	the CVP Original Agreement as supplemented and amended by the Supplemental CVP Agreement
"CVP Asset Management Acquisition Agreement"	the acquisition agreement dated 9 February 2017 entered into between CVP Financial and CVP Holdings in relation to the acquisition by CVP Financial of the entire equity interest in CVP Asset Management Limited from CVP Holdings
"CVP Capital"	CVP Capital Limited, a company incorporated in Hong Kong and an indirect non wholly-owned subsidiary of the Company
"CVP Consideration"	HK$462.8 million, being the consideration for the purchase of the CVP Sale Shares
"CVP Consideration Shares"	504,872,727 new Shares to be allotted and issued to CVP in satisfaction of 60% of the CVP Consideration pursuant to the CVP Agreement
"CVP Financial"	CVP Financial Holdings Limited (formerly known as Perfect Zone Holdings Limited), a company incorporated in the British Virgin Islands with limited liability, is an indirect non-wholly owned subsidiary of the Company
"CVP Holdings"	CVP Holdings Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Ting
"CVP Original Agreement"	the sale and purchase agreement dated 20 November 2018 entered into between the Company and CVP
"CVP Sale Shares"	52 shares in the Target Company held by CVP
"Devoss Global"	Devoss Global Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and directly wholly-owned by Mr. Ting

"Devoss Share Options"	share options granted by the Company to Devoss Global and carrying the right to subscribe for 6,000,000 new Shares at the exercise price of HK$0.80 per Share
"Diginex Global"	Diginex Global Limited, a company incorporated in Hong Kong with limited liability. It was wholly-owned by Diginex Limited and was a 49% shareholder of Diginex HPC as at the Latest Practicable Date
"Diginex Group"	collectively, Diginex HPC and Nordic HPC
"Diginex HPC"	Diginex High Performance Computing Limited, a company incorporated in Gibraltar with limited liability and owned by a wholly-owned subsidiary of the Company and Diginex Global as to 51% and 49% respectively
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting to be convened by the Company at Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong on 29 March 2019 at 10:00 a.m. to consider and approve the Agreements and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver, notice of which is set out on pages EGM-1 to EGM-3 of this circular, or any adjournment thereof
"Enlarged Group"	the Group immediately upon completion of the Acquisitions
"Exchangeable Bonds"	has the meaning ascribed to it under the section headed "Material Contracts of the Group" in Appendix VI to this circular
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission from time to time or any delegate of such Executive Director
"Financial Services Business"	financial services business of the Group
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange

"GPU"	graphics processing unit, a specialized electronic chip primarily designed to perform and boost the performance of video and graphics creation and decoding, including cryptocurrency mining
"Group"	the Company and its subsidiaries
"Guarantee Arrangement"	has the meaning ascribed to it in Appendix III to this circular
"Highgrade"	Highgrade Holding Limited, a company incorporated in the British Virgin Islands with limited liability and directly wholly-owned by Mr. Ting
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HPC Business"	high-performance computing business of Diginex HPC
"Independent Board Committee"	the independent board committee comprising Ms. Fan and Mr. Chu, each being an independent non-executive Director, established to advise the Independent Shareholders in respect of the Agreements and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver
"Independent Financial Adviser"	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates

"Independent Shareholders"	the Shareholders other than CVP, its associates (as defined in the GEM Listing Rules) and parties acting in concert with CVP (which include SRA) and any other Shareholder who is interested or involved in any of the Acquisitions (including the issuance of Consideration Shares and the Specific Mandate) and/or the Whitewash Waiver
"Independent Valuer"	Roma Appraisals Limited
"Issue Price"	HK$0.55 per Share
"JPY"	Japanese Yen, the lawful currency of Japan
"Kaiser Capital"	Kaiser Capital Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and directly wholly-owned by Mr. Ting
"Last Trading Day"	19 November 2018, being the date on which trading in the Shares last occurred prior to the signing of the Agreements
"Latest Practicable Date"	8 March 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Committee"	the listing sub-committee of the board of the Stock Exchange
"Long Stop Date"	30 June 2019 (or such other date as may be agreed by the parties to the relevant Agreement(s))
"Madison Future"	Madison Future Games Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Madison Lab"	Madison Lab Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Madison Software"	Madison Software Technology Limited (now known as Telebox Limited (w.e.f. 24 August 2018)), a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company

"Madison Software Acquisition Agreement"	the acquisition agreement dated 5 May 2018 entered into between Madison Software, as purchaser, and Vision Creation Group Limited, Vision Paragon Limited, Victory Journey Holdings Limited, Link Joy Limited and Cosmo Tide Limited, as vendors, in relation to the acquisition of 10,000 shares in Perfect Elite Investment Holdings Limited
"MOU Announcement"	the announcement of the Company dated 23 October 2018
"Montrachet"	Montrachet Holdings Ltd., a company incorporated in the Republic of Seychelles with limited liability and wholly-owned by Mr. Zhu Huixin, the father of Mr. Zhu Qin, an executive Director
"Mr. Chu"	Mr. Chu Kin Wang Peleus, an independent non-executive Director
"Mr. Ip"	Mr. Ip Cho Yin, *J.P*, a non-executive Director as at the Latest Practicable Date and who was formerly an independent non-executive Director and who was re-designated as a non-executive Director on 7 March 2019
"Mr. Pu"	Mr. Pu Yan (蒲彥), one of the BITOCEAN Sellers
"Mr. Teoh"	Mr. Teoh Ronnie Chee Keong, who was an executive Director and the chief executive officer of the Company during the period between 25 September 2017 and 10 December 2018 (both days inclusive)
"Mr. Ting"	Mr. Ting Pang Wan Raymond, who is a controlling Shareholder, an executive Director and the chairman of the Company
"Ms. Fan"	Ms. Fan Wei, an independent non-executive Director
"Ms. Lu"	Ms. Lu Mengjia, a substantial shareholder of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO
"Ms. Luu"	Ms. Luu Huyen Boi, the spouse of Mr. Ting
"Nordic HPC"	High Performance Computing Nordic AB, a company incorporated in Sweden with limited liability and wholly-owned by Diginex HPC

"Promissory Note"	the promissory note in the principal amount of HK$185,120,000 to be issued by the Company in favour of CVP in satisfaction of 40% of the CVP Consideration
"PRC"	the People's Republic of China
"Purchaser"	the Company
"Relevant Period"	the period commencing from a date falling six months before the date of the MOU Announcement, up to and including the Latest Practicable Date
"Remixpoint"	Remixpoint, Inc, a company incorporated in Japan and whose shares are listed on the Tokyo Stock Exchange (TSE stock code: 3825), an Independent Third Party
"RMB"	Reminbi, the lawful currency of PRC
"Royal Spectrum"	Royal Spectrum Holding Company Limited, a company incorporated in the Republic of Seychelles with limited liability and owned by Devoss Global and Montrachet as to 96.63% and 3.37% as at the Latest Practicable Date
"SEK"	Swedish Krona, the lawful currency of Sweden
"SFO"	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
"Shares"	the issued ordinary share(s) in the share capital of the Company
"Shareholders"	the holders of the Shares
"Shareholders' Agreement"	the shareholders' agreement in relation to the Target Company dated 28 July 2016 and entered into by and among Insight Financial Group Limited (now known as CVP), Mr. Ting, SRA, Kwan Tong Enterprises Ltd and Target Company, which includes a deed of adherence dated 8 June 2018 signed by Apex Treasure International Limited
"Specific Mandate"	the specific mandate to be sought at the EGM for the approval of the allotment and issuance of the Consideration Shares

"SRA"	Software Research Associates, Inc., a company incorporated in Japan with limited liability and wholly-owned by SRA Holdings
"SRA Acquisition"	the acquisition of the SRA Sale Shares by the Company from SRA pursuant to, and in accordance with the terms of, the SRA Agreement
"SRA Additional Condition"	has the meaning ascribed to it under the paragraph headed "Conditions to the Completion for each of the CVP Agreement and SRA Agreement" in this circular
"SRA Agreement"	the sale and purchase agreement dated 20 November 2018 entered into between the Company and SRA
"SRA Consideration"	HK$222.5 million, being the consideration for the purchase of the SRA Sale Shares
"SRA Consideration Shares"	404,545,454 new Shares to be allotted and issued to SRA in satisfaction of the SRA Consideration pursuant to the SRA Agreement
"SRA Holdings"	SRA Holdings, Inc., the shares of which are listed in the First Section of the Tokyo Stock Exchange (TSE Stock Code: 3817)
"SRA Sale Shares"	25 shares in the Target Company held by SRA
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental CVP Agreement"	the supplemental sale and purchase agreement entered into between the Company and CVP on 8 March 2019 to amend the form of the Promissory Note
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Company"	Hackett Enterprises Limited, a company incorporated in the Republic of Seychelles with limited liability, which is held as to 52%, 25%, 18% and 5% by CVP, SRA, Apex Treasure International Limited and Kwan Tong Enterprises Ltd respectively as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries

"Timebase"	Timebase Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, a Shareholder and wholly-owned by Ms. Lu
"Value Convergence"	Value Convergence Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 821)
"US$"	United States dollar, the lawful currency of the United States of America
"Vendors"	collectively, CVP and SRA, and "**Vendor**" means any one of them
"Whitewasher Waiver"	a waiver to be obtained from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of CVP to make a mandatory general offer for all of the issued Shares and other securities of the Company not already owned or agreed to be acquired by CVP and parties acting in concert with it (which include SRA) which would otherwise arise as a result of the Completion of the CVP Acquisition or the Acquisitions (as the case may be)
"%"	per cent.

* *For identification purposes only*

In this circular, unless the context otherwise requires, any reference to the singular includes the plural and vice versa and any reference to a gender includes a reference to the other gender and the neuter.

Unless otherwise specified, for the purpose of this circular and for illustration purposes only, amounts denominated in HK$ have been converted to RMB, JPY, SEK and US$ at the rate of HK$1.00:RMB0.8515, HK$1.00:JPY14.1096, HK$1.00:SEK1.1700 and HK$1.00:US$0.1274, and vice versa. The Company does not make any representation that any amounts in RMB or HK$ had been or may be converted at the date of this circular or any other date at such rate or any other rate.

MADISON
GROUP

Madison Holdings Group Limited
麥迪森控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8057)

Executive Directors:
Mr. Ting Pang Wan Raymond *(Chairman)*
Mr. Zhu Qin *(Deputy Chairman)*
Mr. Zhou Francis Bingrong *(Chief Executive Officer)*
Ms. Kuo Kwan

Non-executive Director:
Mr. Ip Cho Yin, *J.P*

Independent Non-executive Directors:
Ms. Fan Wei
Mr. Chu Kin Wang Peleus

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

Principal place of business in Hong Kong:
Flat A & B, 10/F
North Point Industrial Building
499 King's Road
North Point
Hong Kong

13 March 2019

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITIONS OF 77% INTEREST IN A TARGET COMPANY;
(2) PROPOSED ISSUANCE OF SHARES UNDER SPECIFIC MANDATE;
(3) APPLICATION FOR WHITEWASH WAIVER;
(4) NOTICE OF EGM;
AND
(5) CLOSURE OF REGISTER OF MEMBERS**

INTRODUCTION

Reference is made to the Announcement in respect of, among other things, the Agreements.

The purposes of this circular are to provide you with, among other things, (i) further details of the Acquisitions, the Specific Mandate and the application for the Whitewash Waiver; (ii) further details of the Target Group; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (vi) a notice of the EGM; and (vii) other information as required under the GEM Listing Rules and the Takeovers Code.

THE ACQUISITIONS

On 20 November 2018, the Company entered into the CVP Original Agreement (which was subsequently supplemented and amended by the Supplemental CVP Agreement dated 8 March 2019 to amend the form of the Promissory Note) and the SRA Agreement with each of CVP and SRA respectively, pursuant to which the Company has conditionally agreed to acquire, and each of CVP and SRA has conditionally agreed to sell, the CVP Sale Shares and the SRA Sale Shares respectively, representing 52% and 25% of the entire issued share capital of the Target Company respectively as at the Latest Practicable Date.

Principal Terms of the Agreements

The principal terms of each of the Agreements are substantially the same, save for certain conditions precedent and provisions governing payment of the relevant Consideration as further described below. Their principal terms are set out below:

The CVP Agreement

Date:	20 November 2018 (as supplemented and amended by the Supplemental CVP Agreement dated 8 March 2019)
Parties	
The Vendor:	CVP
The Purchaser:	the Company

The SRA Agreement

Date:	20 November 2018
Parties	
The Vendor:	SRA
The Purchaser:	the Company

Assets to be acquired

Pursuant to the CVP Agreement, the Company has conditionally agreed to purchase, and CVP has conditionally agreed to sell, the CVP Sale Shares, representing 52% of the entire issued share capital of the Target Company as at the Latest Practicable Date.

Pursuant to the SRA Agreement, the Company has conditionally agreed to purchase, and SRA has conditionally agreed to sell, the SRA Sale Shares, representing 25% of the entire issued share capital of the Target Company as at the Latest Practicable Date.

Consideration and basis of determination

CVP Consideration

Under the CVP Agreement, the CVP Consideration is HK$462.8 million. The CVP Consideration shall be satisfied: (i) in respect of 60% of the CVP Consideration, by the Company allotting and issuing the CVP Consideration Shares at the Issue Price to CVP at Completion; and (ii) in respect of 40% of the CVP Consideration, by the Company issuing the Promissory Note to CVP at Completion.

Principal terms of the Promissory Note

Principal amount:	HK$185,120,000
Interest:	The Promissory Note will not carry any interest.
Maturity Date:	The day falling on the 3rd anniversary of the first issue date of the Promissory Note.
Redemption:	The Promissory Note may be redeemed any time at the request of any party by giving the other party 21 calendar days prior notice.
Transferability:	The Promissory Note may be transferred any time at the request of any party by giving the other party 21 calendar days prior notice. There are no restrictions on transferring the Promissory Note to connected person(s) of the Company. The Company will comply with the applicable GEM Listing Rules (if any) in the event of such transfer.
Security:	None

SRA Consideration

Under the SRA Agreement, the SRA Consideration is HK$222.5 million and shall be satisfied entirely by the Company allotting and issuing the SRA Consideration Shares at the Issue Price to SRA at Completion.

Basis of Consideration

Each of the CVP Consideration and the SRA Consideration was agreed between the Company on the one hand and CVP and SRA respectively on the other hand after arm's length negotiations with reference to, among others, (i) the consideration of the acquisition of 18% interest in the Target Company by Apex Treasure International Limited, an indirect wholly-owned subsidiary of Value Convergence, on 8 March 2018 (which was HK$160,000,000, please refer to the announcement of Value Convergence dated 8 March 2018 (the "**Value Convergence Announcement**") for further details) (the "**Reference Acquisition**"); (ii) based on the Independent Valuer's preliminary advice as to the market-based approach adopted by the Directors which referred to the Reference Acquisition (being the latest acquisition of equity interest in the Target Company), the preliminary assessment of the Directors that the valuation of the entire interest of the Target Group would be not less than HK$890,000,000, which is the total amount of consideration for the Reference Acquisition assuming 100% interest in the Target Company were acquired; (iii) the Guideline Transaction Method as further described below; (iv) the future business prospects of the Target Company, having taken into account (a) the increased loan exposure per customer and fairly stable number of customers in 2018 as compared to 2017, the demand in sizeable loans in the PRC, the average growth rate for the first three quarters from 2015 to 2018 of disposable income per capita of approximately 10.4% in Chongqing and 9.5% in the PRC, being factors which contributed to the improvement in the business and financial performance of the Target Group for the ten months ended 31 October 2018 as compared with the corresponding period in 2017, and (b) the ongoing demand for loan referrals and financial arrangement services which accumulated to approximately RMB34.4 million in terms of total contract amount since its commencement of business in March 2018 up to 20 November 2018, indications from two potential customers (through the Target's Group referral business), in obtaining loans with a total amount of approximately RMB830 million, an indication of interest by a potential lender to appoint the Target Group to find customers who demand sizeable loans and the appointment of two investment consultants to solicit customers with sizeable financing needs, all of which are believed to enable the loan portfolio of the Target Group to continue to expand and the financial arrangement services business to sustain in the future; and (v) the benefits to be derived by the Group from the Acquisitions as described under the paragraph headed "Reasons for and benefits of the Acquisitions" in this circular.

With regard to the Reference Acquisition, the Directors reviewed the terms and conditions of the sale and purchase agreement of the Reference Acquisition (the "**Reference Acquisition Agreement**") and the financial information of the Target Group as at 31 December 2017 as disclosed in the Value Convergence Announcement. The Directors also discussed with the management of the Target Group with regard to the history, operation and the business prospects of the Target Group, the internal financial budget of the Target Group as at the date of the Reference Acquisition Agreement and the aforementioned factors that contributed to the substantial financial improvement in the Target Group's performance from 31 December 2017 to 31 October 2018. The Directors assessed the change in the financial performance and the material assets and liabilities of the Target Company between the date of the Reference Acquisition Agreement and the date of the Agreements, and noted the improvement in revenue and profit and the increase in loan and interest receivables, cash and borrowings of the Target Group during such period. The Directors also reviewed the annual internal financial budget of the Target Group for the period from the date of the Reference Acquisition Agreement to 31 October 2018. Based on the above, the Directors are of the view that the Target Group is experiencing a healthy sizeable growth that is in line with its budget. As a result, the market value of the Target Company as at the date of the Agreements should be higher than the consideration for the Reference Acquisition. Given that the Acquisitions and the Reference Acquisition are in relation to the equity interest in the same company, the Directors considered that the consideration for the Reference Acquisition, taking into account the abovementioned improvement in the financial performance of the Target Group between the date of the Reference Acquisition Agreement and the date of the Agreements, were factors that the Directors have taken into account in determining the Consideration. The Consideration is lower than 77% of the market value of the entire equity interest in the Target Group of HK$1,098,000,000 as determined by the Independent Valuer and as disclosed in Appendix V of this circular.

The Directors approached the Independent Valuer after the Company entered into a memorandum of understanding with CVP and SRA respectively (please refer to the MOU Announcement) for a preliminary discussion about the price-to-earnings ("**P/E**") ratios of the companies comparable to the Target Group. On the date of the Agreements, the Independent Valuer indicated to the Directors that more time was required for issuing a valuation report in respect of the entire equity interest of the Target Group. The Directors were further informed by the Target Group that no material change in the Target Group's business, assets and liabilities were expected for the coming 10 days, therefore, based on the preliminary advice of the Independent Valuer, the Directors were of the view that the preliminary indicative valuation of the entire interest of the Target Group shall not be less than HK$890,000,000. Although the date of the valuation of the Target Group (being 30 November 2018) is later than the date of the Agreements (being 20 November 2018), having considered the fact that the time gap between the dates are not material and no material change in the Target Group's business, assets and liabilities were expected between the dates, the Directors were of the view that the preliminary indicative valuation of the Target Group as at 20 November 2018 of HK$890,000,000 is a reasonable basis to be taken into account (among other factors) when determining the Consideration.

In assessing whether the Consideration is fair and reasonable, in addition to above, the Directors have also conducted independent analysis by using the guideline transaction method as described below (the "**Guideline Transaction Method**").

For the Guideline Transaction Method, the Directors reviewed two previous acquisitions in respect of the Target Group. On 28 July 2016, SRA acquired 25% of the entire issued share capital of the Target Company for JPY3.5 billion (which is equivalent to approximately HK$258 million), which implied that the consideration for 77% of the entire issued share capital of the Target Company would be approximately HK$794 million, which is approximately 15.86% higher than the Consideration. On 8 June 2018, Apex Treasure International Limited, an indirect wholly-owned subsidiary of Value Convergence, acquired 18% of the entire issued share capital of the Target Company for HK$160 million, which implied that the consideration for 77% of the entire issued share capital of the Target Company would be approximately HK$684.4 million, which is approximately 0.12% lower than the Consideration.

Valuation

The market value of the entire interest of the Target Group as determined by the Independent Valuer is HK$1,098,000,000. The valuation applied the average P/E ratio to the consolidated net profit from operating activities of the Target Group for the 12 months from 1 December 2017 to 30 November 2018 (the "**Combined Financial Information**") which was derived from the consolidated management accounts of the Target Group for the one month ended 31 December 2017 plus the audited consolidated financial statement of the Target Group as at 30 November 2018 after adjustment made on the minority interest of the Target Group. Set out below are the details of the Combined Financial Information:

	For the month ended 31 December 2017	For 11 months ended 30 November 2018	Combined Financial Information
	RMB'000	*RMB'000*	*RMB'000*
Revenue	4,053	115,542	119,595
Expenses	(4,739)	(44,757)	(49,496)
Income before taxation	(686)	70,785	70,099
Income tax expenses	108	(11,099)	(10,991)
Net profit from operating activities	(578)	59,686	59,108
Minority interest	162	(10,637)	(10,475)
Net profit from operating activities attributable to the owner of the Target Group	(416)	49,049	48,633

The net profit from operating activities of the Target Group for the period covered by the Combined Financial Information was approximately RMB48,633,000 (equivalent to approximately HK$57,785,000 after translated at the exchange rate of RMB1 to HK$1.1882).

The Directors believe that a trailing 12 months' earnings would better represent the actual performance of the Target Group and reflect a fair comparison when comparing the P/E ratio with the Comparable Companies (as defined below).

Having considered the business activities, the operating segment and the operating scale of the Comparable Companies, the Directors believe that the Comparable Companies are representative samples which give a fair valuation when comparing the Combined Financial Information against the Comparable Companies. For details, please refer to Appendix V to this circular.

In view of the above factors discussed in this section headed "Basis of Consideration", the Directors (including the independent non-executive Directors) consider that the Consideration (including the basis of determination thereof) is fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Original Acquisition Cost

On 18 December 2014, the Target Company acquired 70% interest in Starlight Financial Holdings Limited and its subsidiaries from two independent third parties at a consideration of HK$223,696,000, which was determined based on 70% of the then net asset value of Starlight Financial Holdings Limited. At that time, the Target Company was wholly-owned by Firebird Global Investment Holdings Limited, a company wholly-owned by Mr. Ting.

On 20 May 2016, Firebird Global Investment Holdings Limited disposed of its 70 shares in the Target Company to CVP at a consideration of US$70.00. The consideration of US$70.00 was reflecting the transfer cost between CVP and Firebird, which were both directly and wholly-owned by Mr. Ting at the relevant time.

Consideration Shares

A total of 909,418,181 Consideration Shares in aggregate represent approximately 21.23% of the entire issued share capital of the Company as at the Latest Practicable Date and approximately 17.51% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares immediately after completion of the Acquisitions (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date, save for the issuance of the Consideration Shares).

The Consideration Shares are not subject to any lock up requirement after issue.

Issue Price

The Issue Price of HK$0.55 represents:

(i) a discount of approximately 15.38% to the closing price of HK$0.65 per Share as quoted on the Stock Exchange as at the Last Trading Day;

(ii) a premium of approximately 7.00% over the average closing price of HK$0.514 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a premium of approximately 33.50% over the average closing price of HK$0.412 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 22.97% below the average of the closing price of HK$0.714 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days prior to and including the Last Trading Day; and

(v) a discount of approximately 33.73% to the closing price of HK$0.83 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Issue Price was determined on 20 November 2018 (before trading hours) after arm's length negotiation between the Company and the respective Vendors, with reference to the average closing price of HK$0.412 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Agreements. In addition, the average closing price of the Shares was approximately HK$0.369, HK$0.816 and HK$1.117 per Share for the last 1 month, 2 months and 3 months, respectively, before the date of the Agreements. The average trading volume was 24,697,800, 17,242,804, 16,795,715 and 17,542,075 Shares for the last 10 consecutive trading days, 1 month, 2 months and 3 months, respectively, before the date of the Agreements. The standard deviation of the Share price was approximately 0.123, 0.101, 0.557 and 0.567 for the last 10 consecutive trading days, 1 month, 2 months and 3 months, respectively, before the date of the Agreements. The Directors considered that the 10-day average closing price was an appropriate reference point for determining the Issue Price due to the following reasons: i) the average volume of the last 10 consecutive trading days was the highest among the aforementioned periods; and ii) there is the less dispersion of Share price for shorter time frame (i.e. last 10 consecutive trading days and 1 month) than for longer time frame (i.e. 2 months and 3 months).

Regarding the particularly low trading price of the Shares during the one-month period prior to the signing of the Agreements, the Board noted that the general market sentiment had deteriorated drastically during October 2018, especially the stock performance of small-to-mid cap companies. For instance, the MSCI Hong Kong Index, the MSCI Hong Kong Small Capitalization Index and the Hang Seng Index decreased from 15,024.83 points, 515.64 points and 27,788.52 points to 13,366.06 points, 461.95 points and 24,979.69 points, respectively, during October 2018, which represented a drop of approximately 11.0%, 10.4% and 10.1% respectively. The Share price of the Company (being considered as a mid-to-small cap company) had also dropped significantly during October 2018 along the general market trend. In particular, for the last 3 months prior to the date of the Agreements, the Hang Seng Index fell from more than 27,000 points to a low of 24,585.53 points on 30 October 2018 in one month's time, followed by a fast rebound to around 25,500 – 26,500 points. The Directors considered that there was an overreaction in the stock market on or before 30 October 2018 and hence the then volatile Share price was not representative of the prevailing market price of the Shares, therefore the Issue Price was not referenced to any Share price on or before 30 October 2018. Since the market sentiment in November 2018 was very different from prior to and including October 2018, the Directors are of the view that a shorter reference period (within the range of 10 consecutive trading days to 1 month immediately prior to and including the Last Trading Day) can better reflect the then prevailing market conditions and is therefore more appropriate as a benchmark for determining the Issue Price (collectively, the "**Reasons for 10-day average closing price relevancy**").

The Directors are of the view that the Share prices after the Last Trading Day are not relevant in determining the fairness and reasonableness of the Issue Price as the Announcement was published on 20 November 2018 before trading hours, and Share prices after the Last Trading Day rose from HK$0.65 on the Last Trading Day to HK$0.83 as at the Latest Practicable Date may be due to the market expectation of the benefits of the Acquisitions to be brought to the Group.

To assess the fairness and reasonableness of the Issue Price, the Directors, based on the information available from the Stock Exchange's website, have identified a list of 4 transactions announced by companies listed on the Stock Exchange (the "**Comparable Companies**") (excluding H-shares listed companies) since 20 May 2018 and prior to the date of the Agreements (the "**IP Comparables**") for comparison purposes. For the purpose of analysis, the Directors selected the IP Comparables as they (i) are connected transactions and acquisitions; and (ii) involve issuance of shares (partly or fully) under specific mandate in settlement of the relevant consideration. The list of IP Comparables below is a non-exhaustive list. The Board considers that it is not practicable nor possible for it to identify an exhaustive list of all relevant transactions in the market for comparison. Nonetheless, the Board is of the view that the four IP Comparables identified below demonstrate that it is not uncommon to use the average closing price for last 10 consecutive trading days to determine the issue price of new shares. The Directors considered that the selection of comparable companies within a 6-month period is sufficient and appropriate for the analysis as it has covered the prevailing market conditions and sentiments in the Hong Kong stock market at the time which the Issue Price was determined.

Date of announcement	Name of Corporate Company	Stock code	Approximate premium/(discount) of the issue price of the consideration shares over/to the average closing price for the last 10 consecutive trading days prior to the signing of the relevant acquisition agreement
7/11/2018	Differ Group Holding Company Limited	6878	5.97%
1/11/2018	Shougang Concord International Enterprises Company Limited	697	46.11%
21/9/2018	China Sandi Holdings Limited	910	(9.55%)
28/8/2018	Birmingham Sports Holdings Limited	2309	(11.00%)
		Maximum	46.11%
		Minimum	(11.00%)
		Average	7.89%
		The Issue Price	33.50%

As shown in the above table of the IP Comparables, the issue prices of all of the IP Comparables as compared to the average closing price for the last ten consecutive trading days prior to the signing of the relevant acquisition agreement ranged from a premium of approximately 46.11% to a discount of approximately 11.00%, with an average premium of approximately 7.89%. The Issue Price of HK$0.55 represents a premium of approximately 33.50% over the average closing price for the last ten consecutive trading days prior to the date of the Agreements, and such premium falls at the top range of the abovementioned range, which is significantly above the average premium derived from the IP Comparables.

Having considered that (i) the Issue Price represents a premium of approximately 33.50% over the average closing price for the last ten consecutive trading days prior to the Last Trading Day; (ii) the Reasons for 10-day average closing price relevancy as described above, (iii) it is not uncommon in the market to determine the issue price of new shares with reference to the 10-day average closing price as shown by the IP Comparables; (iv) the premiums represented by the Issue Price is considered generally in line with the then prevailing market as the premium represented by the Issue Price is within the range of the premiums/discounts derived from the IP Comparables; and (v) the Issue Price represents a significantly higher premium to the 10-day average closing price as compared to the average premium represented by those under the IP Comparables, the Directors (excluding (i) Mr. Ip who has abstained from voting on the relevant Board resolutions due to his interest in the Target Group, details of which are disclosed in the paragraphs under "GEM Listing Rules Implications on the Acquisitions – Connected transaction" in this letter; and (ii) Mr. Ting, who has abstained from voting on the relevant Board resolutions due to his interests in the Acquisitions) consider that the Issue Price, the CVP Consideration and the SRA Consideration (in each case, including the basis of determination thereof) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Specific Mandate and application for listing

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM. An application will be made to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued following the Completion, will rank *pari passu* in all respects with the existing Shares in issue.

Effect of the issuance of the Consideration Shares on the shareholding structure of the Company

For illustrative purposes only, assuming there is no other change to the issued share capital of, and the shareholding in, the Company from the Latest Practicable Date up to and including the Completion Date, set out below is the shareholding structure of the Company: (a) as at the Latest Practicable Date; (b) immediately after the issuance of the CVP Consideration Shares only (assuming the SRA Acquisition does not complete); (c) immediately after the issuance of all Consideration Shares; and (d) immediately after the issuance of all Consideration Shares (assuming all options granted to CVP and parties acting in concert with it and the Bartha Convertible Bonds are all exercised):

	As at the Latest Practicable Date		Immediately after the issuance of the CVP Consideration Shares only (assuming the SRA Acquisition does not complete and no other change to issued share capital and shareholding in the Company)		Immediately after the issuance of all Consideration Shares (assuming no other change to issued share capital and shareholding in the Company)		Immediately after the issuance of all Consideration Shares (assuming all options granted to CVP and parties acting in concert with it and the Bartha Convertible Bonds are all exercised) *(Notes 5 & 6)*	
	Number of Shares	*Approx. %*[2]	*Number of Shares*	*Approx. %*[3]	*Number of Shares*	*Approx. %*[4]	*Number of Shares*	*Approx. %*[7]
CVP and parties acting in concert with it								
CVP and parties acting in concert with it (excluding SRA)[1]	1,982,044,000	46.27	2,486,916,727	51.94	2,486,916,727	47.89	2,642,180,363	49.41
SRA	42,500,000	0.99	42,500,000	0.89	447,045,454	8.61	447,045,454	8.36
Sub-total	2,024,544,000	47.27	2,529,416,727	52.83	2,933,962,181	56.50	3,089,225,817	57.76
Public Shareholders	2,258,764,717	52.73	2,258,764,717	47.17	2,258,764,717	43.50	2,258,764,717	42.24
Total	4,283,308,717	100	4,788,181,444	100	5,192,726,898	100	5,347,990,534	100

Notes:

1. CVP is directly, legally and beneficially wholly-owned by Mr. Ting. Mr. Ting is deemed to be interested in 1,968,000,000 Shares, 12,172,000 Shares and 1,872,000 Shares held by Royal Spectrum, Kaiser Capital and Highgrade, respectively and 504,872,727 CVP Consideration Shares to be issued to CVP upon Completion, given (i) Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global, (which, in turn, is legally and beneficially wholly-owned by Mr. Ting,) and 3.37% by Montrachet; and (ii) each of CVP, Kaiser Capital and Highgrade is directly, legally and beneficially wholly-owned by Mr. Ting.

2. The percentage was calculated on the basis of 4,283,308,717 Shares in issue as at the Latest Practicable Date and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.

3. The percentage was calculated on the enlarged issued share capital of the Company as a result of the issuance of the CVP Consideration Shares comprising a total of 504,872,727 Shares and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.

4. The percentage was calculated on the enlarged issued share capital of the Company as a result of the issuance of the Consideration Shares comprising a total of 909,418,181 Shares and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.

5. The Company granted the following share options to CVP and parties acting in concert with it:

   i. On 17 December 2015, the Company granted options to Devoss Global, a company legally and beneficially wholly-owned by Mr. Ting. After the share subdivision of the Company in 2016, adjustment was made on 8 November 2016 to the terms of the share options, such that Devoss Global is entitled to subscribe for 6,000,000 new Shares at an exercise price of HK$0.80 per Share;

   ii. On 3 April 2018, the Company granted a total of 12,900,000 share options entitling the following persons to subscribe for a total of 12,900,000 Shares at the exercise price of HK$1.89 per Share:

      a) 2,000,000 share options (carrying the right to subscribe for 2,000,000 Shares) were granted to Mr. Zhu Qin in his capacity as an executive Director;

      b) 5,000,000 share options (carrying the right to subscribe for 5,000,000 Shares) were granted to Mr. Zhou Francis Bingrong in his then capacity as a consultant of the Company. He was subsequently re-appointed as an executive Director on 7 January 2019;

      c) 5,000,000 share options (carrying the right to subscribe for 5,000,000 Shares) were granted to Ms. Kuo Kwan in her capacity as an executive Director;

      d) 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Ms. Fan in her capacity as an independent non-executive Director;

      e) 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Mr. Chu in his capacity as an independent non-executive Director; and

      f) 300,000 share options (carrying the right to subscribe for 300,000 Shares) were granted to Mr. Ip in his capacity as an independent non-executive Director. He was re-designated to a non-executive Director on 7 March 2019;

   As at the Latest Practicable Date, none of the above share options was exercised.

6. On 17 February 2017, CVP Financial (formerly known as Perfect Zone Holdings Limited) and Bartha Holdings entered into a subscription agreement in respect of the subscription of exchangeable bonds issued by Bartha Holdings, which would entitle CVP Financial to exchange for the entire issued share capital of Bartha International as at the date of exercising the exchange rights under the exchangeable bonds. The consideration for the exchangeable bonds was satisfied by the Company issuing the Bartha Convertible Bonds in the principal amount of HK$150,000,000 to Bartha Holdings on 28 July 2017, which are convertible into 136,363,636 Shares at the conversion price of HK$1.1 per Share (the "**Bartha Convertible Bonds**"). As at the Latest Practicable Date, CVP Financial has exercised 49% of the exchange rights under the exchangeable bonds on 28 July 2017 and obtained 4,900 shares in Bartha International as a result. None of the conversion rights under the Bartha Convertible Bonds has been exercised.

7. The percentage was calculated on the enlarged issued share capital of the Company as a result of the issuance of (a) the Consideration Shares comprising a total of 909,418,181 Shares, (b) 18,900,000 Shares upon the exercise of all outstanding options granted by the Company to CVP and parties acting in concert with it, and (c) 136,363,636 Shares to be issued upon full conversion of the Bartha Convertible Bonds at the conversion price of HK$1.1 per conversion share and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.

Conditions to the Completion for each of the CVP Agreement and SRA Agreement

Completion of each of the CVP Agreement and the SRA Agreement is conditional upon the fulfillment (or waiver, if applicable) of the following conditions:

(1) the Independent Shareholders having passed at the EGM all resolutions to approve the relevant Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules, including without limitation to the Specific Mandate for the allotment and issuance of the relevant Consideration Shares;

(2) the granting of approvals for the listing of, and permission to deal in, the relevant Consideration Shares by the Listing Committee;

(3) CVP having made an application to the Executive for the Whitewash Waiver and such Whitewash Waiver having been granted by the Executive and not having been revoked;

(4) the Whitewash Waiver and the relevant Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM in accordance to the Takeovers Code;

(5) all licences, permit, consent, authorisation, permission, clearance, warrant, confirmation, certificate or approval of any relevant authorities required for any of the parties to the relevant Agreement to enter into, and perform their obligations under, the relevant Agreement and to complete the transactions contemplated the relevant Agreement having been obtained, if any, and remaining in full force and effect and not being withdrawn or revoked;

(6) the results of the due diligence exercise on the business, affairs, operations, assets, financial condition, prospects and records on the Target Group being satisfactory to the Company;

(7) written consents not to exercise, and/or waivers (including waivers deemed to be obtained pursuant to the Shareholders' Agreement) from all shareholders of the Target Company other than CVP and SRA, of their respective rights of first refusal, co-sale rights and all other rights under the Shareholders' Agreement that may, but for such consent or waiver, prohibit or restrict the consummation of any of the Acquisitions in any way;

(8) no material adverse change having occurred since the date of the Agreements; and

(9) all the representations and warranties contained in the relevant Agreement remaining true, accurate in all material respects and not misleading when made, and being true, accurate in all material aspects and not misleading.

In respect of the SRA Agreement, in addition to the conditions precedent set out above, completion of the SRA Acquisition shall also be conditional upon completion of the CVP Acquisition having occurred ("**SRA Additional Condition**").

The Company may in its absolute discretion waive at any time by notice in writing to the relevant Vendor the conditions set out above except for the conditions set out in paragraphs (1) to (5) above, which are not waivable by any party to the relevant Agreement. As at the Latest Practicable Date, the Company has no intention to waive any of the conditions set out in paragraphs (6) to (9) above. In respect of the SRA Agreement, the SRA Additional Condition is not waivable by any party to the SRA Agreement.

In the event that any of the conditions set out above (in the case of the SRA Agreement, including the SRA Additional Condition) shall not have been fulfilled (or waived, if applicable) prior to the Long Stop Date, the Company shall not be bound to proceed with the relevant Acquisition (or any part thereof) and the relevant Agreement shall cease to be of any effect save for, among other things, as to any antecedent breach of the relevant Agreement.

As at the Latest Practicable Date, conditions precedent (5), (6) and (7) set out above have been satisfied.

Completion

Completion of each of the Acquisitions shall take place on the Completion Date after all the conditions precedent of the relevant Agreement (which, in respect of the SRA Agreement, also includes the SRA Additional Condition) have been fulfilled (or waived, if applicable).

Following Completion, the Target Company will be held as to 77%, 18% and 5% by the Company, Apex Treasure International Limited and Kwan Tong Enterprises Ltd respectively, therefore will become a direct non wholly-owned subsidiary of the Company, and the Target Company's financial results will be consolidated into those of the Company.

The CVP Sale Shares and the SRA Sale Shares are not subject to any lock up requirement.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

As stated in the Company's annual report for the year ended 31 March 2018, the acquisitions and subscription of shares in CVP Asset Management Limited and CVP Capital enable the Group to engage in the Financial Services Business. The Directors are optimistic about the future prospects of the financial sector and will keep looking for opportunities to strengthen its position in Hong Kong and overseas.

With a view to strengthening the Group's all-rounded market position in Hong Kong as well as exploring business opportunities overseas, the Group has been striving to improve its business operations and financial position by proactively seeking potential investment opportunities that can enhance the Group's existing service scope in both the Financial Services Business and cryptocurrency mining segments.

The Directors are of the view that the Acquisitions will allow the Company to have access to the Target Company's customer base and business connections. With the strong reputation of the management of the Target Company in Chongqing, the PRC, the Group can leverage on the market position of the Target Company as well as its extensive relationship with the municipal government of Chongqing and the business community in the region which is expected to assist the Group's entry into the PRC loan financing market and possible development of other financial products and services in the PRC market significantly. Also, the Target Group had some high-net-worth clients or enterprises controlled by high-net-worth individuals ("**High Net Worth Clients**"). These individuals have always been the Group's target customers for its wine business as they are more inclined to purchase wines for consumption and investment purposes. The Directors believe that the Group can build its customer base in the PRC by leveraging on the Target Group's network and relationships in the PRC to promote awareness of the Group's brand to increase its exposure in the PRC, and to further expand the Group's existing retail and wholesale of wine products and other alcoholic beverages in the PRC. In view of the above, the Directors believe that after Completion, the Group can leverage on the customer base of the Target Group in the PRC and provide its wine products and other alcoholic beverages to the High Net Worth Clients. The Acquisitions can raise awareness of the Group's brand in Chongqing which would benefit the Group's wine business in the long run. In the future, clients in the PRC can place a bid in the Group's wine auctions to purchase wine for consumption or/and investment purposes via the internet, borrow funds for investment in wine, and collateralize their wines for financing.

The Directors also believe that the Acquisitions may create synergies between the Group's cryptocurrency mining business and the Financial Services Business. The Group engages in cryptocurrency mining business which involve cryptocurrency mining by trading of awarded cryptocurrencies and HPC Business. HPC Business is similar to leasing of existing GPUs to third party customers for computation services. After the commencement of the Group's cryptocurrency mining business in July 2018, the Group observed a demand in cryptocurrency mining equipment. The Directors foresaw a business opportunity and contemplated providing financing for purchase or lease of cryptocurrency mining equipment. The Group can, through the Target Group, provide advisory services by utilizing its expertise in analyzing the collateral value of cryptocurrency mining equipment, provide financing for purchase of cryptocurrency mining equipment or provide financial lease by leasing out the existing GPUs or cryptocurrency mining equipment to potential customers. For the Group's Financial Services Business, the Group has obtained a money lender's license in Hong Kong but has not yet commenced its money lending business in Hong Kong. Upon Completion, the Group can commence its money lending business in Hong Kong by leveraging on the expertise of the Target Group.

In addition, upon Completion, SRA will own approximately 8.61% of the enlarged issued share capital of the Company, as such, SRA will not become a substantial shareholder (as defined in the GEM Listing Rules) of the Company. Since SRA is the subsidiary of SRA Holdings, the Company believes that it is favourable to the reputation and brand awareness of the Company and its businesses in the Japanese market.

Having considered the factors set out above, the Directors believe that the Acquisitions represent a good opportunity for the Group to penetrate into the PRC market, enabling the Group to capitalise on the growth potential of the loan financing market in both Hong Kong and the PRC, increasing the Group's reputation in Hong Kong, the PRC and Japan, as well as expanding the Group's business, which will bring long-term and strategic benefits to the Group. The Directors (excluding (i) Mr. Ip who has abstained from voting on the relevant Board resolutions due to his interest in the Target Group, details of which are disclosed in the paragraphs under "GEM Listing Rules Implications on the Acquisitions – Connected transaction" in this letter; and (ii) Mr. Ting, who has abstained from voting on the relevant Board resolutions due to his interests in the Acquisitions) are of the view that the terms and conditions of the Agreements (including the Issue Price, the Consideration and the basis of determination thereof) are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND THE VENDORS

Information of the Group

The Group is principally engaged in (i) the retail sales and wholesales of wine products and other alcoholic beverages; (ii) the Financial Services Business including the provision of corporate financial advisory services and asset management services; (iii) cryptocurrency mining business in Asia and Europe; and (iv) the provision of auction of alcoholic beverages business.

Information of CVP

CVP is an investment holding company wholly-owned by Mr. Ting. It is a beneficial owner of 52% of the issued share capital of the Target Company as at the Latest Practicable Date. Mr. Ting is also the sole director of CVP.

Information of SRA

SRA is a company incorporated in Japan with limited liability and wholly-owned by SRA Holdings, the shares of which are listed on the First Section of the Tokyo Stock Exchange (TSE Stock Code: 3817). It is principally engaged in the development of core operations and information systems for metropolitan and regional banking companies; development of asset management and online trading systems for securities firms; development of core operations systems, as well as mainframe and open systems for life and casualty insurance companies; and providing migration services. The directors of SRA are namely Toru Kashima, Makoto Ishisone, Katsumi Ohkuma, Naohiro Ichida, Junji Hirata and Isamu Fujino.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, SRA and its ultimate beneficial owner(s) are third parties independent of, and not connected persons of, the Company.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the Republic of Seychelles with limited liability.

The Target Group is principally engaged in the provision of (i) secured financing services; (ii) microfinance services; (iii) financial consulting services in the PRC; and (iv) loan financing services in Hong Kong.

As at the Latest Practicable Date, the Target Group has obtained the following licences and approval required for the operation of its businesses in the relevant jurisdictions:

Company Name	Business activity(ies) and jurisdiction	Type of licence and approval	Details of licence and approval	Expiry date of the licence
Run Tong Credit (Liangjiang District Chongqing) Co., Ltd, an indirect non wholly-owned subsidiary of the Target Company ("**Run Tong Credit**")	provision of micro-financing in Chongqing City, PRC	Chongqing Municipality Finance Office's approval on the incorporation of Run Tong Credit (Liangjiang District Chongqing) Co., Ltd (Yujin 2011 No. 212)*(重慶市金融工作辦公室關於同意重慶市兩江新區潤通小額貸款有限公司開業的批復(渝金[2011]212號))("**Chongqing Approval**")	The approval was granted by the Chongqing Municipality Finance Office on 27 September 2011 which approved, among others, its incorporation and business scope of provision of loan, discounted bills and asset transfers services	–
	provision of entrusted loan in Chongqing City, PRC	Chongqing Municipality Local Financial Supervision Department's opinion on Run Tong Credit (Liangjiang District Chongqing) Co., Ltd's continuation of the business of entrusted loan*(重慶市地方金融監督管理局關於重慶兩江新區潤通小額貸款有限公司繼續開展委託貸款業務的備案意見(渝金[2018]438號))("**Chongqing Opinion**")	The opinion was issued by the Chongqing Municipality Local Financial Supervision Department on 18 December 2018 which approved the continuation of the business of entrusted loan	17 December 2019
China Runking Financing Group Limited, an indirect non wholly-owned subsidiary of the Target Company ("**China Runking**")	provision of loan financing services and investment holdings in Hong Kong	money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) ("**Money Lender's Licence**")	money lender licence no. 1224/2018	16 June 2019

Chongqing Approval

As advised by the PRC legal adviser of the Target Group, under the relevant PRC rules and regulations, there are no requirements to obtain financial permits for the establishment of microfinance companies. Instead, according to the Guiding Opinions of the China Banking Regulatory Commission and the People's Bank of China on the Pilot Scheme for Microfinance Companies (《中國銀行業監督管理委員會、中國人民銀行關於小額貸款公司試點的指導意見》), in order to establish a microfinance company, a formal submission should be made to the responsible provincial government authority. The Chongqing Municipality Finance Office is responsible for examining applications for establishing microfinance companies in the Chongqing administrative region.

As set out in the table above, Run Tong Credit has obtained the Chongqing Approval from the Chongqing Municipality Finance Office. As advised by the PRC legal adviser of the Target Group, the Chongqing Approval does not impose a limitation to the period of operation of Run Tong Credit's micro-financing business, whilst the business license of Run Tong Credit issued by Chongqing Administration for Industry and Commerce (重慶市工商行政管理局) specifies that the operating period of Run Tong Credit is 30 years from 18 October 2011 to 17 October 2041.

Chongqing Opinion

As advised by the PRC legal adviser of the Target Group, according to the relevant provisional measures of the PRC, the commencement of entrusted loan business by a microfinance company requires the review and issuance of a review opinion by the relevant municipality finance office. The issuance of the Chongqing Opinion by the Chongqing Municipality Local Financial Supervision Department shall be considered as the Chongqing Municipality Local Financial Supervision Department's agreement to the commencement of the entrusted loan business of Run Tong Credit. The Chongqing Opinion is valid for one year and is required to be renewed upon expiry every year.

The PRC legal adviser of the Target Group is of the opinion that whether Run Tong Credit can successfully renew the validity of the Chongqing Opinion upon its expiry would depend on whether there are changes in the laws, regulations and policies, and whether the business operation of Run Tong Credit can fulfill the requirements under such relevant laws, regulations and policies at the time of the renewal. As at the Latest Practicable Date, the Board is not aware of any difficulties or obstacles in obtaining the renewal of the Chongqing Opinion upon its expiration.

As advised by the Target Group's PRC legal advisers, as at the Latest Practicable Date, Run Tong Credit (i) has obtained the approvals and filings required for the operation of the business activities, and in the jurisdiction(s), in each case as described in the table above; (ii) has met the relevant legal and regulatory requirements in relation to the operation of the abovementioned business activities; and (iii) such approvals and filings remain valid and effective as at the Latest Practicable Date.

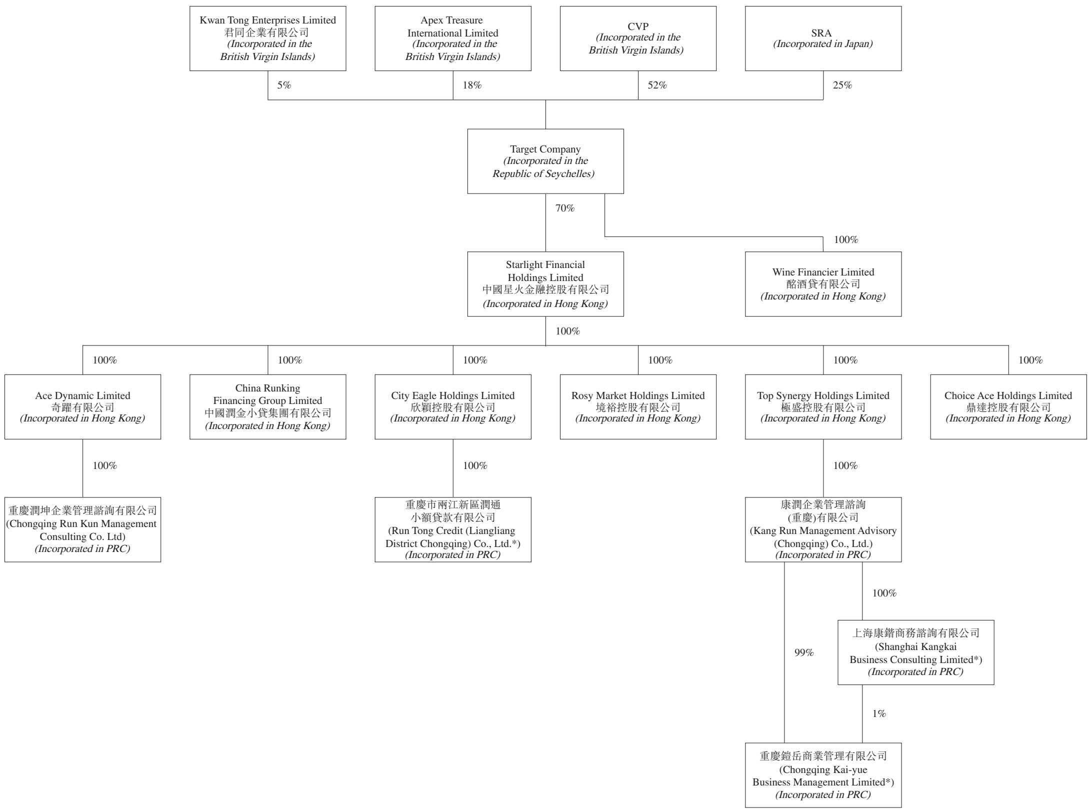
According to the Money Lenders Ordinance (Cap. 163), every licence shall authorise the person and/or entity named therein to carry on business as a money lender for a period of 12 months from the date on which it is granted. The licensee may apply for renewal of licence within 3 months prior to the expiration by filing the relevant forms and paying the prescribed fees to the Registrar of Money Lenders. As the Money Lender's Licence will expire on 16 June 2019, as at the Latest Practicable Date, the Target Group will file all the necessary document(s) to renew such licence. As at the Latest Practicable Date, the Board is not aware of any difficulties or obstacles in obtaining the renewal of the Money Lender's Licence.

Provision of entrusted loan

As at the Latest Practicable Date, Shanghai Kangkai Commercial Consultancy Limited[#] (上海康鍇商務諮詢有限公司) ("**Shanghai Kangkai**") has entrusted its own funds to Run Tong Credit, and Run Tong Credit on-lent such funds to certain independent third parties of the Target Group (the "**Shanghai Kangkai Entrusted Loans**"). As at the Latest Practicable Date, the Shanghai Kangkai Entrusted Loans remain outstanding.

According to the Interim Administrative Measures for Entrusted Loan (《委託貸款暫行辦法》), the principal of an entrusted loan (i.e. the party providing the funds) arranged by a micro-financing company is not subject to geographical constraints and is not required to obtain any record-filing opinions. Therefore, as advised by the PRC legal adviser of the Target Group, Shanghai Kangkai, as a principal of entrusted loans, does not need to obtain any approvals from, or file any documents with, the local financial supervision department.

The existing structure chart of the Target Group as at the Latest Practicable Date is shown below:



Set out below is the consolidated financial information of the Target Company for the two financial years ended 31 December 2016 and 31 December 2017 and the eleven months ended 30 November 2018, respectively:

	For the year ended 31 December 2016		**For the year ended 31 December 2017**		**For the eleven months ended 30 November 2018**	
	RMB'000	*HK\$'000*	*RMB'000*	*HK\$'000*	*RMB'000*	*HK\$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
	Approx.	*Approx.*	*Approx.*	*Approx.*	*Approx.*	*Approx.*
Net profit before taxation	24,118	28,175	9,010	10,389	71,990	85,539
Net profit after taxation	15,142	17,689	2,406	2,774	61,162	72,673

As at 30 November 2018, the audited consolidated total asset value and net assets value of the Target Group were approximately RMB512,459,000 (equivalent to approximately HK$577,080,000) and RMB359,281,000 (equivalent to approximately HK$404,586,000) respectively.

Further details of the financial information of the Target Group together with management discussion and analysis of the Target Group are set out in Appendix II and III to this circular.

FINANCIAL EFFECTS OF THE ACQUISITIONS

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular, the total assets of the Group as at 30 September 2018 would increase from approximately HK$1,181.6 million to approximately HK$1,765.0 million, and its total liabilities as at 30 September 2018 would increase from approximately HK$633.0 million to approximately HK$996.6 million, as a result of the Acquisitions.

Earnings

Upon completion of the Acquisitions, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated in the consolidated financial statements of the Group. In light of the potential future prospects offered by the Acquisitions as illustrated in the section headed "Reasons for and benefits of the Acquisitions" in this letter from the Board, it is expected that the Acquisitions will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of the Target Group.

GEM LISTING RULES IMPLICATIONS ON THE ACQUISITIONS

Major transaction

As the highest applicable percentage ratio (as defined in Rule 19.07 of the GEM Listing Rules), whether in respect of the CVP Acquisition on a standalone basis or in respect of the Acquisitions on an aggregated basis, is more than 25% but less than 100%, each of the CVP Acquisition on a standalone basis and the Acquisitions on an aggregated basis constitute a major transaction for the Company under Rule 19.06(3) of the GEM Listing Rules and will accordingly be subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. For completeness, the SRA Acquisition, on a standalone basis, constitutes a discloseable and connected transaction of the Company, however the SRA Acquisition will not complete without the CVP Acquisition being completed as completion of the SRA Acquisition is conditional upon completion of the CVP Acquisition having occurred.

Connected transaction

As at the Latest Practicable Date, CVP is wholly-owned by Mr. Ting, who is a controlling Shareholder, the chairman and an executive Director of the Company, and therefore CVP is a connected person of the Company and the CVP Acquisition constitutes a connected transaction of the Company. As the Promissory Note is on normal commercial terms and is not secured by assets of the Group, the Promissory Note constitutes a financial assistance received by the Group from a connected person that is fully exempt under Rule 20.88 of the GEM Listing Rules.

As the Company is acquiring an interest in the Target Company from SRA, who is not a connected person, but the Target Company's substantial shareholder, CVP, is a controlling Shareholder and therefore a "controller" as defined under Rule 20.26 of the GEM Listing Rules, the SRA Acquisition constitutes a connected transaction under Rule 20.26 of the GEM Listing Rules. Accordingly, the Acquisitions constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll.

As CVP is a party to the CVP Acquisition, and given that completion of the SRA Acquisition is conditional upon completion of the CVP Acquisition, CVP and its associates (as defined in the GEM Listing Rules) and parties acting in concert with CVP (which include SRA) are regarded as having a material interest in the Acquisitions and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and Whitewash Waiver and shall abstain from voting on the relevant resolution(s) approving the same at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates (as defined in the GEM Listing Rules) has a material interest in the Acquisitions and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate or the Whitewash Waiver, and therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

As at the Latest Practicable Date, Mr. Ip, a non-executive Director (who was formerly an independent non-executive Director from 1 February 2017 to 6 March 2019 (both days inclusive) and who was re-designated as a non-executive Director on 7 March 2019), has provided certain loans to Starlight Financial Holdings Limited ("**Starlight**"), which is an indirect non wholly-owned subsidiary of CVP and therefore a core connected person of the Company. As such, Starlight is part of the Target Group.

Details of each of the loan agreements entered into between Mr. Ip, as lender, and Starlight, as borrower, in respect of such loans provided by Mr. Ip to Starlight, are as follows:

a. A term loan agreement dated 24 December 2015 in the principal amount of HK$17,000,000 with a term commencing from 29 December 2015 to 28 December 2017 at an interest rate of 10% per annum (the "**December Loan**");

b. An extension agreement dated 4 December 2017 to extend the term of the December Loan from 29 December 2017 to 28 December 2019;

c. A term loan agreement dated 14 March 2016 in the principal amount of HK$13,000,000 with a term commencing from 14 March 2016 to 13 March 2018 at an interest rate of 10% per annum (the "**March Loan**");

d. An extension agreement dated 14 March 2018 to extend the term of the March Loan from 14 March 2018 to 13 March 2020; and

e. A term loan agreement dated 2 May 2017 in the principal amount of HK$8,000,000 with a term from 2 May 2017 to 1 May 2019 at an interest rate of 10% per annum;

(collectively, "**Mr. Ip's Loans**").

Mr. Ip's Loans are mainly used for the daily operation and business operation of the Target Group.

In view of Mr. Ip's provision of Mr. Ip's Loans to Starlight, which is a core connected person of the Company, the Board believes that Mr. Ip has not complied with Rule 5.09(4) of the GEM Listing Rule as Mr. Ip was an independent non-executive Director from 1 February 2017 to 6 March 2019, during which he had been involved in material business dealings with Starlight by virtue of Mr. Ip's Loans. The Target Group has confirmed that it is currently expected that Mr. Ip's Loans will not be settled after Completion. Mr. Ip was re-designated as a non-executive Director on 7 March 2019.

As Mr. Ting was considered to have a material interest in the Acquisitions and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, Mr. Ting has abstained from voting on the relevant Board resolutions. As disclosed in the announcement of the Company dated 29 January 2019 in relation to the resignation of Mr. Ip as a member of the Independent Board Committee, Mr. Ip had previously advanced Mr. Ip's Loans to Starlight, which is part of the Target Group and a core connected person, and such loans remain outstanding as at the Latest Practicable Date, and he was therefore considered to have a material interest in the Acquisitions and has abstained from voting on the relevant Board resolutions. Save as disclosed above, no other Director had a material interest in the Acquisitions and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver and no other Director has abstained from voting on the relevant board resolutions of the Company.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, Mr. Ting indirectly holds approximately 46.27% of the voting rights in the Company, and Bartha Holdings, which is indirectly owned by Mr. Ting as to 87.07%, holds convertible bonds in the principal amount of HK$150,000,000 which are convertible into 136,363,636 Shares at the conversion price of HK$1.10 per Share (subject to adjustments) (i.e. the Bartha Convertible Bonds) and Devoss Global, which is directly and wholly-owned by Mr. Ting, holds share options for which 6,000,000 new Shares may be issued at the exercise price of HK$0.80 per Share (i.e. the Devoss Share Options). As at the Latest Practicable Date, SRA held approximately 0.99% of the voting rights in the Company. Therefore, CVP and parties acting in concert with it (which include SRA) held in aggregate approximately 47.27% of the voting rights in the Company as at the Latest Practicable Date.

It was previously disclosed in the Announcement that Mr. Teoh was presumed to be acting in concert with CVP by virtue of his directorship in the Company. However, as disclosed in the announcement of the Company dated 10 December 2018, Mr. Teoh resigned as an executive Director and Chief Executive Officer of the Company with effect from 11 December 2018, and therefore Mr. Teoh is no longer presumed to be acting in concert with CVP.

Upon Completion of the CVP Acquisition only, the shareholding interest of CVP and parties acting in concert with it (which include SRA) in the Company represents approximately 52.83% of the total issued share capital of the Company as enlarged by the issuance of the CVP Consideration Shares (assuming that the SRA Acquisition does not complete).

Upon Completion of the Acquisitions, the aggregate shareholding interest of CVP and parties acting in concert with it (which include SRA) in the Company represents approximately 56.50% of the total issued share capital of the Company as enlarged by the issuance of all Consideration Shares. The issue and allotment of the Consideration Shares will not result in a change of control of the Company.

Under Rule 26.1 of the Takeovers Code, CVP would be obliged to make an mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by CVP and parties acting in concert with it (which include SRA) which would otherwise arise as a result of the completion of the CVP Acquisition or the Acquisitions (as the case may be), unless the Whitewash Waiver is obtained from the Executive.

An application to the Executive for the Whitewash Waiver has been made by CVP pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to the approval of at least 75% (in respect of the Whitewash Waiver) and more than 50% (in respect of the CVP Acquisition or the Acquisitions (as the case may be)) of the Independent Shareholders at the EGM by way of poll in accordance with Note 1 on Dispensations from Rule 26 of the Takeovers Code. If the Whitewash Waiver and/or the CVP Acquisition or the Acquisitions (as the case may be) is not approved by the Independent Shareholders, the CVP Agreement or the Agreements (as the case may be) will not become unconditional and the CVP Acquisition or the Acquisitions (as the case may be) will not proceed.

As at the Latest Practicable Date, the Company does not believe that the Acquisitions and the transactions contemplated thereunder give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules).

Shareholders and potential investors should be aware that there is a possibility that, upon Completion, CVP and parties acting in concert with it (which include SRA) may hold more than 50% of the voting rights of the Company. Hence, CVP and parties acting in concert with it (which include SRA) may increase its holdings of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

INTENTION OF CVP

Upon Completion, CVP and the parties acting in concert with it (including Mr. Ting) will continue to be the single largest Shareholder and the controlling Shareholder (as defined under the GEM Listing Rules).

CVP considers and confirms that:

(i) it is intended that the Group will continue with its existing business following Completion;

(ii) it shares the view of the Directors as disclosed in the paragraph headed "Reasons for and benefits of the Acquisition" above, in which it is mentioned that the Acquisitions are in the interests of the Group; and

(iii) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group's employees and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

The Directors consider that the intentions of CVP and the parties acting in concert with it in respect of the Group and its employees will maintain the continuity of the business of the Group and are therefore is in the interests of the Company and the Shareholders as a whole.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Ms. Fan and Mr. Chu, each being an independent non-executive Director, has been established to advise the Independent Shareholders on whether the terms and conditions of the Agreements and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and will advise the Independent Shareholders on how to vote in respect to the resolutions to be proposed at the EGM to approve the Agreements and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver after taking into account the recommendation of the Independent Financial Adviser. Mr. Ip, (who was formerly an independent non-executive Director from 1 February 2017 to 6 March 2019 (both days inclusive) and who was re-designated as a non-executive Director on 7 March 2019), resigned as a member of the Independent Board Committee with effect from 29 January 2019 and is not in the Independent Board Committee as at the Latest Practicable Date as he is considered to have a material interest in the Acquisitions, details of which are disclosed in the paragraphs under "GEM Listing Rules Implications on the Acquisitions – Connected transaction" in this letter. Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code and the Listing Rules respectively.

EGM

A notice convening the EGM to be held at Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong on 29 March 2019 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The resolutions proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter.

RECOMMENDATIONS

You are advised to read carefully the letter from the Independent Board Committee on pages 39 to 40 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 41 to 114 of this circular, consider that (a) the terms and conditions of the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares) and the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (b) the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver.

The Board (excluding Mr. Ting and Mr. Ip who have abstained from voting on the relevant Board resolutions) considers that (1) the terms and conditions of the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares and the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (2) the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Madison Holdings Group Limited
Ting Pang Wan Raymond
Chairman and executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver.

MADISON
GROUP

Madison Holdings Group Limited
麥迪森控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8057)

13 March 2019

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITIONS OF 77% INTEREST IN A TARGET COMPANY;
(2) PROPOSED ISSUANCE OF SHARES UNDER SPECIFIC MANDATE;
(3) APPLICATION FOR WHITEWASH WAIVER;
(4) NOTICE OF EGM;
AND
(5) CLOSURE OF REGISTER OF MEMBERS

We refer to the circular of the Company dated 13 March 2019 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to (1) whether the terms and conditions of the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares) and the Specific Mandate are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders; (2) whether the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders, and (3) how to vote in respect to the resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver after taking into account the recommendation of the Independent Financial Adviser.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser. Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration, as set out on pages 41 to 114 of the Circular; and (ii) the letter from the Board as set out on pages 11 to 38 of the Circular.

Having considered the terms and conditions of the Acquisitions and the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that the: (1) terms and conditions of the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares) and the Specific Mandate are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (2) the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders to vote in favour of the resolutions to approve the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Ms. Fan Wei
Independent Non-executive Director

Mr. Chu Kin Wang Peleus
Independent Non-executive Director

Set out below is the text of a letter received from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver for the purpose of inclusion in this circular.

Opus Capital Limited
創富融資有限公司

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

13 March 2019

To: The Independent Board Committee and the Independent Shareholders of
Madison Holdings Group Limited

Dear Sir/Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITIONS OF 77% INTEREST IN A TARGET COMPANY; (2) PROPOSED ISSUANCE OF SHARES UNDER SPECIFIC MANDATE; AND (3) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Agreements and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the Circular, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Acquisitions

On 20 November 2018, the Company entered into the CVP Original Agreement (which was subsequently supplemented and amended by the Supplemental CVP Agreement dated 8 March 2019 to amend the form of the Promissory Note) and the SRA Agreement with each of CVP and SRA respectively, pursuant to which the Company has conditionally agreed to acquire, and each of CVP and SRA has conditionally agreed to sell, the CVP Sale Shares and the SRA Sale Shares respectively, representing 52% and 25% of the entire issued share capital of the Target Company respectively as at the Latest Practicable Date.

Under the CVP Agreement, the CVP Consideration is HK$462.8 million. The CVP Consideration shall be satisfied: (i) in respect of 60% of the CVP Consideration, by the Company allotting and issuing the CVP Consideration Shares at the Issue Price to CVP at Completion; and (ii) in respect of 40% of the CVP Consideration, by the Company issuing the Promissory Note to CVP at Completion. Under the SRA Agreement, the SRA Consideration is HK$222.5 million and shall be satisfied entirely by the Company allotting and issuing the SRA Consideration Shares at the Issue Price to SRA at Completion.

The Consideration, being the sum of the CVP Consideration and the SRA Consideration, is HK$685.3 million.

Completion of each of the Acquisitions shall take place on the Completion Date after all the conditions precedent of the relevant Agreement (which, in respect of the SRA Agreement, also include the SRA Additional Condition) have been fulfilled (or waived, if applicable).

Following Completion, the Target Company will be held as to 77% by the Company and 23% by two other Independent Third Parties respectively. It will therefore become a direct non wholly-owned subsidiary of the Company, and the Target Company's financial results, assets and liabilities will be consolidated into those of the Company.

Major transaction

As the highest applicable percentage ratio (as defined in Rule 19.07 of the GEM Listing Rules), whether in respect of the CVP Acquisition on a standalone basis or in respect of the Acquisitions on an aggregated basis, is more than 25% but less than 100%, each of the CVP Acquisition on a standalone basis and the Acquisitions on an aggregated basis constitute a major transaction for the Company under Rule 19.06(3) of the GEM Listing Rules and will accordingly be subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. For completeness, the SRA Acquisition, on a standalone basis, constitutes a discloseable and connected transaction of the Company, however the SRA Acquisition will not complete without the CVP Acquisition being completed as completion of the SRA Acquisition is conditional upon completion of the CVP Acquisition having occurred.

Connected transaction

As at the Latest Practicable Date, CVP is wholly-owned by Mr. Ting, who is a controlling Shareholder, the chairman and an executive Director, and therefore CVP is a connected person of the Company and the CVP Acquisition constitutes a connected transaction of the Company. As the Promissory Note is on normal commercial terms and is not secured by assets of the Group, the Promissory Note constitutes a financial assistance received by the Group from a connected person that is fully exempt under Rule 20.88 of the GEM Listing Rules.

As the Company is acquiring an interest in the Target Company from SRA, who is not a connected person, but the Target Company's substantial shareholder, CVP, is a controlling Shareholder and therefore a "controller" as defined under Rule 20.26 of the GEM Listing Rules, the SRA Acquisition constitutes a connected transaction under Rule 20.26 of the GEM Listing Rules. Accordingly, the Acquisitions constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll.

As CVP is a party to the CVP Acquisition, and given that completion of the SRA Acquisition is conditional upon completion of the CVP Acquisition, CVP and its associates (as defined in the GEM Listing Rules) and parties acting in concert with CVP (which include SRA) are regarded as having a material interest in the Agreements and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and Whitewash Waiver and shall abstain from voting on the relevant resolutions approving the same at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates (as defined in the GEM Listing Rules) has a material interest in the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate or the Whitewash Waiver, and therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

As at the Latest Practicable Date, Mr. Ip, a non-executive Director (who was formerly an independent non-executive Director from 1 February 2017 to 6 March 2019 (both days inclusive) and who was re-designated as a non-executive Director on 7 March 2019), has provided certain loans to Starlight Financial Holdings Limited ("**Starlight**"), which is an indirect non-wholly owned subsidiary of CVP and therefore a core connected person of the Company. As such, Starlight is part of the Target Group.

Details of each of the loan agreements entered into between Mr. Ip, as lender, and Starlight, as borrower, in respect of such loans provided by Mr. Ip to Starlight, are as follows:

a. a term loan agreement dated 24 December 2015 in the principal amount of HK$17,000,000 with a term commencing from 29 December 2015 to 28 December 2017 at an interest rate of 10% per annum (the "**December Loan**");

b. an extension agreement dated 4 December 2017 to extend the term of the December Loan from 29 December 2017 to 28 December 2019;

c. a term loan agreement dated 14 March 2016 in the principal amount of HK$13,000,000 with a term commencing from 14 March 2016 to 13 March 2018 at interest rate at 10% per annum (the "**March Loan**");

d. an extension agreement dated 14 March 2018 to extend the term of the March Loan from 14 March 2016 to 13 March 2020; and

e. a term loan agreement dated 2 May 2017 in the principal amount of HK$8,000,000 with a term from 2 May 2017 to 1 May 2019 at interest rate at 10% per annum;

(collectively, "**Mr. Ip's Loans**").

Mr. Ip's Loans are mainly used for the daily operation and business operation of the Target Group.

In view of Mr. Ip's provision of Mr. Ip's Loans to Starlight, which is a core connected person of the Company, the Board believes that Mr. Ip has not complied with Rule 5.09(4) of the GEM Listing Rule as Mr. Ip was appointed as an independent non-executive Director from 1 February 2017 to 6 March 2019 (both days inclusive) during which he had been involved in material business dealings with Starlight. The Target Group has confirmed that it is currently expected that Mr. Ip's Loans will not be settled after Completion. Mr. Ip was re-designated as non-executive Director on 7 March 2019.

As Mr. Ting was considered to have a material interest in the Acquisitions and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, Mr. Ting has abstained from voting on the relevant Board resolutions. As disclosed in the announcement of the Company dated 29 January 2019 in relation to the resignation of Mr. Ip as a member of the Independent Board Committee, Mr. Ip had previously advanced Mr. Ip's Loans to Starlight, which is part of the Target Group and a core connected person, and such loans remain outstanding as at the Latest Practicable Date, and he was therefore considered to have a material interest in the Acquisitions and has abstained from voting on the relevant Board resolutions. Save as disclosed above, no other Directors had a material interest in the Acquisitions and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver and no other Director has abstained from voting on the relevant board resolutions of the Company.

Takeovers Code implications and applications for Whitewash Waiver

As at the Latest Practicable Date, Mr. Ting indirectly held approximately 46.27% of the voting rights in the Company, and Bartha Holdings, which was indirectly owned by Mr. Ting as to 87.07%, held convertible bonds in the principal amount of HK$150,000,000 which are convertible into 136,363,636 Shares at the conversion price of HK$1.10 per Share (subject to adjustments) (the "**Bartha Convertible Bonds**") and Devoss Global, which is directly and wholly-owned by Mr. Ting, held share options for which 6,000,000 new Shares may be issued at the exercise price of HK$0.80 per Share (i.e. the Devoss Share Options). As at the Latest Practicable Date, SRA held approximately 0.99% of the voting rights in the Company. Therefore, CVP and parties acting in concert with it (which include SRA) held in aggregate approximately 47.27% of the voting rights in the Company as at the Latest Practicable Date.

It was previously disclosed in the Announcement that Mr. Teoh was presumed to be acting in concert with CVP by virtue of his directorship in the Company. However, as disclosed in the announcement of the Company dated 10 December 2018, Mr. Teoh resigned as an executive Director and Chief Executive Officer of the Company with effect from 11 December 2018, and therefore Mr. Teoh is no longer presumed to be acting in concert with CVP.

Upon Completion of the CVP Acquisition only, the shareholding interest of CVP and parties acting in concert with it (which include SRA) in the Company represents approximately 52.83% of the total issued share capital of the Company as enlarged by the issuance of the CVP Consideration Shares (assuming that the SRA Acquisition does not complete).

Upon Completion of the Acquisitions, the aggregate shareholding interest of CVP and parties acting in concert with it (which include SRA) in the Company represents approximately 56.50% of the total issued share capital of the Company as enlarged by the issuance of all Consideration Shares. The issue and allotment of the Consideration Shares will not result in a change of control of the Company.

Under Rule 26.1 of the Takeovers Code, CVP would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by CVP and parties acting in concert with it (which include SRA) which would otherwise arise as a result of the completion of the CVP Acquisition or the Acquisitions (as the case may be), unless the Whitewash Waiver is obtained from the Executive.

An application to the Executive for the Whitewash Waiver has been made by CVP pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Executive has agreed, subject to the approval of at least 75% (in respect of the Whitewash Waiver) and more than 50% (in respect of the CVP Acquisition or the Acquisitions (as the case may be)) of the Independent Shareholders at the EGM by way of poll in accordance with Note 1 on Dispensations from Rule 26 of the Takeovers Code, to waive any obligations of CVP to make a general offer which might result from the Acquisitions. If the Whitewash Waiver and/or the CVP Acquisition or the Acquisitions (as the case may be) is not approved by the Independent Shareholders, the CVP Agreement or the Agreements (as the case may be) will not become unconditional and the CVP Acquisition or the Acquisitions (as the case may be) will not proceed.

As at the Latest Practicable Date, the Company does not believe that the Agreements and the transactions contemplated thereunder gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee of the Company comprising Ms. Fan and Mr. Chu, each being an independent non-executive Director, has been established to advise and make recommendations to the Independent Shareholders regarding the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver. Mr. Ip (who was formerly an independent non-executive Director from 1 February 2017 to 6 March 2019 (both days inclusive) and who was re-designated as a non-executive Director on 7 March 2019) resigned as a member of the Independent Board Committee with effect from 29 January 2019 and is not in the Independent Board Committee as at the Latest Practicable Date as he is considered to have a material interest in the Acquisitions for reasons discussed in this letter above. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code and the Listing Rules respectively.

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the terms of the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; and (ii) how the Independent Shareholders should vote in respect to the relevant resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any significant connection, financial or otherwise, with the Group, CVP, SRA or any of their respective connected persons, or any party acting, or presumed to be acting, in concert with any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, apart from normal independent financial advisory fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, CVP, SRA or any of their respective connected persons, or any party acting, or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Agreements and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver pursuant to Rule 2.6 of the Takeovers Code and Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

(i) the Company's third quarterly report for the nine months ended 31 December 2018 (the "**2018 Third Quarterly Report**");

(ii) the Company's interim report for the six months ended 30 September 2018 (the "**2018 Interim Report**");

(iii) the Company's annual report for the year ended 31 March 2018 (the "**2018 Annual Report**");

(iv) the accountant's report of the Target Company for the three years ended 31 December 2015, 2016 and 2017 and eleven months ended 30 November 2018, as set out in Appendix II to the Circular (the "**Accountant's Report**");

(v) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular;

(vi) the valuation report (the "**Valuation Report**") dated 13 March 2019 issued by the Independent Valuer in relation to (i) the valuation (the "**Valuation**") of the 100% equity interest in the Target Group as at 30 November 2018 (the "**Date of Valuation**"); and (ii) additional analysis on the Valuation as at 31 December 2018, as set out in Appendix V to the Circular;

(vii) the Agreements; and

(viii) other information as set out in the Circular.

We have also discussed the valuation methodologies, bases and assumptions adopted for the Valuation with the Independent Valuer.

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

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

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

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Agreements and the transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Business of the Group

The Company was listed on the GEM of the Stock Exchange on 8 October 2015 (the "**Listing**"). As set out in the Letter from the Board, the Group is principally engaged in: (i) the retail sales and wholesale of wine products and other alcoholic beverages; (ii) the Financial Services Business including the provision of corporate financial advisory services and asset management services; (iii) cryptocurrency mining business in Asia and Europe; and (iv) the provision of auction of alcoholic beverages business.

2. Financial information of the Group

The following is a summary of the financial results of the Group for each of the two years ended 31 March 2017 ("**FY2017**") and 2018 ("**FY2018**"), the nine months ended 31 December 2018 ("**3Q2019**") and the financial results of the corresponding period ("**3Q2018**"), as extracted from the 2018 Annual Report and the 2018 Third Quarterly Report:

Table 1: Highlight of the financial results of the Group

	Unaudited		**Audited**	
	3Q2019 *(HK$'000)*	**3Q2018** *(HK$'000)*	**FY2018** *(HK$'000)*	**FY2017** *(HK$'000)*
Revenue	122,003	140,116	159,984	139,912
Gross profit	51,403	44,685	39,000	28,302
(Loss) before tax	(203,990)	(162,890)	(157,048)	(16,366)
(Loss) for the year/period attributable to the Shareholders	(177,281)	(144,049)	(138,364)	(15,638)
Gross profit margin *(%)*	42.1	31.9	24.4	20.2

Sources: the 2018 Annual Report and the 2018 Third Quarterly Report

The revenue of the Group increased by approximately 14.4% from approximately HK$139.9 million for FY2017 to approximately HK$160.0 million for FY2018. The increase in revenue during FY2018 was mainly driven by: (i) the expanded sales network by adopting a competitive pricing strategy on the sale of alcoholic beverages, which contributed approximately HK$151.5 million (i.e. approximately 94.7% of the total revenue in FY2018); and (ii) the provision of financial services under the Financial Services Business, which contributed approximately HK$8.5 million.

The loss attributable to the Shareholders increased significantly from approximately HK$15.6 million for FY2017 to approximately HK$138.4 million for FY2018, which was mainly attributable to: (i) the loss in fair value change of unlisted exchangeable bonds of approximately HK$107.6 million; (ii) the decrease in fair value of derivative financial instrument of approximately HK$5.2 million; (iii) the impairment of goodwill of approximately HK$3.8 million; and (iv) the financial costs incurred for the interest expense paid on the convertible bonds and the promissory note of approximately HK$6.6 million. The majority of these losses were non-cash items.

As set out in the 2018 Third Quarterly Report, the revenue of the Group decreased by approximately 12.9% from approximately HK$140.1 million for 3Q2018 to approximately HK$122.0 million for 3Q2019. The decrease in revenue was mainly the result of: (i) the decrease in sale of alcoholic beverages which was affected by the highly competitive environment for the which the Group operates; and (ii) the decrease in placing commission income of the Financial Services Business.

Albeit with an improved gross margin, the loss attributable to the Shareholders increased from approximately HK$144.0 million for 3Q2018 to approximately HK$177.3 million for 3Q2019, representing an increase of approximately 23.1%, which was attributed by a combination of the above reasons for the fall in quarterly revenue together with the increase in equity-settled share-based payment expenses for the share options granted and the increase in administrative expenses during 3Q2018.

Set out below is the summary of the financial positions of the Group as at 31 March 2018 and 30 September 2018, as extracted from the 2018 Interim Report:

Table 2: Highlight of the financial positions of the Group

	Unaudited 30 September 2018 Note *(HK$'000)*	**Audited 31 March 2018** *(HK$'000)*
Non-current assets	740,802	173,268
Current assets	440,751	360,010
Non-current liabilities	250,735	12,083
Current liabilities	382,312	370,793
Bank balances and cash	180,733	194,109
Net asset value (the "**NAV**") attributable to the Shareholders	525,003	155,519

Source: the 2018 Interim Report

Note: Detailed break-down of the financial position information of the Group was not available in the 2018 Third Quarterly Report, therefore the 2018 Interim Report was adopted to illustrate the latest change in the financial position of the Group. We note however, as set out in the 2018 Third Quarterly Report, the NAV attributable to the Shareholders as at 31 December 2018 was approximately HK$472.1 million, which represented a fall from that of approximately HK$525.0 million as at 30 September 2018.

Total assets of the Group increased from approximately HK$533.3 million as at 31 March 2018 to approximately HK$1,181.6 million as at 30 September 2018.

The major line items contributing to the increase in the Group's total assets between 31 March 2018 and 30 September 2018 were: (i) goodwill, increased from nil to approximately HK$424.1 million, representing an approximately 65.4% increase in total assets; and (ii) properties, plant and equipment, increased from approximately HK$10.8 million to HK$232.8 million, representing an approximate 34.2% increase in total assets, respectively. As disclosed in the 2018 Interim Report, the goodwill arose from the Group's acquisitions of 2 blockchain services businesses and an alcoholic beverage business between April and July 2018. As at 30 September 2018, the major components of the Group's total asset were as follows: (i) goodwill of approximately HK$424.1 million or 35.9%, arising from the acquisition of Diginex HPC, a company principally engaged in virtual currency mining; (ii) plant and equipment of approximately HK$232.8 million or 19.7%; (iii) bank balances of approximately HK$180.7 million or 15.3%; and (iv) trade and other receivables of approximately HK$158.9 million or 13.4%. The aggregate amount of the four components, being approximately HK$996.5 million, represents approximately 84.3% of the total asset of the Group on the balance sheet date.

Total liabilities of the Group also increased from approximately HK$382.9 million as at 31 March 2018 to approximately HK$633.0 million as at 30 September 2018, representing an increase of approximately HK$250.1 million or approximately 65.3%. Such increase was mainly derived from: (i) the increase in other borrowings from nil to approximately HK$321.7 million; and partially offset by (ii) the repayment of amount due of a related party of approximately HK$76.2 million.

As a result of the combination of movements of the total assets and liabilities of the Group highlighted above, the NAV attributable to the Shareholders increased from approximately HK$155.5 million as at 31 March 2018 to approximately HK$525.0 million as at 30 September 2018, representing an increase of approximately HK$369.5 million or approximately 237.6%.

We note that the overall bank balances and cash of the Group reduced slightly from approximately HK$194.1 million to HK$180.7 million, representing a decrease of approximately HK$13.4 million or approximately 6.9% which was mainly attributable to the decline in the bank balances of segregated account. As advised by the Company, the money deposited in such account was held on behalf of the Financial Services Business' clients, thus it was separated from the Group's bank balances and cash.

3. Reasons for and benefits of the Acquisitions

As stated in the 2018 Annual Report, the Group was of the view that the profitability of the wine business has been squeezed in recent years as a result of price discount strategy adopted by peer companies in the wine industry. In order to deliver sustainable long-term returns to the Shareholders and diversify the Group's income streams, the Group has been seeking suitable acquisition opportunities.

Having considered Hong Kong's traditional role as the international financial centre bridging capital flows between the PRC and the international financial markets, the fund raising activities and corporate finance activities in Hong Kong have always ranked highly in global league tables. The Group was of the view that it could tap into the financial market of Hong Kong and enhance long-term Shareholders' returns by investing in licensed corporations that specialise in corporate finance advisory and asset management. Against this background, the Group completed the subscription and acquisition of shares of CVP Capital and CVP Asset Management Limited on 30 June 2017 and 28 July 2017, respectively, which enable the Group to engage in the Financial Services Business. The Directors are optimistic about the future prospects of the financial sector and will keep looking for opportunities to strengthen its position in Hong Kong and overseas.

As disclosed in the paragraph headed "Reasons for and benefits of the Acquisitions" in the Letter from the Board, the Group intends to strengthen its all-rounded market position in Hong Kong as well as exploring business opportunities overseas. The Group has been striving to improve its business operations and financial position by proactively seeking potential investment opportunities that can enhance its existing service scope in both the Financial Services Business and cryptocurrency mining segments.

The Directors are of the view that the Acquisitions will allow the Company to have access to the Target Company's customer base and business connections. With the strong reputation of the management of the Target Company in Chongqing, the PRC, the Group can leverage on its market position as well as its extensive relationship with the municipal government of Chongqing and the business community in the region which is expected to assist the Group's entry into the PRC loan financing market and possible development of other financial products and services in the PRC market significantly. The Target Group had some high net-worth clients or enterprises controlled by high net-worth individuals ("**High Net Worth Clients**"). These individuals have always been the Group's target customers for its wine business as they are more inclined to purchase wines for consumption and investment purposes. The Directors believe that the Group can build its customer base in the PRC by leveraging on the Target Group's network and relationships in the PRC to promote awareness of the Group's brand, to increase its exposure in the PRC, and to further expand the Group's existing retail and wholesale of wine products and other alcoholic beverages in the PRC. In view of the above, the Directors believe that after Completion, the Group can leverage on the customer base of the Target Group in the PRC and provide its wine products and other alcoholic beverages to the High Net Worth Clients. The Acquisitions can raise awareness of the Group's brand in Chongqing which would benefit the Group's wine business in the long run. In the future, clients in the PRC can place a bid in the Group's wine auctions to purchase wines for consumption and/or investment purposes via the internet, borrow funds for investment in wine, and collateralise their wines for financing.

The Directors also believe that the Acquisitions may create synergies between the Group's cryptocurrency mining business and the Financial Services Business. The Group engages in cryptocurrency mining business which involve cryptocurrency mining by trading of awarded cryptocurrencies and HPC Business. HPC Business is similar to leasing of existing GPUs to third party customers for computation services. After the commencement of the Group's cryptocurrency mining business in July 2018, the Group observed a demand in cryptocurrency mining equipment. The Directors foresaw a business opportunity and contemplated providing financing for purchase or lease of cryptocurrency mining equipment. The Group can, through the Target Company, provide: (i) advisory services by utilising its expertise in analysing the collateral value of cryptocurrency mining equipment; (ii) financing for purchase of cryptocurrency mining equipment; or (iii) financial lease by leasing out the existing GPUs or cryptocurrency mining equipment to potential customers. For the Group's Financial Services Business, the Group has obtained a money lender's license in Hong Kong but has not yet commenced its money business in Hong Kong. Upon Completion, the Group can commence its money lending business in Hong Kong by leveraging on the expertise of the Target Group.

In addition, upon Completion, SRA will own approximately 8.61% of the enlarged issued share capital of the Company, as such, SRA will not become a substantial shareholder of the Company. Since SRA is the subsidiary of SRA Holdings, the Company believes that it is favourable to the reputation and brand awareness of the Company as well as its businesses in the Japanese market.

Having considered the factors set out above, the Directors believe and we concur, based on the favourable industry outlook of the Target Group mentioned in the section below, that the Acquisitions represent a good opportunity for the Group to penetrate into the PRC market, enabling the Group to capitalise on the growth potential of the loan financing market in both Hong Kong and the PRC, increasing the Group's reputation in Hong Kong, the PRC and Japan, as well as expanding the Group's business, which will bring long-term and strategic benefits to the Group.

As the Acquisitions are in line with the Group's focus to diversify the Group's income streams, strengthen its market position in the financial industry, in addition to the Financial Services Business and cryptocurrency mining segments, and deliver sustainable long-term returns to the Shareholders as stated in the 2018 Annual Report, based on the detailed highlights of benefits and possible synergies highlighted above and the favourable industry outlook of the Target Group mentioned in the section below, we concur with the Directors' view on the rationale of the Acquisitions and the potential benefits that can be brought about by the Acquisitions such as: (i) building the Group's customer base in the PRC by leveraging on the Target Group's network and relationships in the PRC; (ii) leveraging on the customer base of the Target Group in the PRC to cross-sell wine products and other alcoholic beverages to the Target Group's customer base in the PRC; and (iii) creating potential synergies between the Group's cryptocurrency mining business and the Financial Services Business.

4. Industry outlook

As stated in the Letter from the Board, the Target Group is principally engaged in the provision of: (i) secured financing services, (ii) micro-finance services, (iii) financial consulting services in the PRC; and (iv) loan financing services in Hong Kong.

The Federal Reserve Banks of the United States (the "**Fed**") raised its benchmark interest rate range from 2.25% to 2.5% in December 2018, representing the fourth quarter-point increase in 2018 and the ninth since it began normalising rates in December 2015. Notwithstanding the Fed's monetary policy, the People's Bank of China (the "**PBOC**") has indicated that the RMB interest rate might not be raised in the short term. On 7 January 2019, the PBOC announced a cut of 1% on the reserve requirement ratio (the "**RRR**") for RMB deposits which would release approximately RMB800 billion of capital into the market. Market believes such action may increase sources of funding for small, micro and private businesses and boost confidence in the economy. The PBOC further revealed that the RRR cut would reduce the cost of bank interest payment by RMB20 billion each year and thus lower the financing cost of the real economy.

Micro-finance is the provision of small and micro loan services to small and medium enterprises ("**SMEs**"), micro-enterprises and individual proprietors, many of which require funding for the operations but are not able to meet the criteria to obtain financing from larger commercial banks or traditional financial institutions as they generally have less established business track record, limited financial resources or lower borrowing capacity than larger enterprises.

In the PRC, SMEs and micro-enterprises play an important role in the economic growth and make significant contribution to employment and outputs. In the private enterprises' symposium held in the Great Hall of the People in Beijing on 1 November 2018, Chinese President Xi stated that the Chinese SMEs and micro-enterprises has accounted for over 90% of all market entities in China, over 80% of nationwide employment, over 60% of gross domestic product and more than 50% of tax revenues for 2017. President Xi affirmed the contribution of private sector to China's development is indispensable and stressed that China would unswervingly encourage, support and guide the development of private enterprises towards a broader stage.

The PRC Government has indeed been adopting various preferential policies to support SMEs and micro-enterprises. In the press conference held in March 2018 and as part of the convening of 第十三屆全國人民代表大會 (the 13th National People's Congress*) in Beijing, the head of 中華人民共和國商務部 (the Ministry of Commerce of the PRC*) announced that the reforms in 2018 would focus on, among others, reducing the tax burden for SMEs.

The number of SMEs and micro-enterprises has been growing rapidly in recent years. Under the support of the government policy, the total number of SMEs and micro-enterprises increased from approximately 45.7 million as at 31 December 2010 to approximately 90.0 million as at 31 December 2017, representing a compound annual growth rate of approximately 10.2%.

* *The English translation is for identification only.*

In the PRC, the micro-finance industry has been undergoing rapid expansion since 2008 along with the continued development of the macro-economic environment. In May 2008, 中國銀行業監督管理委員會 (the China Banking Regulatory Commission*) (currently known as 中國銀行保險監督管理委員會 (the China Banking and Insurance Regulatory Commission (the "**CBIRC**")) and the PBOC jointly promulgated 關於小額貸款公司試點的指導意見 (the Guiding Opinions on the Pilot Operation of Microfinance Companies*) (the "**Guiding Opinions**") which provided the basis for the development of the micro-finance industry. The Guiding Opinions set forth the fundamental requirements for establishing, registering and operating a micro-finance company at the national level. The Guiding Opinions served as a milestone in advancing the micro-finance industry and led to the rapid increase in government registered micro-finance companies in the PRC. In addition, the State Council issued 關於金融支持經濟結構調整和轉型升級的指導意見 (the Guidance on the Structural Adjustment, Transformation and Upgrading of the Financially Supported Economy*) in July 2013, pursuant to which the PRC Government increased its support and provided guidance on the diversification of customer segments, for micro-finance companies. Micro-finance companies were also given access to funding at a lower cost. On 19 December 2018, 互聯網金融風險專項整治工作領導小組辦公室 (The Office of the Leading Group for the Special Campaign against Internet Financial Risks*) and P2P網絡借貸風險專項整治工作領導小組辦公室 (The Office of the Leading Group for the Special Campaign against Peer-to-peer Online Lending Risks*) have jointly published 關於做好網貸機構分類處置和風險防範工作的意見 (the Opinion on Better Handling of Classification and Risk Prevention for Online Lending Institutions*) (the "**Opinion**") which revealed the PRC Government's stance on strictly opposing peer-to-peer ("**P2P**") online loan platforms and provided regulators a guidance on different treatment to existing P2P online loan organisations including business termination and loan book size reduction. As P2P online loan platforms share similar customer base with micro-finance companies, the Opinion has been regarded as a discouraging policy against P2P online loan organisations which would likely to limit the competition for micro-finance companies.

According to 中國政府網 (www.gov.cn), an official platform managed by 中國國務院辦公廳 (the General Office of the State Council of the PRC*) to publish information relating to the PRC Government to the public, and 中國小額貸款公司協會 (the China Micro-credit Companies Association*), an association established with the approval from 中國民政部 (the Ministry of Civil Affairs of the PRC*) and managed by the CBIRC for providing statistics and analysis of the micro-finance industry, the total number of registered micro-finance companies in the PRC increased from 4,282 as at 31 December 2011 to 8,394 as at 30 June 2018. The total registered capital in the micro-finance industry amounted to approximately RMB844.9 billion as at 30 June 2018. The principal amount of outstanding loans granted by micro-finance companies in the PRC increased from approximately RMB391.5 billion as at 31 December 2011 to RMB976.3 billion as at 30 June 2018.

Having considered: (i) the aforesaid supportive government policies; and (ii) the abovementioned increasing number of registered micro-finance companies together with a greater pace of growth of the principal amount of outstanding loans granted by micro-finance companies in the PRC between 2011 and 2018, it is reasonable to expect that the prospects of the micro-finance industry is promising and the positive trend is likely to continue in the near future.

5. Principal terms of the Agreements

(i) The CVP Agreement

(a) Date

20 November 2018

(b) Parties

The Vendor: CVP

The Purchaser: the Company

(ii) The SRA Agreement

(a) Date

20 November 2018

(b) Parties

The Vendor: SRA

The Purchaser: the Company

(iii) Assets to be acquired

Pursuant to the CVP Agreement, the Company has conditionally agreed to purchase, and CVP has conditionally agreed to sell, the CVP Sale Shares, representing 52% of the entire issued share capital of the Target Company as at the Latest Practicable Date.

Pursuant to the SRA Agreement, the Company has conditionally agreed to purchase, and SRA has conditionally agreed to sell, the SRA Sale Shares, representing 25% of the entire issued share capital of the Target Company as at the Latest Practicable Date.

(iv) Consideration

(a) CVP Consideration

Under the CVP Agreement, the CVP Consideration is HK$462.8 million. The CVP Consideration shall be satisfied: (i) in respect of 60% of the CVP Consideration, by the Company allotting and issuing the CVP Consideration Shares at the Issue Price to CVP at Completion; and (ii) in respect of 40% of the CVP Consideration, by the Company issuing the Promissory Note to CVP at Completion.

A total of 909,418,181 Consideration Shares in aggregate represent approximately 21.23% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 17.51% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares immediately after Completion of the Acquisitions (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date, save for the issuance of the Consideration Shares).

The Consideration Shares are not subject to any lock up requirement after issue.

The Promissory Note is to be issued in the principal amount of HK$185,120,000, interest-free, and with a three-year term. It is unsecured, freely transferrable and may be redeemed any time at the request of either party by giving prior notice to the other party. For details of our analysis on the key terms of the Promissory Note, please refer to the section headed "9. Principal terms of the Promissory Note" in this letter below.

(b) SRA Consideration

Under the SRA Agreement, the SRA Consideration is HK$222.5 million and shall be satisfied entirely by the Company allotting and issuing SRA Consideration Shares at the Issue Price to SRA at Completion.

(v) Conditions to the Completion for each of the CVP Agreement and SRA Agreement

Completion of each of the CVP Agreement and the SRA Agreement is conditional upon the fulfilment (or waiver, if applicable) of the following conditions:

(1) the Independent Shareholders having passed at the EGM all resolutions to approve the relevant Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules, including without limitation to the Specific Mandate for the allotment and issuance of the relevant Consideration Shares;

(2) the granting of approvals for the listing of, and permission to deal in, the relevant Consideration Shares by the Listing Committee;

(3) CVP having made an application to the Executive for the Whitewash Waiver and such Whitewash Waiver having been granted by the Executive and not having been revoked;

(4) the Whitewash Waiver and the relevant Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM in accordance to the Takeovers Code;

(5) all licences, permit, consent, authorisation, permission, clearance, warrant, confirmation, certificate or approval of any relevant authorities required for any of the parties to the relevant Agreement to enter into, and perform their obligations under, the relevant Agreement and to complete the transactions contemplated the relevant Agreement having been obtained, if any, and remaining in full force and effect and not being withdrawn or revoked;

(6) the results of the due diligence exercise on the business, affairs, operations, assets, financial condition, prospects and records on the Target Group being satisfactory to the Company;

(7) written consents not to exercise, and/or waivers (including waivers deemed to be obtained pursuant to the Shareholders' Agreement) from all shareholders of the Target Company other than CVP and SRA, of their respective rights of first refusal, co-sale rights and all other rights under the Shareholders' Agreement that may, but for such consent or waiver, prohibit or restrict the consummation of any of the Acquisitions in any way;

(8) no material adverse change having occurred since the date of the Agreements; and

(9) all the representations and warranties contained in the relevant Agreement remaining true, accurate in all material respects and not misleading when made, and being true, accurate in all material aspects and not misleading.

In respect of the SRA Agreement, in addition to the conditions precedent set out above, completion of the SRA Acquisition shall also be conditional upon completion of the CVP Acquisition having occurred ("**SRA Additional Condition**"). Therefore, completion of the SRA Acquisition is subject to completion of the CVP Acquisition but not vice versa.

The Company may in its absolute discretion waive at any time by notice in writing to the relevant Vendor the conditions set out above except for the conditions set out in paragraphs (1) to (5) above, which are not waivable by any party to the relevant Agreement. As at the Latest Practicable Date, the Company had no intention to waive any of the conditions set out in paragraphs (6) to (9) above. In respect of the SRA Agreement, the SRA Additional Condition is not waivable by any party to the SRA Agreement.

In the event that any of the conditions set out above (in the case of the SRA Agreement, including the SRA Additional Condition) shall not have been fulfilled (or waived, if applicable) prior to Long Stop Date, the Company shall not be bound to proceed with the relevant Acquisition (or any part thereof) and the relevant Agreement shall cease to be of any effect save for, among other things, as to any antecedent breach of the relevant Agreement.

As at the Latest Practicable Date, conditions precedent 5, 6, 7 set out above had been satisfied.

(vi) Completion

Completion of each of the Acquisitions shall take place on the Completion Date after all the conditions precedent of the relevant Agreement (which, in respect of the SRA Agreement, also includes the SRA Additional Condition) have been fulfilled (or waived, if applicable).

Following Completion, the Target Company will be held as to 77%, 18% and 5% by the Company, Apex Treasure International Limited and Kwan Tong Enterprises Limited respectively. Therefore, it will become a direct non wholly-owned subsidiary of the Company, and the Target Company's financial results, assets and liabilities will be consolidated into those of the Company.

The CVP Sale Shares and the SRA Sale Shares are not subject to any lock up requirement.

6. Information on the Target Group

(A) Background information of the Target Group

As stated in the Letter from the Board, the Target Company is an investment holding company incorporated in the Republic of Seychelles with limited liability.

The Target Group is principally engaged in the provision of: (i) secured financing services; (ii) microfinance services; (iii) financial consultancy services in the PRC; and (iv) loan financing services in Hong Kong.

(B) Business information of the Target Group

(i) Loan financing services

As stated in the Letter from the Board, the Target Group provides three types of loans, namely, real estate-backed loans, micro loans and other loans. For real estate-backed loans, the Target Group generally grants a loan to the customer at the loan size over RMB10.0 million with the real-estate for security. For micro loans, the Target Group generally grants a loan to the customer at the loan size below RMB5.0 million in Chongqing either secured or unsecured. For other loans, the Target Group generally grants to customers in Hong Kong without being backed by real-estate and unsecured loans in the PRC at the loan size above RMB5.0 million.

Table 3: Loan portfolio by type

	As at 30 November 2018		As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Real estate-backed loans	27,731	7.0	28,762	9.4	30,703	12.0	41,295	15.8
Micro loans	261,563	66.4	226,645	74.0	188,595	73.9	167,679	64.4
Other loans	104,654	26.6	50,697	16.6	36,108	14.1	51,659	19.8
Total	393,948	100.0	306,104	100.0	255.406	100.0	260,633	100.0

As at 30 November 2018, micro loans constituted approximately 66.4% of the Target Group's loan portfolio, real estate-back loans and other loans only represented approximately 7.0% and 26.6% of the loan portfolio, respectively. As at 31 December 2015, 2016 and 2017, real estate-back loans represented approximately 15.8%, 12.0%, 9.4% of the Target Group's loan portfolio, respectively, the micro loans represented approximately 64.4%, 73.9% and 74.0% of the Target Group's loan portfolio, respectively, and the other loans represented approximately 19.8%, 14.1% and 16.6% of the Target Group's loan portfolio respectively.

Table 4: Number of customers by loan type

	As at 30 November 2018		As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
	Enterprises	*Individual*	*Enterprises*	*Individual*	*Enterprises*	*Individual*	*Enterprises*	*Individual*
Real estate-backed loans	3	–	3	1	3	1	3	1
Micro loans	69	2,852	15	2,987	15	3,700	22	2,484
Other loans	6	2	2	4	2	4	4	4
Total	78	2,854	20	2,992	20	3,705	29	2,489

As at 30 November 2018, the customers of the Target Group constituted 2,854 individual customers and 78 enterprise customers, representing approximately 97.3% and 2.7% of the total customers respectively. The number of enterprises customers was 29, 20 and 20 as at 31 December 2015, 2016 and 2017 respectively, while the number of individual customers was 2,489, 3,705 and 2,992 as at 31 December 2015, 2016 and 2017 respectively. As advised by the Management, the decreasing trend of the number of individual customers was due to the shift on the focus in type of customers from individuals to enterprises as enterprise customers have higher demand on loan amount on average than individual customers.

Table 5: Customer base by loan type

	As at 30 November 2018		As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
	Enterprises RMB'000	*Individual RMB'000*	*Enterprises RMB'000*	*Individual RMB'000*	*Enterprises RMB'000*	*Individual RMB'000*	*Enterprises RMB'000*	*Individual RMB'000*
Real estate-backed loans	27,731	–	28,295	467	28,295	2,408	28,295	13,000
Micro loans	15,035	246,528	3,701	222,944	3,943	184,652	7,340	160,339
Other loans	102,621	2,033	40,685	10,012	26,859	9,249	43,354	8,305
Total	145,387	248,561	72,681	233,423	59,097	196,309	78,989	181,644

In respect of the customer base by loan type, the customer base of enterprises and individual were approximately 36.9% and 63.1% of the total customer base as at 30 November 2018 respectively. We note that the customer base of enterprises increased from RMB72.7 million as at 31 December 2017 to RMB145.4 million as at 30 November 2018, representing a growth of approximately 100%, while the individual customer base only increased approximately 6.5% during the 11 months ended 30 November 2018 ("**11M2018**"). The customer base of enterprises was approximately RMB79.0 million, RMB59.1 million and RMB72.7 million as at 31 December 2015, 2016 and 2017 respectively and the customer base of individual was approximately RMB181.6 million, RMB196.3 million and RMB233.4 million as at 31 December 2015, 2016 and 2017 respectively.

Table 6: Loan portfolio by security

	As at 30 November 2018		As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Secured loans								
Real estate-backed loans	27,731	7.0	28,762	9.4	30,703	12.0	41,295	15.8
Micro loans	52,163	13.2	54,851	17.9	26,250	10.3	17,959	6.9
	79,894	20.2	83,613	27.3	56,953	22.3	59,254	22.7
Unsecured loans								
Micro loans	209,400	53.2	171,794	56.1	162,345	63.6	149,720	57.5
Other loans	104,654	26.6	50,697	16.6	36,108	14.1	51,659	19.8
	314,054	79.8	222,491	72.7	198,453	77.7	201,379	77.3
Total	393,948	100.0	306,104	100.0	255,406	100.0	260,633	100.0

As at 30 November 2018, the unsecured loans constituted approximately 79.8% of the loan portfolio in terms of loans amount and the remaining were secured loans. Among other type of loans, over 50% of the loan portfolio was constituted by the unsecured micro loans of approximately RMB209.4 million. Unsecured micro loans also contributed over 50% of the loan portfolio as at 31 December 2015, 2016 and 2017. The increase in total amount of the loan portfolio of approximately RMB87.8 million as at 30 November 2018 from 31 December 2017 was attributable to the increase of unsecured loans of approximately RMB91.6 million after setting off a drop of secured loans of approximately RMB3.7 million.

We also note that approximately 30.0% of the total outstanding loans held by the top five borrowers of the Target Group totalled at approximately RMB118.4 million as at 30 November 2018, increased from approximately RMB75.2 million as at 31 December 2017, representing a surge of approximately 57.4%.

(ii) Financial consultancy services

As disclosed in the section headed "The financial consultancy services" under Appendix III of the Circular, the revenue from the financial consultancy services was comprised of consultancy fees which the Target Group received for the management and financial advisory services for SMEs in the PRC, amounting to approximately RMB37.7 million, RMB24.5 million, RMB10.6 million and RMB44.6 million for the years ended 31 December 2015, 2016, 2017 and for the eleven months ended 30 November 2018, respectively.

For the three years ended 31 December 2017, the financial consultancy services of the Target Group was generally management advisory and training including corporate management, sales management and financial management (the "**Consultancy Business**"). In 2018, on top of the above services, a new line of financial consultancy services was added to provide financial arrangement services to refer potential lenders to other financing companies or lenders in return for referral fees in the PRC (the "**Referral Business**").

Consultancy Business

The Target Group's customers seeking advisory services are generally new customers through its direct and channel marketing, staff referrals and existing customers in Chongqing. As a financial consultancy provider, the Target Group offers its customers private consultation sessions to go through their individual risk profile analyses with them, help them understand their status, financing options and documents to prepare. Under each financing option to be shared with the customers, the Target Group will provide the overall costs (including but not limited to the financial consultancy fees, interests, where applicable), expected processing time, pledge or collaterals required and other remarks. The Target Group will enter into financial consultancy agreements with its customers and the financial consultancy fees will be charged by project.

The table below sets forth the number of contracts from the Consultancy Business for each of the three years ended 31 December 2015, ("**TFY2015**"), 2016 ("**TFY2016**") and 2017 ("**TFY2017**") and 11M2018 (collectively, the "**Financial Review Period**"):

Table 7: Number of contracts from the Consultancy Business

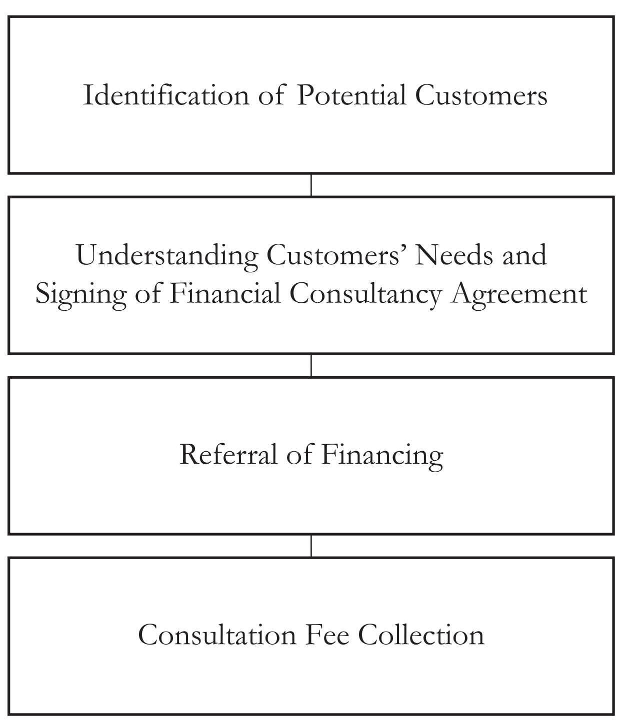
	11M2018	**TFY2017**	**TFY2016**	**TFY2015**
Number of contracts	505	579	1,217	1,673

Referral Business

The business was commenced after the Target Group had been approached by several customers who demanded substantial loans. Those customers approached the Target Group because of the reputation and experience in financing services of the senior management of the Target Group. When the size of the loan demanded by these customers exceeded the Target Group's lending limit of RMB19 million and the customers are not from Chongqing which were beyond the geographic coverage of the Target Group, the Target Group was not able to provide loans for these customers. As the management of the Target Group witnessed the high demand in sizeable loans, the Target Group launched the Referral Business in 2018. As at 30 November 2018, the Target Company had accumulated 5 customers in the Referral Business with the referral loan size ranging from RMB40 million to RMB100 million.

The Target Group refers the customers to other financing companies solely through the personal relationship of the management and the business referrals network of the Target Group. The Target Group will understand the customer's needs, sign financial consultancy agreement with the customer, matching the lender(s) and facilitate the transaction. If those financing companies, being the lender(s), who are referred by the Target Group, agree to grant a loan to the customer, the Target Group will receive a consultancy fee from the customer as a percentage of loan amount loaned out by the financing companies.

The diagram below illustrates the business model and process involved in the Target Group's Referral Business:



Identification of potential customers

The Target Group did not initiate to meet customers with sizeable loan demands. However, potential customers started to approach the Target Group because of the reputation and experience in financing services of the senior management of the Target Group. In early 2019, the Target Group acknowledged the profitability of the Referral Business, and started to engage experienced consultants with strong network and expertise in sizeable loan financing to start sourcing new customers and loan financing companies.

Understanding customers' needs and signing of referral arrangement agreement

Only senior management of the Target Group will deal with customers who demand sizeable loan. They will first examine the needs and objectives of the customers, understand the customer's financial background, size of loan required and purpose of the loan.

After the assessment, if the management thinks the loans demanded by customers match with the risk appetite of some loan financing companies, the financing consultancy agreement will be entered into between the customer and the Target Group. The rate and amount of the charges are clearly disclosed to the customer on the financing consultancy agreement. The management will start sourcing for suitable lenders for the customer.

Referral of financing

Once the financing consultancy agreement is executed, the senior management of the Target Group will act as a financial consultant for the customers to find the viable financing solutions and refers the customer to another financing company through the personal relationships of the management and the business referrals network of the Target Group in return for the consultancy fee. The other financing companies or the potential lenders can be banks, financing companies, financial institutions, corporations or individuals in the PRC or Hong Kong.

If the Target Group successfully matches the lender(s) with the borrower(s), both the lender(s) and the borrower(s) will enter into a definitive loan agreement between both parties in the presence of the senior management of the Target Group or any of its representative.

The Target Group conducts the entire Referral Business in Hong Kong.

As advised by the PRC legal adviser of the Target Group, according to the relevant laws, regulations and regulatory documents currently in force in the PRC, where (i) a Hong Kong-incorporated company acts as an intermediary (the "**Intermediary**") to recommend a party to grant loans to another party (where both the creditor and the debtor are PRC legal entities (non-financial institutions) or natural persons); (ii) each party executes the financial consultancy service agreement in Hong Kong; and (iii) the Intermediary carries out its rights and obligations under the financial consultancy service agreement in Hong Kong (which is the business model of the Target Group's Referral Business, where Wine Financier Limited is the Intermediary), the Intermediary is not required to obtain any PRC administrative approval or license to conduct such Referral Business as described above.

Consultation fee collection

The key to Referral Business is based on the success of the Target Group's ability in securing the required funds for the customers. Their consultation fee is payable by the borrower upon the release of funds. The funds will be transferred from the lender to the borrower in the PRC. These consultancy fees contributed approximately 29.8% of the Target Group's total revenue for the eleven months ended 30 November 2018. The Target Group usually charge 6-10% of the principal amount in total to the customer on a case by case basis.

(iii) Brokerage services

The brokerage services business started operating in 2016 and was disposed of in 2017. Yuanjian Insurance Brokerage Company Limited* (遠見保險代理有限公司)("**Yuanjian**"), being the company operating the brokerage business, was no longer considered as a subsidiary of the Target Group from 17 November 2017.

For TFY2016 and TFY2017, the revenue of brokerage service was approximately RMB0.6 million and RMB3.8 million, respectively. They represented brokerage income generated from insurance agent services in the PRC.

(C) Licenses and permits obtained by the Target Group

As at the Latest Practicable Date, the Target Group has obtained the following licences and approval required for the operation of its businesses in the relevant jurisdictions:

Table 8: Licenses and permits obtained by the Target Group

Company Name	Business activity(ies) and jurisdiction	Type of licence and approval	Details of licence and approval	Expiry date of the licence
Run Tong Credit (Liangjiang District Chongqing) Co., Ltd, an indirect non wholly-owned subsidiary of the Target Company ("**Run Tong Credit**")	provision of micro-financing in Chongqing City, PRC	Chongqing Municipality Finance Office's approval on the incorporation of Run Tong Credit (Liangjiang District Chongqing) Co., Ltd (Yujin 2011 No. 212)* (重慶市金融工作辦公室關於同意重慶市兩江新區潤通小額貸款有限公司開業的批復(渝金[2011]212號)) ("**Chongqing Approval**")	The approval was granted by the Chongqing Municipality Finance Office on 27 September 2011 which approved, among others, its incorporation and business scope of provision of loan, discounted bills and asset transfers services	–
	provision of entrusted loan in Chongqing, PRC	Chongqing Municipality Local Financial Supervision Department's opinion on Run Tong Credit (Liangjiang District Chongqing) Co., Ltd's continuation of the business of entrusted loan* (重慶市地方金融監督管理局關於重慶兩江新區潤通小額貸款有限公司繼續開展委託貸款業務的備案意見)(渝金[2018]438號)號) ("**Chongqing Opinion**")	The opinion was issued by the Chongqing Municipality Local Financial Supervision Department on 18 December 2018 which approved the continuation of the business of entrusted loan	17 December 2019
China Runking Financing Group Limited, an indirect non wholly-owned subsidiary of the Target Company ("**China Runking**")	provision of loan financing services and investment holdings in Hong Kong	money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) ("**Money Lender's Licence**")	money lender licence no. 1224/2018	16 June 2019

Chongqing Approval

As advised by the PRC legal adviser of the Target Group, under the relevant PRC rules and regulations, there are no requirements to obtain financial permits for the establishment of micro-finance companies. Instead, according to the Guiding Opinions of the China Banking Regulatory Commission and the People's Bank of China on the Pilot Scheme for Microfinance Companies (中國銀行業監督管理委員會、中國人民銀行關於小額貸款公司試點的指導意見*), in order to establish a micro-finance company, a formal submission should be made to the responsible provincial government authority. The Chongqing Municipality Finance Office is responsible for examining applications for establishing micro-finance companies in the Chongqing administrative region.

As set out in the table above, Run Tong Credit has obtained the Chongqing Approval from the Chongqing Municipality Finance Office. As advised by the PRC legal adviser of the Target Group, the Chongqing Approval does not impose a limitation to the period of operation of Run Tong Credit's micro-financing business, whilst the business license of Run Tong Credit issued by Chongqing Administration for Industry and Commerce (重慶市工商行政管理局) specifies that the operating period of Run Tong Credit is 30 years from 18 October 2011 to 17 October 2041.

Chongqing Opinion

As advised by the PRC legal adviser of the Target Group, according to the relevant provisional measures of the PRC, the commencement of entrusted loan business by a microfinance company requires the review and issuance of a review opinion by the relevant municipality finance office. The issuance of the Chongqing Opinion by the Chongqing Municipality Local Financial Supervision Department shall be considered as the Chongqing Municipality Local Financial Supervision Department's agreement to the commencement of the entrusted loan business of Run Tong Credit. The Chongqing Opinion is valid for one year and is required to be renewed upon expiry every year.

The PRC legal adviser of the Target Group is of the opinion that whether Run Tong Credit can successfully renew the validity of the Chongqing Opinion upon its expiry would depend on whether there are changes in the laws, regulations and policies, and whether the business operation of Run Tong Credit can fulfil the requirements under such relevant laws, regulations and policies at the time of the renewal. As at the Latest Practicable Date, the Board is not aware of any difficulties or obstacles in obtaining the renewal of the Chongqing Opinion upon its expiration.

As advised by the PRC legal advisers of the Company, as at the Latest Practicable Date, Run Tong Credit (i) has obtained the approvals and filings required for the operation of the business activities, and in the jurisdiction(s), in each case as described in the table above; (ii) had met the relevant legal and regulatory requirements in relation to the operation of the business activities; and (iii) such approvals and filings remain valid and effective as at the Latest Practicable Date.

According to the Money Lenders Ordinance (Cap. 163), every licence shall authorise the person and/or entity named therein to carry on business as a money lender for a period of 12 months from the date on which it is granted. The licensee may apply for renewal of licence within 3 months prior to the expiration by filing the relevant forms and paying the prescribed fees to the Registrar of Money Lenders. As the Money Lender's Licence will expire on 16 June 2019, as at the Latest Practicable Date, the Target Group will file all the necessary document(s) to renew such licence. As at the Latest Practicable Date, the Board is not aware of any difficulties or obstacles in obtaining the renewal of the Money Lender's Licence.

Provision of entrusted Loan

As at the Latest Practicable Date, Shanghai Kangjie Commercial Consultancy Limited(上海康鍇商務諮詢有限公司*)("**Shanghai Kangjie**") has entrusted its own funds to Run Tong Credit, and Run Tong Credit on-lent such funds to certain independent third parties of the Target Group (the "**Shanghai Kangjie Entrusted Loans**"). As at the Latest Practicable Date, the Shanghai Kangjie Entrusted Loans remain outstanding.

According to the Interim Administrative Measures for Entrusted Loan(委託貸款暫行辦法*), the principal of an entrusted loan (i.e. the party providing the funds) arranged by a micro-financing company is not subject to geographical constraints and is not required to obtain any record-filing opinions. Therefore, as advised by the PRC legal adviser of the Target Group, Shanghai Kangkai, as a principal of entrusted loans, does not need to obtain any approvals from, or file any documents with, the local financial supervision department.

The PRC legal advisers of the Company also advised that no license, permit or approval is required for the members of the Target Group to carry out the Referral Business and the Consultancy Business.

(D) Financial information of the Target Group

Set out below is the discussion and analysis of the financial information of the Target Group.

(i) Financial performance

The following is an extract of the audited financial results of the Target Group for the Financial Review Period, as extracted from the Accountant's Report.

Table 9: Highlight of the financial results of the Target Group

	11M2018 **(Audited)** *(RMB'000)*	**TFY2017** **(Audited)** *(RMB'000)*	**TFY2016** **(Audited)** *(RMB'000)*	**TFY2015** **(Audited)** *(RMB'000)*
Revenue	115,542	60,616	78,824	75,539
Other income	735	1,180	2,913	9,092
Finance costs	(4,240)	(3,295)	(3,460)	(12,399)
Administrative expenses	(36,640)	(50,389)	(56,698)	(57,528)
Allowance for impairment on loan receivables, net	(3,877)	(2,823)	(5,608)	4,288
Realised gain on held-for-trading investments	442	1,605	1,008	710
Gain/(loss) on disposal of subsidiaries	28	2,116	7,139	(3)
Profit before tax	71,990	9,010	24,118	19,699
Profit for the year/period attributable to shareholders of the Target Company	50,658	2,257	10,761	3,722

Source: the Accountant's Report

(1) Revenue

As set out above, revenue of the Target Group for TFY2015, TFY2016, TFY2017 and 11M2018 were approximately RMB75.5 million, RMB78.8 million, RMB60.6 million and RMB115.5 million, respectively. Revenue was primarily derived from interest income through the provision of loans, representing approximately 50.1%, 68.2%, 76.3% and 61.4% of the total revenue for TFY2015, TFY2016, TFY2017 and 11M2018 respectively.

For 11M2018, the Group has recorded an increase in revenue of approximately RMB 54.9 million, representing a growth of approximately 90.6% compared to that of TFY2017. The increase in revenue is mainly resulted from: (i) an increase in loan financing demand from small and medium enterprises in Hong Kong; and (ii) the launch of the Referral Business during the period. The revenue generated from interest income and financial consultancy services grew from approximately RMB46.2 million to RMB71.0 million and from approximately RMB10.6 million to RMB44.6 million respectively, each representing growth of approximately 53.7% and 320.8%, from TFY2017 to 11M2018. As advised by the Management, the surge in the revenue of financial consultancy services of approximately 320.8% was primarily attributable to the Referral Business, which contributed approximately RMB34.4 million for 11M2018. The Consultancy Business generated revenue of approximately RMB10.2 million for 11M2018, representing a slight decrease of approximately 3.8% as compared to approximately RMB10.6 million for TFY2017. The loan financing business, the Consultancy Business and the Referral Business contributed approximately 61.4%, 8.8% and 29.8% of the Target Group's total revenue for 11M2018, respectively.

(2) Other income

During the Financial Review Period, other income were approximately RMB9.1 million, RMB2.9 million, RMB1.2 million and RMB0.7 million for TFY2015, TFY2016, TFY2017 and 11M2018 respectively, showing an exponential decline in each period. Such decrease was mainly attributable to the decline in the income from government grants, net exchange gain and bank interest income in addition to the termination of one-off service handling fee charges.

(3) Finance cost

During the Financial Review Period, the financial cost were approximately RMB12.4 million, RMB3.5 million, RMB3.3 million and RMB4.2 million for TFY2015, TFY2016, TFY2017 and 11M2018 respectively. Save for the comparatively high finance cost shown in TFY2015, the finance cost grew steadily between approximately RMB3.3 million to RMB4.2 million for each period. The significant extreme amount shown in TFY2015 was attributable to the interest obligations under finance leases of approximately RMB8.1 million.

(4) Administrative expenses

During the Financial Review Period, the administrative expenses were approximately RMB57.5 million, RMB56.7 million, RMB50.4 million and RMB36.6 million for TFY2015, TFY2016, TFY2017 and 11M2018 respectively. For 11M2018, the administrative expenses reduced to approximately RMB36.6 million, representing a reduction of approximately 27.4% compared to that of TFY2017. Such reduction was mainly attributable to: (i) the disposal of Yuanjian which reduced the related operating expenses; and (ii) the decrease in staff costs.

As advised by the Management, before the disposal of Yuanjian, the administrative expenses attributable thereto were approximately RMB0.4 million and RMB6.1 million for TFY2016 and TFY2017, respectively, including mainly office rental and other expenses. The Target Group has also reduced its headcount from 135 as of 31 December 2017 to 110 as at 30 November 2018 under an organisation restricting exercise, which effectively reduced the amount of remunerations by approximately RMB8.0 million in 11M2018. The Management represented that, under its business model, the increase of loan interest income and the launch of the new business line in financial consultancy services would not materially increase the staff workload and hence staff costs. As a result, the administrative expenses were reduced while the Target Group recorded a revenue growth for 11M2018.

(5) Allowance for impairment on loan receivables, net

For TFY2015, a net reversal for impairment on loan receivables of approximately RMB4.3 million was noted. For the rest of the Financial Review Period, the net allowance for impairment on loan receivables were approximately RMB5.6 million, RMB2.8 million and RMB3.9 million for TFY2016, TFY2017 and 11M2018 respectively. In accordance with the applicable accounting standards adopted by the Target Company, after the loans have been granted, the Target Company will make an allowance for impairment on loan receivables based on internal assessment of the credit risk of corresponding loans. Once the loans have been repaid, the corresponding amount of allowance for loan impairment will be written back. During the Financial Review Period, the allowance for loan impairment were approximately RMB9.3 million, RMB7.7 million, RMB6.8 million and RMB11.2 million for TFY2015, TFY2016, TFY2017 and 11M2018 respectively while the reversal of allowance for impairment on loan receivables were approximately RMB13.6 million, RMB2.1 million, RMB4.0 million and RMB7.4 million respectively for the corresponding period. The amounts written back were approximately RMB11.3 million and RMB0.2 million for TFY2015 and TFY2016 respectively and no amount was written back during TFY2017 and 11M2018.

(6) Realised gain on held-for-trading investments

During the Financial Review Period, the realised gain on held-for-trading investments were approximately RMB0.7 million, RMB1.0 million, RMB1.6 million and RMB0.4 million for TFY2015, TFY2016, TFY2017 and 11M2018 respectively. As at 31 December 2016, the held-for-trading investments represented investment-linked structured deposits with banks, with principal amounts of approximately RMB43.6 million which has been disposed during TFY2017. As at 31 December 2017, the Target Company did not hold any asset classified as held-for-trading investments. As at 30 November 2018, the Target Group held unlisted funds managed by a PRC bank with underlying financial instruments mainly consist of PRC bank deposits and bonds of approximately RMB180,000.

(7) Profit for the year/period attributable to shareholders of the Target Company

During the Financial Review Period, the Target Group has recorded net profit attributable to shareholders of the Target Company of approximately RMB3.7 million, RMB10.8 million, RMB2.3 million and RMB50.7 million for TFY2015, TFY2016, TFY2017 and 11M2018, respectively. As a result of, among others, the significant growth in the revenue and reduction in administrative expenses as discussed in paragraphs (1) and (4) above respectively, the net profit attributable to shareholders of the Target Company in 11M2018 grew by approximately RMB48.4 million or approximately 2,104% compared to that of TFY2017.

With respect to the bases upon which the Management considered that the Referral Business would be a contributor of sustainable income for the Group, as discussed with the Management and the Independent Valuer, having taken into account the following factors: (i) the established business model and processes run by the Referral Business, as described in Appendix III to the Circular; (ii) the highly experienced senior management team consisting of Mr. Ting, Mr. Ji Zuguang and Mr. Ding Lu, who are highly experienced in conducting the Referral Business and the loan financing business in general, as described in Appendix III to the Circular; (iii) the significant momentum and financial results achieved by the Referral Business in its first year of operation (i.e. 2018); (iv) two financial consultancy agreements entered into by the Target Group with Independent Third Party clients, in the period between 1 January 2019 and the Latest Practicable Date, with a total principal amount of loans of approximately RMB830 million; and (v) the favourable industry outlook of the loan financing industry, the Management concluded and we concur with such view that the Referral Business would be a contributor of sustainable income for the Group.

(ii) Financial position

The following is an extract of the financial positions of the Target Group as at 31 December 2015, 2016 and 2017, and 30 November 2018.

Table 10: Highlight of the financial positions of the Target Group

	As at 30 November	As at 31 December		
	2018	2017	2016	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Non-current assets				
Property, plant and equipment	2,738	4,589	7,053	11,195
Club membership	1,137	1,066	1,146	1,072
Loan and interest receivables	16,515	7,879	29,448	24,286
Deferred tax assets	5,729	4,603	3,874	3,351
Goodwill	6,717	6,717	6,717	6,717
	32,836	**24,854**	**48,238**	**46,621**
Current assets				
Loan and interest receivables	412,560	318,207	240,036	227,829
Prepayment and other receivables	7,184	7,391	28,771	8,355
Held-for-trading investments/financial assets at fair value through profit or loss	180	–	43,580	–
Amount due from a shareholder	1	–	–	1
Amounts due from directors	–	5,000	–	–
Amount due from related companies	581	533	5,012	4,722
Bank balances and cash	59,117	23,792	12,092	115,372
	479,623	**354,923**	**329,491**	**356,279**

	As at 30 November	As at 31 December		
	2018	2017	2016	2015
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Non-current liabilities				
Obligations under finance leases	–	–	–	1,245
Deferred tax liabilities	721	580	519	571
	721	**580**	**519**	**1,816**
Current liabilities				
Accruals and other payables	8,830	6,289	5,336	6,034
Amount due to a non-controlling shareholder	3	3	3	3
Amount due to a director	–	–	5,539	12,834
Amount due to related companies	–	–	222,464	210,156
Financial assets sold under repurchase agreement	–	–	–	10,112
Borrowings	125,519	60,537	26,932	44,318
Obligations under finance leases	–	–	–	1,206
Tax payables	18,105	13,111	8,725	7,984
	152,457	**79,940**	**268,999**	**292,647**
Equity				
Attributable to equity holders	264,632	214,516	(12,639)	(8,512)
Non-controlling interests	94,649	84,741	120,850	116,949
Total equity	**359,281**	**299,257**	**108,211**	**108,437**

Source: the Accountant's Report

(1) Loans and interest receivables

Loan and interest receivables represented the financing advances provided to customers which were partially secured by collaterals, and interest revenue has been earned, but has not yet been received.

As at 30 November 2018, the loan receivables consist of real estate-backed loans, secured and unsecured micro loans and others, with average loan periods of 180 days to 1 year, 90 days to 4 years, 150 days to 600 days, respectively. The loans provided to customers bore fixed interest rate at 0.3% to 3.5% per month and was repayable according to the loan agreements.

The non-current portion of loan and interest receivables were approximately RMB24.3 million, RMB29.4 million, RMB7.9 million and RMB16.5 million as at 31 December 2015, 2016 and 2017, and 30 November 2018, respectively. The current portion of loan and interest receivables were approximately RMB227.8 million, RMB240.0 million, RMB318.2 million and RMB412.6 million as at 31 December 2015, 2016 and 2017, and 30 November 2018. The increasing trend of current portion of loan and interest receivables as compared to the decreasing trend of non-current portion of loan and interest receivables were due to the change of customers' preference on loan terms.

(2) Equity and capital structure

As at 30 November 2018, the share capital of the Target Group consisted of share capital of RMB618 and reserves of approximately RMB264.6 million.

(3) Amount due to and borrowings

As at 30 November 2018, the Target Group had an amount due to a shareholder of approximately RMB3,000 which was unsecured, interest-free and repayable on demand. The borrowings of the Target Group of approximately RMB125.5 million were guaranteed and repayable within two years, representing an increase of approximately RMB65.0 million or 107.4% compared to approximately RMB60.5 million of borrowings as at 31 December 2017. The increase in borrowings was to obtain sufficient capital for providing loans to customers to generate interest income. As at 30 November 2018, the borrowings bore interest at annual fixed rates of 2% to 10% per annum.

7. Assessment of the Consideration

As disclosed under the paragraph headed "Basis of Consideration" under the section headed "The Acquisitions" in the Letter from the Board, each of the CVP Consideration and the SRA Consideration was agreed between the Company on the one hand and CVP and SRA respectively on the other hand after arm's length negotiations with reference to, among others, (i) the consideration of the acquisition of 18% interest in the Target Company by Apex Treasure International Limited, an indirect wholly-owned subsidiary of Value Convergence, on 8 March 2018 (which was HK$160 million) (the "**Reference Acquisition**"); (ii) based on the Independent Valuer's preliminary advice as to the market-based approach adopted by the Directors which referenced to the Reference Acquisition (being the latest acquisition of equity interest in the Target Company), the preliminary assessment of the Directors that the valuation of the entire interest in the Target Group would be not less than HK$890 million, which is the total amount of consideration for the Reference Acquisition assuming 100% interest in the Target Company were acquired; (iii) the result of the independent analysis by adopting guideline transaction method conducted by the Company by examining the historical considerations once paid by SRA in 2016 and during the Reference Acquisition in 2018; (iv) the positive future business prospects of the Target Company for reasons set out in the said relevant paragraph in the Letter from the Board; and (v) the benefits to be derived by the Group from the Acquisitions as described under the paragraph headed "Reasons for and benefits of the Acquisitions" in the Letter from the Board.

(A) The Valuation

Introduction

Independent Shareholders' attention is drawn to the appraised value of the 100% interest in the Target Company at the Date of Valuation of HK$1,098.0 million as set out in the Valuation Report. The Consideration for the 77% interests in the Target Group is HK$685.3 million, which is at a discount of approximately 18.9% to 77% of the appraised value of the Valuation of HK$845.5 million (the "**Attributable Appraised Value**").

We have reviewed the Valuation Report and interviewed the relevant team members of the Independent Valuer with particular attention to: (i) the terms of engagement of the Independent Valuer with the Company; (ii) the qualification and experience of the Independent Valuer in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer in performing the Valuation. After our review of the engagement letter between the Company and the Independent Valuer, we are satisfied that the scope of work performed by the Independent Valuer is appropriate to give the opinion. We are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Valuer. The Independent Valuer has confirmed that it is independent from the Company, the Target Company and the Vendors and their respective related persons. We further understand that the Independent Valuer is certified with the relevant professional qualifications required to perform the Valuation. Each of the person in-charge of the Valuation and the supervisor of the Valuation has over 20 years and 9 years of experience, respectively, in conducting valuation services to a wide range of clients in different industries. We also note that the Independent Valuer mainly conducted its due diligence through its own research and has relied on public information obtained through its own research as well as the financial information provided by the Management. The Independent Valuer represented that it has assumed such information to be true, complete and accurate and has accepted it without verification.

In light of the above, we are not aware of any matters that would cause us to question the Independent Valuer's expertise and independence and we consider that the Independent Valuer has sufficient expertise and is independent to perform the Valuation.

Valuation methodology

We understand that the common valuation approaches include asset approach, market approach and income approach. Asset approach provides an indication of value by aggregating the market values of the subject company's assets and liabilities. Market approach provides an indication of value by comparing the asset with identical or comparable assets for which price information is available. Income approach provides an indication of value by converting future economic benefits to a present value.

As discussed with the Independent Valuer, the Independent Valuer considers that the market approach to be the most appropriate valuation approach over the income approach and the asset approach as: (i) the income approach requires relatively subjective assumptions to which the valuation is largely influenced by any inappropriate assumptions made; (ii) the asset approach is unlikely to capture the future earning potential of the Target Company; and (iii) the application of market approach is relatively more objective as publicly available data is used which reflects the market consensus on the pricing of similar assets. Under market approach, the Independent Valuer adopted the guideline public company method where the valuation was performed by comparing the Target Company with reference to comparable listed companies (the "**Valuation Comparable Companies**"). As explained by the Independent Valuer, the guideline transaction method, which we understand to be another commonly adopted valuation method under the market approach, was not selected because it anticipated that the sample size of the relevant comparable transactions might be insufficient to draw a meaningful conclusion for the Valuation.

Sample selection

From the discussion with the Independent Valuer, we understand that they have exhaustively identified 8 Valuation Comparable Companies which: (i) more than 80% of the revenue and profit were generated from the loan financing and financial consultancy services in the PRC for the trailing 12-month period with at least 60% of such revenue and profit generated from loan financing (the "**Revenue Requirements**"); (ii) have sufficient listing and operating histories; and (iii) their financial information are available to the public. The information of the Valuation Comparable Companies were extracted from Bloomberg and the website of the Stock Exchange (i.e. www.hkexnews.hk). For details of the Valuation Comparable Companies, please refer to the Valuation Report as set out in Appendix V to the Circular.

We have discussed with the Independent Valuer to understand the appropriateness of the selection criteria of the Valuation Comparable Companies. In the course of our assessment of the Valuation, we understand from the Independent Valuer that companies engaged in financial leasing have been excluded as these companies typically own or purchase leased assets prior to leasing them to customers in return for rental income. In the case of financial lease from which most leasing companies generate their revenue, the leased assets would not be returned to the lessor, which the Independent Valuer considered that such arrangement was different from an ordinary loan arrangement where the creditors would receive both interest and principal (akin to the leased asset under a financial lease) at the end of the loan term, thus we agree to exclude the leasing companies as comparable companies in the Valuation.

We also note that instead of simply applying a 50% revenue criteria, the Independent Valuer has specified that the Valuation Comparable Companies have to meet two criteria: (i) the revenue generated from the loan financing and financial consultancy services in the PRC for the trailing 12-month period contributed at least 80% of the total revenue; and (ii) at least 60% of such revenue generated from loan financing. The Independent Valuer represented that based on the revenue composition of the Target Group from 1 December 2017 to 30 November 2018, loan financing business, the Consultancy Business and the Referral Business contributed approximately 61.4%, 8.8% and 29.8% of its revenue, respectively. To prepare for a precise valuation of the Target Group, the Independent Valuer therefore applied the 60% loan financing business revenue contribution requirement and a further 80% loan financing and financial consultancy services revenue contribution requirement (i.e. the Revenue Requirements) as the more stringent selection criteria of the Valuation Comparable Companies.

In addition, with respect to the Valuation Comparable Companies selected by the Independent Valuer, we have extracted the latest annual, interim or quarterly reports, where applicable, of each of the Valuation Comparable Companies from the Stock Exchange and reviewed their business activities, sources of income and operating locations. We understand that each of them met the Revenue Requirements. As such, we consider the operating business of all the Valuation Comparable Companies are sufficiently comparable to the Target Group. We note that the operating scale of the Valuation Comparable Companies ranged from the trailing 12-month revenue of approximately HK$69.7 million to HK$798.3 million while the trailing 12-month revenue of the Target Group is approximately HK$137.5 million. As such, the Target Group's trailing 12-month revenue falls within the range of the Valuation Comparable Companies. Based on our assessment on the Valuation Comparable Companies, we are of the view that each of them is comparable to the Target Group and can provide a fair and representative benchmark for the valuation of the Target Company, therefore, we consider that the selection criteria of the Valuation Comparable Companies to be justifiable.

Choice of valuation multiples

For the valuation of the fair value of the equity interest in the Target Company, the Independent Valuer adopted the measure of price-to-earnings multiples (the "**P/E Multiples**") ratio. As stated in the Valuation Report, the Independent Valuer excluded the measure of price-to-sales multiples (the "**P/S Multiples**") ratio and price-to-book multiples (the "**P/B Multiples**") ratio. The reason for the Independent Valuer not using P/S Multiples is because it is unable to capture the differences in cost structure between the Valuation Comparable Companies and the Target Company while P/B Multiples was not used because it does not consider the profitability or the earning potential of the Target Company. Considering the fact that the Target Company has significant profit margin (over 50%), we concur with the view of the Independent Valuer that the P/E Multiples of the Valuation Comparable Companies to be the most appropriate valuation multiple for the Valuation and is a common market practice. We further understand from the Independent Valuer that the average P/E Multiple (excluding maximum and minimum figures) of the Valuation Comparable Companies was adopted in the Valuation. In this regard, we consider that the Independent Valuer's adoption of such P/E Multiple to be reasonable.

Control premium

Since the Acquisitions involve transferring a controlling stake (i.e. 77%) of the Target Company, the Independent Valuer has applied a control premium of 26% in the valuation exercise. According to the Independent Valuer, the control premium measures the amount paid by an investor for the benefit of controlling the subject company's assets and cash flows, which could be quantified by the percentage difference between the purchase price per share and the market trading price per share. We have discussed with the Independent Valuer the concept of the control premium and noted that this was commonly applied in valuation exercise. We understand from the Independent Valuer that the control premium was adopted with the most recently available reference to a control premium study in 4th quarter 2017 published by FactSet Mergerstat, LLC, an independent information provider for merger and acquisition transaction data for investment professionals. We have obtained the relevant extract of the study and noted that, according to the study, the median and average of control premiums in 114 transactions were approximately 26.0% and 54.5% respectively. As advised by the Independent Valuer, the median was adopted for the sake of minimising effect of extreme data, which we agree. Having considered: (i) the empirical data support by a global financial database provider; and (ii) the reason for adopting the median instead of the average control premium, we consider that the control premium of 26% applied by the Independent Valuer to be fair and reasonable.

Marketability discount

As the Target Company is a privately held company, the Independent Valuer has applied a marketability discount of 15.8% due to its lack of marketability as compared to public companies. We have discussed with the Independent Valuer and understand that the marketability discount was adopted with reference to the restricted stock study published in "Stout Restricted Stock Study 2018" by Stout Risius Ross, LLC, one of the national preeminent firms offering a broad range of financial advisory services to private and public companies. We have obtained the relevant extract of the study and noted that, according to the study, the average and median of marketability discounts in 747 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 to December 2018 were approximately 20.7% and 15.8% respectively. As advised by the Independent Valuer, the median was adopted for the sake of minimizing effect of extreme data, which we agree. Having considered: (i) the empirical data support by a global financial database provider; and (ii) the reason for adopting the median instead of the average marketability discount, we consider that the marketability discount of 15.8% applied by the Independent Valuer to be fair and reasonable.

Calculation of the appraised value

As shown in the Valuation Report, to arrive at the final valuation figure for the 77% equity interest in the Target Company, the Independent Valuer first multiplied the average P/E Multiple (excluding maximum and minimum figures) of the Valuation Comparable Companies of approximately 17.9 times by the consolidated net profit from operating activities attributable to shareholders of the Target Company for the period between 1 December 2017 and 30 November 2018 (i.e. the Combined Financial Information) of approximately HK$57.8 million to arrive at the preliminary appraised value of the 100% equity interest of the Target Company of approximately HK$1,098.0 million.

As stated in the Letter from the Board, the Combined Financial Information were prepared by adding the consolidated management accounts of the Target Group for the one month ended 31 December 2017 (the "**Dec-17 Financials**") onto the audited consolidated financial statement of the Target Group as at 30 November 2018 after adjustment made on the minority interest of the Target Group. In evaluating the accuracy and correctness of the Combined Financial Information, the Management represented that: (i) for 11M2018, they solely relied on the Accountant's Report; and (ii) for Dec-17 Financials, they have deducted the Target Group's TFY2017 financial information by the 11M2017 financial information as shown as the comparative figures in the Accountant's Report, and confirmed that the figures of the Dec-17 Financials so calculated and those directly extracted from its management accounts matched with each other. As such, the Directors ensured the accuracy and completeness of the Combined Financial Information and we agree with the Directors' steps taken in the verification.

After adjusting for the aforesaid control premium and marketability discount of 26% and 15.8% respectively, the 100% equity interest of the Target Company rounded down to the nearest million would be approximately HK$1,098.0 million. For the 77% equity interest in the Target Company, the equivalent Attributable Appraised Value would be approximately HK$845.5 million.

Our view

Having discussed the above market approach adopted by the Independent Valuer and reviewed the details of their valuation methodology, bases and assumptions, we are of the opinion that the chosen valuation methodology in establishing the Valuation is in line with market practices to value businesses of a similar nature.

(B) Finance Comparable Companies

We understand the Target Group is principally engaged in the provision of: (i) secured financing services; (ii) microfinance services; (iii) financial consultancy services; and (iv) loan financing services, and the revenue is primarily derived from the interest income. To assess the fairness and reasonableness of the Consideration, we have conducted our own independent analysis by comparing the relevant listed peer companies, which are engaged in similar principal business activities, against the Target Company. We consider our selection of listed companies as Finance Comparable Companies (as defined below) to be complementary to the Independent Valuer's selection of public companies as the Valuation Comparable Companies. We performed our own additional analysis on the Consideration by observing the valuation multiples of the Finance Comparable Companies (as defined below) against the Target Company, instead of duplicating work performed by the Independent Valuer in comparing the valuation multiples of comparable public companies against the Target Company. Unlike the Valuation, we are essentially seeking to provide a value comparison between the Finance Comparable Companies (as defined below) and the Target Company for reference purpose rather than a precise indication of value of the Target Company, as it was in the case of the Valuation. Therefore, under such exercise, our analysis would not have adjustments of any kind (i.e. discount on lack of marketability or control premium, etc.).

Among the valuation multiples available for our own independent analysis of the Consideration, we have identified that the P/E Multiple to be the most appropriate method on the basis that: (i) the Target Company has significant profit margin (over 50%) such that its profitability and earning potentials are crucial to its valuation; and (ii) the Independent Valuer has also applied the P/E Multiple in its valuation exercise of the Target Company.

Apart from the adoption of companies which are principally engaged in loan related businesses, such as micro-finance, secured and unsecured loan in the comparable analysis, we also employed those companies involving in factoring business in our analysis, taking into account that the factoring business shares the similar business nature, cash flow cycle and risk factor as loan financing business. We consider the abovementioned business activities are comparable to the Target Group and useful for our comparable analysis.

In such regard, we have identified and reviewed, based on information extracted from Bloomberg and the website of the Stock Exchange and selected the comparable companies (the "**Finance Comparable Companies**") where: (i) the shares of which are listed on the Stock Exchange; (ii) they fall under the sectors of commercial finance, consumer finance, mortgage finance and other financial services as categorised by Bloomberg; (iii) at least 50% of the latest reported revenue for the trailing 12-month was derived from the provision of loans, factoring or loan related business (collectively, the "**Related Business**") in the PRC; and (iv) they have positive P/E Multiples.

Although we agree that the Revenue Requirements applied by the Independent Valuer to be justifiable, we consider that our assessment would be for reference purpose rather than a precise indication of value of the Target Company. As such, we relaxed such criteria from "the revenue generated from the loan financing and financial consultancy services in the PRC for the trailing 12-month period contributed at least 80% of the total revenue and at least 60% of such revenue generated from loan financing" to "a majority (i.e. at least 50%) of the latest revenue for the trailing 12-month was derived from the Related Business in the PRC" and consider this to be fair and reasonable.

Based on the above criteria, set out below are 9 Finance Comparable Companies together with the relevant P/E Multiples, the information of which we consider, to the best of our knowledge and ability, to be an exhaustive, fair and representative sample for the purpose of arriving at a meaningful comparison to the Consideration.

Table 11: Summary of the Finance Comparable Companies

Name	**Stock code**	**Principal business activities**	**Percentage of revenue generated from Related Business** *(%)*	**P/E Mutiple** *(times)* *(Note 1)*
Sheng Ye Capital Limited	8469	The company offers financial services. The company provides receivable accounts financing, account management, credit assessment, and other services. It serves customers in large state owned enterprises, listed companies, and other groups.	88.8	27.7
Hanhua Financial Holding Company Limited	3903	The company offers financial services. The company provides financing guarantee, factoring, leasing, and other services. It also operates investment businesses.	51.9	7.2
China Financial Services Holdings Limited	605	The company is a diversified finance service company. The company, through its subsidiaries, provides direct loans by self-owned funds, bank loans by guarantee company, corporate bonds or collective notes financing service through the guarantee function, and financing consulting service based on the financing needs of SMEs.	100	7.6
Gome Finance Technology Company Limited	628	The company is a financial service platform company. The company provides lending credit and debt, floatation of loans, investment management consulting, and other services.	87.4	61.6
Good Resources Holdings Limited	109	The company identifies and assesses investment opportunities and provides financial services. It also trades children's playground equipment.	100	19.0

Name	Stock code	Principal business activities	Percentage of revenue generated from Related Business (%)	P/E Mutiple (times) (Note 1)
Yangzhou Guangling District Taihe Rural Micro-finance Company Limited	8252	The company offers financial services. The company provides loans issuing, financing guarantee, financial institutions business agency, and other businesses. It serves SMEs, individual businesses, and other groups in Yangzhou.	100	16.6
Quanzhou Huixin Micro-Credit Company Limited	1577	The company offers micro lending and other related financial services to individuals and small business throughout China.	100	10.5
China Huirong Financial Holdings Limited	1290	The company is a short-term secured financing service provider. The company specializes in providing short-term loans secured by collateral, or "pawn loans", to customers.	100	15.9
Zuoli Kechuang Micro-Finance Company Limited	6866	The company focuses on providing credit-based financing solutions to Deqing's fast-growing SME and microenterprise sector.	100	2.6
			Average *(Note 2)*	14.9
			Median	15.9
			Maximum	61.6
			Minimum	2.6
			Target Company	15.2 *(Note 3)*

Source: Stock Exchange

Notes:

1. Save for the Target Company, the P/E Multiples of the Finance Comparable Companies are respectively calculated based on the market capitalisation as at the Last Trading Day divided by the trailing 12 month net profit attributable to the shareholders of the Finance Comparable Companies as shown in their respective latest published annual/interim/quarterly reports. For those Finance Comparable Companies' latest published reports that are interim/quarterly reports, the trailing 12 months net profit attributable to the shareholders were derived from the following formula:

   The trailing 12 month net profit attributable to be shareholder equals to: (i) the net profit attributable to the shareholders for the latest period published in the latest published interim/quarterly reports; minus (ii) the net profit attributable to the shareholders for the corresponding period in the previous year; plus (iii) the net profit attributable to the shareholders for the latest financial year in the latest published annual report.

   For those Finance Comparable Companies' latest published reports are annual reports, the trailing 12 month net profit attributable to the shareholders is its net profit for the latest financial year. All reports are extracted from the website of the Stock Exchange, a market-recognised source of listed companies' information and we assume such information are accurate and not misleading.

2. The maximum and minimum of the P/E Multiples of the Finance Comparable Companies are excluded in the calculation of the respective averages.

3. The implied P/E Multiple of the Target Company is calculated by first dividing the Consideration of HK$685.3 million by 77% and then divide the net profit attributable to the shareholders of the Target Company for the trailing 12 month period ended 30 November 2018 of approximately HK$58.7 million.

We noted that the above Finance Comparable Companies may not share identical characteristics, such as operating scale, profit margin or customer base as the Target Company. However, as our analysis is to provide a value comparison between the Finance Comparable Companies and the Target Company for reference purpose rather than a precise indication of value of the Target Company, we consider the aforesaid discrepancy would not affect our conclusion on the fairness and reasonableness of the Consideration. The percentage of revenue generated from Related Business is shown in the above table for additional reference.

The P/E Multiples of the Finance Comparable Companies ranged from approximately 2.6 times to approximately 61.6 times with an average of approximately 14.9 times and median of approximately 15.9 times respectively (without taking into account of the outliers). The implied P/E Multiples of the Target Company is approximately 15.2 times, which is slightly above the average of the Finance Comparable Companies' P/E Multiples, but below the median of the Finance Comparable Companies' P/E Multiples.

(C) Finance Comparable Transactions

As mentioned under the paragraph headed "Basis of Consideration" under the section headed "The Acquisitions" in the Letter from the Board, the Directors has taken into account, among others, the consideration of the Reference Acquisition. With regard to the Reference Acquisition, the Directors reviewed the terms and conditions of the sale and purchase agreement of the Reference Acquisition Agreement and the financial information of the Target Group as at 31 December 2017 as disclosed in the announcement of Value Convergence dated 8 March 2018 (the "**Value Convergence Announcement**"). The Directors had also discussed with the management of the Target Group with regard to the history, operation and the business prospects of the Target Group, the internal financial budget of the Target Group as at the date of the Reference Acquisition Agreement and the factors that contributed to the substantial financial improvement in the Target Group's performance from 31 December 2017 to 31 October 2018. The Directors assessed the change in financial performance and the material assets and liabilities of the Target Company between the date of the Reference Acquisition Agreements and the date of the Agreements, and noted the improvement in revenue and profit and the increase in loan and interest receivables, cash and borrowings of the Target Group during such period. The Directors also reviewed the annual internal financial budget of the Target Group from the date of the Reference Acquisition Agreement to 31 October 2018. Based on the above, the Directors were of the view that the Target Group was experiencing a healthy sizeable growth that was in line with its budget. As a result, the market value of the Target Company as at the date of the Agreements should be higher than the consideration for the Reference Acquisition. To the best knowledge of the Directors, there was no independent valuation of the Target Group that was available to the Company (as the Reference Acquisition was conducted by Value Convergence, an Independent Third Party at the time of the Reference Acquisition, which was in March 2018) as at the time of the Reference Acquisition. Based on the above and given the Reference Acquisition was a recent market transaction on the Target Company, which is the same subject matter as the Acquisitions, we consider the Reference Acquisition would be a meaningful reference to determining the Consideration. Furthermore, we are of the view that, in the absence of any previous valuation done on the Target Company by the parties to the Reference Acquisition Agreement, as far as the Directors are aware, the Directors have conducted sufficient due diligence on the Reference Acquisition.

The appraised value of the Target Group of HK$1,098.0 million is about 23.5% higher than the value implied from the consideration of the Reference Acquisition for entire interest in the Target Company of approximately HK$888.9 million. The consideration of the Reference Acquisition was determined after arm's length negotiations between the parties to the Reference Acquisition, and with reference to the consideration for the acquisition of 25% of the issued share capital of the Target Company by SRA, an independent third party to Value Convergence at the time, on 28 July 2016. Furthermore, as described under the paragraph headed "Basis of Consideration" under the section headed "The Acquisitions" in the Letter from the Board, the Target Group was experiencing a healthy sizeable growth in the business with an improvement in revenue and profit from 31 December 2017 to 31 October 2018 and such improvement was unlikely to have fully reflected in the determination of the consideration of the Reference Acquisition in March 2018. As such, we are of the view that the hypothetical increase in value of the Target Group from the value implied from the consideration of the Reference Acquisition for entire interest in the Target Company of approximately HK$888.9 million to the appraised value of the Target Group of approximately HK$1,098.0 million, to be reasonable.

Apart from the comparison analysis between the listed comparable companies and the Target Company, we further included private companies which are principally engaged in the provision of loan financing, micro-finance or factoring, into our independent analysis, in order to conduct a comprehensive assessment on the fairness and reasonableness of the Consideration.

We have identified and reviewed, based on information extracted from Bloomberg, Mergermarket and the relevant announcement published by the party involving in the transaction, and exhaustively selected the relevant comparable transactions (the "**Finance Comparable Transactions**") based on the following criteria: (i) the transaction was completed within one year prior to and including the Last Trading Day; (ii) the target company fell under the sectors of financial, saving and loans or consumer loans as categorised by Bloomberg or financial services as categorised by Mergermarket; (iii) the target company was principally engaged in the provision of Related Business in the PRC; and (iv) the target company was profit-making in the trailing 12 month period prior to the announcement of the relevant Finance Comparable Transaction.

Table 12: Summary of the Finance Comparable Transactions

Announcement date	Target company	Acquirer (stock code)	Principal business activities *(Note 1)*	P/E Multiple *(times)*
22 August 2018	Shenzhen Haosen Credit Joint Stock (Limited) Company (深圳市浩森小額貸款股份有限公司)	Wealthy Way Group Limited (3848.HK)	The target company is primarily engaged in the provision of small loans to its customers in Shenzhen, the PRC.	50.8
19 June 2018	Haikou Xinhang Small Amount Loan Company Limited (海口信航小額貸款有限公司)	CCOOP Group Co Ltd (564.SZ) (供銷大集集團股份有限公司*)(564.SZ)	The target company is primarily engaged in the provision of micro-finance services.	23.6
8 March 2018	The Target Company	Value Convergence (821.HK)	The target company is principally engaged in the provision of secured financing services, microfinance services, financial consultancy services and loan financing services.	73.6
12 March 2018	Shenzhen Seg Microfinance Company Limited (深圳市賽格小額貸款有限公司)	Saige Group (深圳市賽格集團有限公司*)(N.A.)	The target company is primarily engaged in the provision of micro-finance services.	120.8
8 December 2017	Shanghai Minhang Dazhong Microcredit Company Limited (上海閔行大眾小額貸款股份有限公司*)	Dazhong Transportation (Group) Company Limited (大眾交通(集團)股份有限公司*)(600611.SH)	The target company is primarily engaged in the provision of loan financing and related consulting services.	112.4
			Average	76.2
			Median	73.6
			Maximum	120.8
			Minimum	23.6
			Target Company	15.2 *(Note 2)*

Notes:

1. The P/E Multiples of the Finance Comparable Transactions (including that of the Target Company, as announced by Value Convergence on 8 March 2018) are respectively calculated based on the relevant consideration divided by the trailing 12 month net profit of the relevant target company as shown in respective announcement.

2. The implied P/E Multiple of the Target Company is calculated by first dividing the Consideration of HK$685.3 million by 77% and then divide the net profit attributable to the shareholders of the Target Company for the trailing 12 month period ended 30 November 2018 of approximately HK$58.7 million.

The P/E Multiples of the Finance Comparable Transactions ranged from approximately 23.6 times to approximately 120.8 times with an average of approximately 76.2 times and median of approximately 73.6 times respectively. The implied P/E Multiples of the Target Company is approximately 15.2 times, which is below the range of the P/E Multiples of the Finance Comparable Transactions.

Taking into account the following factors: (i) the Consideration represents a discount of approximately 18.9% to the Attributable Appraised Value; (ii) the implied P/E Multiples of the Target Company is below the median and within the range of P/E Multiples of the Finance Comparable Companies; and (iii) the implied P/E Multiples of the Target Company is below the range of P/E Multiples of the Finance Comparable Transactions, we concur with the view of Directors that the Consideration to be fair and reasonable and in the interests of the Company and Shareholders (including the Independent Shareholders) as a whole.

8. Assessment of the Issue Price of the Consideration Shares

(A) Comparison of market prices of the Shares

As stated in the Letter from the Board, the Issue Price of HK$0.55 was determined on 20 November 2018 (after trading hours) after arm's length negotiation between the Company and the respective Vendors, with reference to, among other things, the average closing price of HK$0.412 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Agreements. The Issue Price represents:

(i) a discount of approximately 15.38% to the closing price of HK$0.65 per Share as quoted on the Stock Exchange as at the Last Trading Day;

(ii) a premium of approximately 7.00% over the average closing price of HK$0.514 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a premium of approximately 33.50% over the average closing price of HK$0.412 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a premium of approximately 48.65% over the average closing price of HK$0.370 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 22.97% to the average closing price of HK$0.714 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a discount of approximately 33.73% to the closing price of HK$0.83 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vii) a premium of approximately 347.2% over the NAV attributable to the Shareholders per Share of approximately HK$0.123 as at 30 September 2018 (the date of which was prior to the date of the Announcement).

As set out in the Letter from the Board, the average closing price of the Shares was approximately HK$0.369, HK$0.816 and HK$1.117 per Share for the last 1 month, 2 months and 3 months, respectively, before the date of the Agreements. The average trading volume was 24,697,800, 17,242,804, 16,795,715 and 17,542,075 Shares for the last 10 consecutive trading days, 1 month, 2 months and 3 months, respectively, before the date of the Agreements. The standard deviation of the Share price was approximately 0.123, 0.101, 0.557 and 0.567 for the last 10 consecutive trading days, 1 month, 2 months and 3 months, respectively, before the date of the Agreements. The Directors considered that the 10-day average closing price was an appropriate reference point for determining the Issue Price due to the following reasons: (i) the average volume of the last 10 consecutive trading days was the highest among the last 10 consecutive trading days, 1 month, 2 months and 3 months; and (ii) there is less dispersion of Share price for shorter time frame (i.e. last 10 consecutive trading days and 1 month) than for longer time frame (i.e. 2 months and 3 months). Given that the Agreements in which the Issue Price was determined was entered into on 20 November 2018 (before trading hours), the closing price of the Shares as at the Latest Practicable Date does not have any bearing on the Issue Price.

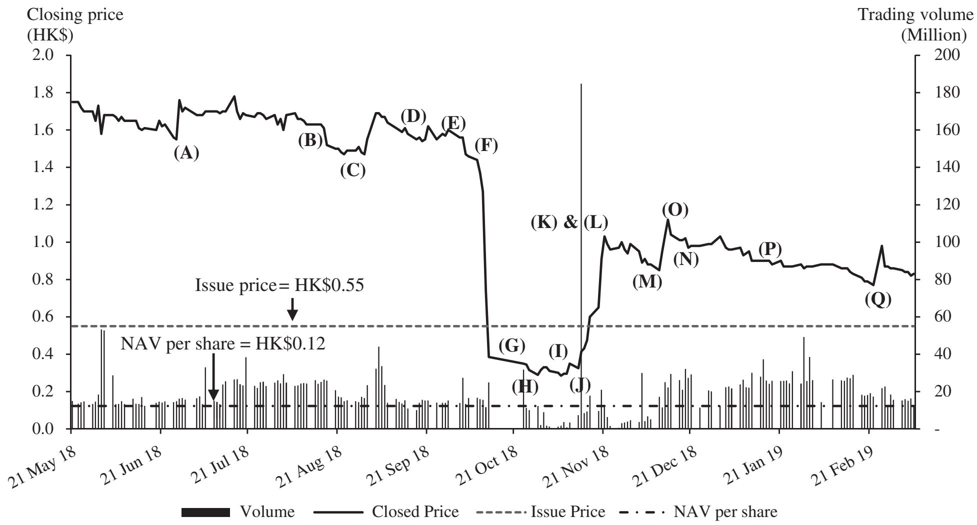
We further note that the Company has identified a list of 4 transactions announced by companies listed on the Stock Exchange (excluding H-shares listed companies) since 20 May 2018 and prior to the date of the Agreements (the "**IP Comparables**") and performed research on the IP Comparables as stated in the Letter from the Board. The issue prices of all of the IP Comparables as compared to the average closing price for the last ten consecutive trading days prior to the signing of the relevant acquisition agreement ranged from a premium of approximately 46.11% to a discount of approximately 11.00%, with an average premium of approximately 7.89%. The Issue Price of HK$0.55 represents a premium of approximately 33.50% over the average closing price for the last ten consecutive trading days prior to the date of the Agreements, and such premium falls at the top range of the abovementioned range, which is significantly above the average premium derived from the IP Comparables.

We consider the IP Comparables to be useful but it is not yet complete to draw a conclusion to the fairness and reasonableness of the Issue Price. In drawing a meaningful conclusion regarding the fairness and reasonableness of the Issue Price, Independent Shareholders should be mindful that the Share prices after the Last Trading Day are not useful in gauging the attractiveness of the Issue Price with historical Share prices as the inside information with respect to the Acquisitions was disclosed in the Announcement. Share prices thereafter, including the Share price as at the Latest Practicable Date, tend to have built in capital expectation of the benefits to the Company expected to accrue from the Acquisitions. In fact, the recent spike in Share prices after the Last Trading Day, rising from HK$0.65 as at the Last Trading Day to HK$0.91 as at the date of the Announcement and later to HK$0.83 as at the Latest Practicable Date, may be due to the positive market expectations of the Acquisitions as displayed through the recent Share prices. Further analysis of the Issue Price is set out in the paragraphs below.

(B) Comparison of market prices of the Shares

Set out below is the movement of the closing prices of the Shares from 20 May 2018, being six months prior to the publication of the Announcement on 20 November 2018 (the "**Announcement Day**"), to and including the Latest Practicable Date (the "**Share Price Review Period**"). As set out in the discussion below, the Company announced a number of developments during the Share Price Review Period which we consider to be crucial in shaping the market price of Shares.

Diagram 1: Movement of the Share Price during the Share Price Review Period



Source: The Stock Exchange

Table 13: Summary of notable announced events of the Company during the Share Price Review Period

Events	Announcement date	Brief description of notable events
A	24 June 2018	Annual results for the year ended 31 March 2018
B	9 August 2018	First quarterly results for the 3 months ended 30 June 2018
C	24 August 2018	Change of executive Directors
D	13 September 2018	Business expansion into the wine auction with the application of blockchain technology

Events	Announcement date	Brief description of notable events
E	24 September 2018	On-market acquisition of approximately 1.41% interest in Remixpoint, Inc., which the company is mainly engaged in energy-related business, auto motive business, virtual currency trading platform business and hotel-related business.
F	8 October 2018	Business update on the profit estimate of the Bartha International Limited and Eternal Pearl Securities Limited
G	19 October 2018	Declaration in relation to the relationship between the Company and China Huarong Asset Management Company Limited in response to the media report published by a financial commentator
H	23 October 2018	The MOU Announcement
I	24 October 2018	Resignation of executive Director
J	9 November 2018	Interim results for the six months ended 30 September 2018
K	20 November 2018	Inside information announcement on potential acquisition of 67.2% in a registered virtual currency exchange service provider
L	20 November 2018	The Announcement
M	9 December 2018	Entering into the agreement in relation to the acquisition of 67.2% interest in BITOCEAN Co., Ltd. which is a virtual currency trading platform operator registered with the Financial Services Agency of Japan

Events	Announcement date	Brief description of notable events
N	10 December 2018	Resignation of executive Director and chief executive officer
O	11 December 2018	Inside information announcement on potential disposal of 51% equity interest in Madison Lab Limited and business collaboration
P	7 January 2019	Appointment of executive Director and chief executive officer
Q	11 February 2019	Third quarterly results for the 9 months ended 31 December 2018

As illustrated by the diagram above, during the Share Price Review Period, the closing Share price traded at an average closing price of approximately HK$1.27 per Share with the maximum and minimum closing price of HK$1.78 per Share and HK$0.29 per Share respectively.

From the beginning of the Share Price Review Period to the day before the Sharp Decline (defined thereunder), the Share price demonstrated a mild downward trend from HK$1.78 to HK$1.44 on 8 October 2018. During this period, we note that following notable events: (i) the release of the Company's annual results for FY2018 and first quarterly results for the three months ended 30 June 2018, on 24 June 2018 and 9 August 2018 respectively; (ii) the resignation of an executive Director on 24 August 2018; (iii) business expansion of the Group into wine auction with the application of the blockchain technology on 13 September 2018; (iv) on-market share acquisition of a Tokyo-listed company mainly engaged in energy-related business, auto motive business, virtual currency trading platform business and hotel-related business on 24 September 2018; and (v) the release of business update on the profit estimate of Bartha International and Eternal Pearl Securities Limited on 8 October 2018.

Starting from 9 October 2018, the Share price plummeted from HK$1.44 to HK$0.385 in 4 trading days till 12 October 2018 (the "**Sharp Decline**"), representing a loss of approximately 73.3%. On the following trading day, 15 October 2018, the Company requested a suspension in the trading of the Shares on the GEM. We notice that the Company released a voluntary announcement on 19 October 2018 responding to an article published by a financial commentator and declaring its independence to China Huarong Asset Management Company Limited (stock code: 2799) from current and past shareholding to any sort of cooperation and business relationship. The Sharp Decline might be the result of the release of such article. Just prior to the resumption of trading of the Shares (the "**Resumption**") on 24 October 2018, the Company released the MOU Announcement on 23 October 2018.

After the Shares resumed trading on 24 October 2018, the Share price continued to hover at a low range from HK$0.29 per Share to HK$0.35 per Share with an average closing Share price of approximately HK$0.317 for the ensuing 13 trading days until 12 November 2018. We have reviewed the Share price movement of this period and note the following notable events: (i) the resignation of Mr. Xiong Hu as an executive Director on 24 October 2018; and (ii) the release of interim results for 1H2019 on 9 November 2018.

No immediate significant Share price movement was noted when the interim results for of the Company for the six months ended 30 September 2018 was released on 9 November 2018 and in fact dropped to HK$0.325 on 12 November 2018, being the first trading after the release of the interim results. Thereafter and just a few trading days prior to release of the Announcement and the announcement of another potential acquisition of a virtual currency trading operator on 20 November 2018, the Share price soared from HK$0.325 on 12 November 2018 to HK$1.03 on 21 November 2018. We are of the view that the aforesaid significant surge of Share prices were likely to be mainly attributed to the possible market speculation on the Acquisitions and the other potential acquisition of a virtual currency trading operator but not the release of the interim results.

During the period commencing from 21 November 2018 to the Latest Practicable Date, the Share price traded flat within a range between HK$0.77 and HK$1.12. We note that the Share price reached a peak of HK$1.12 on 13 December 2018, after the release of announcements in relation to: (i) the acquisition of 67.2% interest in a virtual currency trading platform operator registered to conduct virtual currency exchange business in Japan on 9 December 2018; and (ii) the resignation of Mr. Teoh as an executive Director and chief executive officer on 10 December 2018. The Share price descended ever since till the Latest Practicable Date closed at HK$0.83. During this period, we note the following notable event: (i) the appointment of Mr. Zhou as an executive Director and the chief executive officer on 7 January 2019; and (ii) the release of its third quarterly results for the nine months ended 31 December 2018 on 11 February 2019. During the period commencing from 21 November 2018 to the Latest Practicable Date, the closing Share price traded flat within a range between HK$0.77 per Share and HK$1.12 per Share with an average closing Share price of approximately HK$0.91. We have reviewed the closing Share price movement of this period and noted the following notable events: (i) the release of announcement in relation to the acquisition of 67.2% interest in BITOCEAN Co., Ltd. on 9 December 2018; (ii) the resignation of Mr. Teoh as an executive Director and chief executive officer on 10 December 2018; and (iii) the appointment of Mr. Zhou as an executive Director and the chief executive officer on 7 January 2019.

(C) Wine Comparable Companies

To further assess the fairness and reasonableness of the Issue Price, we have conducted our own independent analysis by comparing the relevant listed peer companies, which are engaged in similar principal business activities, against the Company. Since over 90% of the trailing 12 month revenue of the Company was generated from the wine related business, we performed our own analysis on the Issue Price by observing the valuation multiples of the Wine Comparable Companies (as defined below).

We have identified and reviewed, based on information extracted from Bloomberg and the website of money18.on.cc, the comparable companies (the "**Wine Comparable Companies**") where at least 50% of the latest reported revenue were derived from the wine related business for the trailing 12 month period. P/E Multiples are not applicable because the Company was loss-making for 1H2018 and FY2018.

Based on the above criteria, set out below are 5 Wine Comparable Companies together with the relevant P/B Multiples, the information of which we consider, to the best of our knowledge and ability, to be an exhaustive, fair and representative sample for the purpose of arriving at a meaningful comparison to the Issue Price.

Table 14: Summary of the Wine Comparable Companies

Name	Stock code	Principal business activities	P/B Multiple *(times)* *(Note 1)*
Goldin Financial Holdings Limited	530	Its operations include factoring, wine production and sales, and property investment and development.	1.5
Grace Wine Holding Limited	8146	It operates as a wine producing and marketing company which provides red, white and sparkling wine and other related products worldwide.	1.2
China Tontine Wines Group Limited	389	It produces grape wines which offers a wide range of sweet and dry wines that are sold throughout the PRC.	0.4
Major Holdings Limited	1389	It is a retailer of a wide range of premium wine and spirits products and a personalised wine services provider in Hong Kong.	1.4
Wine's Link International Holdings Limited	8509	It operates as a beverage wholesaler which supplies and distributes red, fine red and white wine, and other alcoholic product, and sells wine accessory products in Hong Kong.	1.4
		Average	**1.2**
		Median	**1.4**
		Maximum	**1.5**
		Minimum	**0.4**
The Company *(Note 2)*	**8057**		**4.5**

Notes:

1. Save for the Company, the P/B Multiples of the Wine Comparable Companies are respectively calculated based on the market capitalisation as at the Last Trading Day divided by the NAV attributable to the shareholders of the Wine Comparable Companies as shown in their respective latest published annual/interim/quarterly reports prior to the date of the Announcement. As there is no significant outliers, we did not exclude any companies when calculating the average P/B Multiples.

2. The implied P/B Multiple is calculated by multiplying the Issue Price of HK$0.55 by the total number of issued shares of the Company of 4,283,308,717 and dividing by the NAV attributable to the Shareholders as at 30 September 2018 (the date of which was prior to the date of the Announcement) of approximately HK$525 million.

The P/B Multiples of the Wine Comparable Companies ranged from approximately 0.4 times to approximately 1.5 times with an average and median of approximately 1.2 times and 1.4 times respectively. The implied P/B Multiples of the Company is approximately 4.5 times, which is almost three times the maximum P/B Multiple of the Wine Comparable Companies.

The high implied P/B Multiple of the Company indicates that the Issue Price is more expensive than the market comparables, which means that the Vendors shall receive less Consideration Shares. From this aspect, we consider the Issue Price to be beneficial to the Independent Shareholders.

(D) Operating Performance of the Group in 1H2019

Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") is calculated by adding depreciation and amortisation expenses onto the operating profit, ignores the effects of non-recurring items and thus measures the operating performance of a company's principal activities. As revealed by the 2018 Interim Report, the Group recorded negative EBITDA of approximately HK$1.6 million and HK$47.2 million for the six months ended 30 September 2017 ("**1H2018**") and 2018 ("**1H2019**") respectively, representing a deterioration of approximately HK$45.6 million or 2,850%. We noted that the significant decrease in EBITDA was mainly arising from the soaring: (i) administrative and other operating expenses from approximately HK$26.5 million to HK$68.0 million from 1H2018 to 1H2019, representing an increase of approximately HK$41.5 million; and (ii) net trading loss from approximately HK$54,000 to HK$3.45 million, representing an increase of approximately HK$3.4 million.

With the sudden yet material worsening of the operating performance of the Group in 1H2019, the market would have factored the fundamental underlying economics of the Group into the Share price. Therefore, albeit the clarification announcement made by the Company after the Sharp Decline, since the Resumption on 24 October 2018 and until the release of the interim results of the Company for 1H2019 on 9 November 2018, the closing Share price remained trading in the band of HK$0.285 and HK$0.35 with an average of approximately HK$0.316. As discussed above, no immediate significant Share price movement was noted when the interim results for of the Company for 1H2019 was released on 9 November 2018 and in fact dropped to HK$0.325 on 12 November 2018, being the first trading after the release of the interim results. The closing Share price movement in this period supports our view that the fundamental underlying economics of the Group would have been built into the closing Share price while the spike in closing Share prices on the few trading days prior to the Last Trading Day would have been due to market speculation on the Acquisitions and another potential acquisition of a virtual currency trading operator.

Having taken into account: (i) the Issue Price represents premiums of approximately 7.00%, 33.50%, 48.65% and 347.2% over the average closing Share prices for the last five, ten and twenty consecutive trading days, respectively, immediately prior to and including the Last Trading Day and the NAV attributable to the Shareholders per Share of approximately HK$0.123 as at 30 September 2018 (the date of which was prior to the date of the Announcement); (ii) the implied P/B Multiple of the Company of approximately 4.5 times was far above the range of the P/B Multiples of the Wine Comparable Companies of approximately 0.4 times to 1.5 times; (iii) the sudden yet material worsening of the operating performance of the Group in 1H2019 reflecting the latest fundamental underlying economics of the Group would have been factored into the closing Share prices between 24 October 2018 and 9 November 2018; and (iv) the recent spike in Share prices after the Last Trading Day, rising from rising from HK$0.65 to HK$0.91 as at the date of the Announcement and later to HK$0.83 as at the Latest Practicable Date, may be due to the positive market expectations of the Acquisitions as displayed through the recent Share prices, we consider the Issue Price to be fair and reasonable.

9. Principal terms of the Promissory Note

Issuer:	The Company
Principal amount:	HK$185,120,000
Date of issue:	The Completion Date
Maturity date:	The day falling on the 3rd anniversary of the first issue date of the Promissory Note.
Interest:	No interest
Redemption:	The Promissory Note may be redeemed any time at the request of any party by giving the other party 21 calendar days prior notice
Transferability:	The Promissory Note may be transferred any time at the request of any party by giving the other party 21 calendar days prior notice. There are no restrictions on transferring the Promissory Note to the connected person(s) of the Company. The Company will comply with the applicable GEM Listing Rules (if any) in the event of such transfer.
Security:	None

To evaluate the fairness and reasonableness of the terms of the Promissory Note, we have, on a best effort basis, conducted a search of notifiable transactions (as defined under the Listing Rules) announced by the companies listed on the Stock Exchange during the period from the beginning of 2018 up to and including the Last Trading Day (the "**PN Sampling Period**") where all or part of the consideration for the notifiable transactions of acquisition involved issuance of promissory notes. To the best of our knowledge and as far as we are aware, we have identified a total of 14 transactions (the "**PN Comparables**"), which we consider to be exhaustive, fair and representative. We consider that the PN Sampling Period for assessing the fairness and reasonableness of the terms of the Promissory Note reflects a sufficient and representative period to demonstrate the latest prevailing market practices through a reasonable number of market transactions.

Table 15: Summary of the PN Comparables

Date of announcement	Company name	Stock code	Maturity *(Years)*	Interest rate per annum *(%)*
26 October 2018	Thiz Technology Group Limited	8119	3.0	3.0
25 October 2018	Elife Holding Limited	223	1.3	0.0
22 October 2018	Food Idea Holdings Limited	8179	2.0	4.0
21 September 2018	China Sandi Holdings Limited	910	5.0	4.2 *(Note 1)*
22 August 2018	Wealthy Way Group Limited	3848	5.0	3.5
13 August 2018	China Agroforestry Low-Carbon Holdings Limited	1069	2.0	5.0
24 July 2018	Trigiant Group Limited	1300	1.3	10.0
19 June 2018	Kiu Hung International Holdings Limited	381	1.0	0.0
25 May 2018	China Trends Holdings Limited	8171	3.0	0.0
15 March 2018	Risecomm Group Holdings Limited	1679	1.0	0.0
13 February 2018	Sincere Watch (Hong Kong) Limited	444	2.0	0.0
12 February 2018	Risecomm Group Holdings Limited	1679	1.0	8.0

Date of announcement	Company name	Stock code	Maturity *(Years)*	Interest rate per annum *(%)*
25 January 2018	Enerchina Holdings Limited	622	1.5	0.0
19 January 2018	EFT Solutions Holdings Limited	8062	3.0 *(Note 2)*	4.0
		Average	**2.3**	**3.0**
		Median	**2.0**	**3.3**
		Maximum	**5.0**	**10.0**
		Minimum	**1.0**	**0.0**
20 November 2018	**The Company**	**8057**	**3.0**	**0.0**

Notes:

1. The interest rates of the promissory notes issued by China Sandi Holdings Limited (stock code: 910) vary for different period averaging at 4.2% per annum for 5 years.

2. The promissory notes issued by EFT Solutions Holdings Limited (stock code: 8062) were made up of four different tranches with different maturities averaging 3 years. Since the promissory notes were issued on the same date and for a single purpose, the average maturity of the promissory notes was quoted to avoid duplication of samples.

We note that the interest rate of the PN Comparables ranged from nil to 10.0% per annum with an average and median of approximately 3.0% and 3.3% per annum respectively. The Promissory Note will be issued without interest which we consider it favourable to the Company.

As shown above, the maturity of the PN Comparables ranged from 1.0 to 5.0 years with an average and median of approximately 2.3 years and 2.0 years respectively. The maturity of the Promissory Note of 3 years is longer than the average maturity of 2.3 years of the PN Comparables. Although the Promissory Note holders are allowed to redeem the Promissory Note by giving the Company prior notice, it still provides the Company with some flexibility in arranging its financial resources to settle the corresponding part payment of the Consideration. As such, we consider that the terms of the Promissory Note to be fair and reasonable.

10. Evaluation of the payment method

The Consideration shall be satisfied by both the Consideration Shares and the Promissory Note. The issuance of the Consideration Shares would settle HK$500.2 million, representing approximately 73.0% of the Consideration of HK$685.3 million. The remaining HK$185.1 million of the Consideration would be settled by the interest-free Promissory Note with a 3-year term which effectively delays the relevant settlement obligation for up to 3 years. The benefits of the payment method, as illustrated in the paragraph headed "11. Financial effects of the Acquisitions" in this letter below, are reflected in the improved working capital of the Enlarged Group. The overall arrangement shall provide the Company with greater flexibility in its cash management planning.

Based on the above, we consider the payment method under the Acquisitions to be fair and reasonable.

11. Financial effects of the Acquisitions

(A) Earnings

Upon Completion, the Target Company will become a direct non wholly-owned subsidiary of the Company. As such, the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group using merger accounting as the Company and the Target Company are both under the control of Mr. Ting.

As shown in the Accountant's Report in Appendix II to the Circular, the audited revenue and the net profit attributable to the shareholders of the Target Company for 11M2018 were approximately RMB115.5 million and RMB50.7 million, respectively.

In light of the potential future prospects offered by the Acquisitions as described under the paragraph headed "Reasons for and benefits of the Acquisitions" in the Letter from the Board, the Management expects that the Acquisitions may contribute positively to the financial performance of the Enlarged Group.

(B) Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, upon Completion, all assets and liabilities of the Target Company will be consolidated into the Group. Assuming Completion takes place on 30 September 2018, the NAV attributable to the Shareholders as at 30 September 2018 would increase by approximately 8.2% from approximately HK$525.0 million to approximately HK$567.9 million. The increase was mainly attributable to: (i) the consolidation of all the assets and liabilities of the Target Company of approximately HK$409.0 million as at 30 November 2018; (ii) the allotment and issuance of the Consideration Shares at the Issue Price accounted for as share premium; (iii) the additional liability from the issuance of the Promissory Note of approximately HK$148.2 million; (iv) the accrual of the estimated legal and professional fees for the Acquisitions of approximately HK$4.0 million; and (v) adjustments to the merger reserve and other reserve of the Enlarged Group as a result of the CVP Acquisition and the SRA Acquisition respectively.

The NAV attributable to the Shareholders per Share as at 30 September 2018 would reduce from approximately HK$0.123 to HK$0.106, representing a reduction of approximately HK$0.017 or 13.8%. Such decrease was due to the slight increase in NAV attributable to the Shareholders and the material increase in the number of Shares through the issuance of the Consideration Shares upon Completion. Although the NAV attributable to the Shareholders per Share would be reduced post Acquisitions, having taking into account, among others, (i) the optimistic prospects of the micro-financing industry in the PRC; (ii) the benefits which are expected to be brought forth by the Acquisitions; (iii) the fairness and reasonableness of the Consideration; (iv) the fairness and reasonableness of the Issue Price; and (v) the potential positive contribution to the financial performance of the Group as discussed in the previous section, we are of the opinion that the reduction in the NAV attributable to the Shareholders per Share is acceptable.

For the avoidance of doubt, the above stated unaudited pro forma financial information of the Enlarged Group is for illustrative purpose only. The actual impact on the NAV of the Enlarged Group will be subject to change, as such amount will be calculated based on the fair values of the identifiable assets and liabilities of the Target Company and the Consideration at Completion.

(C) Gearing and liquidity

As at 30 September 2018, the gearing ratio (representing the debts of non-trade nature divided by total equity at the end of the period/year and multiplied by 100%) of the Group was approximately 88.4%. Assuming Completion takes place on 30 September 2018, the gearing ratio of the Enlarged Group would increase from approximately 88.4% to approximately 101.0%. Such increase was mainly due to the additional debts of non-trade nature brought about by the Acquisitions: (i) the issuance of the Promissory Notes of approximately HK$185.1 million to partly settle the CVP Consideration; and (ii) the other borrowings of the Target Group as at 30 November 2018 of approximately HK$142.9 million.

As at 30 September 2018, the Group had net current assets (calculated by current assets minus current liabilities) of approximately HK$58.4 million. Assuming Completion takes place on 30 September 2018 and taking into account the Target Group's net current assets as at 30 November 2018 of approximately HK$372.5 million, the accrual of the estimated legal and professional fees for the Acquisitions of approximately HK$4.0 million and the Promissory Note payable of approximately HK$148.2 million, the Enlarged Group's net current assets increased to approximately HK$241.8 million, representing a significant enhancement of more than 3 times.

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12. Effects on shareholding structure of the Company

Assuming there is no other change in the issued share capital of, and the shareholding in, the Company from the Latest Practicable Date up to and including the Completion Date, set out below is the shareholding structure of the Company: (a) as at the Latest Practicable Date; (b) immediately after the issuance of the CVP Consideration Shares only (assuming the SRA Acquisition does not complete); (c) immediately after the issuance of the CVP Consideration Shares and the SRA Consideration Shares; and (d) immediately after the issuance of all Consideration Shares (assuming all options granted to CVP and parties acting in concert with it and the Bartha Convertible Bonds are all exercised):

Table 16: Shareholding structure of the Company

	As at the Latest Practicable Date		Immediately after the issuance of the CVP Consideration Shares only (assuming the SRA Acquisition does not complete and no other change to issued share capital and shareholding in the Company)		Immediately after the issuance of all Consideration Shares (assuming no other change to issued share capital and shareholding in the Company)		Immediately after the issuance of all Consideration Shares (assuming all options granted to CVP and parties acting in concert with it and Bartha Convertible Bonds are all exercised) [(5)(6)]	
	Number of Shares	*Approx. %* [(2)]	*Number of Shares*	*Approx. %* [(3)]	*Number of Shares*	*Approx. %* [(4)]	*Number of Shares*	*Approx. %* [(7)]
CVP and parties acting in concert with it								
CVP and parties acting in concert with it (excluding SRA) [(1)]	1,982,044,000	46.27	2,486,916,727	51.94	2,486,916,727	47.89	2,642,180,363	49.41
SRA	42,500,000	0.99	42,500,000	0.89	447,045,454	8.61	447,045,454	8.36
Sub-total	2,024,544,000	47.27	2,529,416,727	52.83	2,933,962,181	56.50	3,089,225,817	57.76
Public Shareholders	2,258,764,717	52.73	2,258,764,717	47.17	2,258,764,717	43.50	2,258,764,717	42.24
	4,283,308,717	100	4,788,181,444	100	5,192,726,898	100	5,347,990,534	100

Notes:

1. CVP directly, legally and beneficially wholly-owned by Mr. Ting. Mr. Ting is deemed to be interested in 1,968,000,000 Shares, 12,172,000 Shares and 1,872,000 Shares held by Royal Spectrum, Kaiser Capital and Highgrade, respectively and 504,872,727 CVP Consideration Shares to be issued to CVP upon Completion, given (i) Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global, which, in turn, is legally and beneficially wholly-owned by Mr. Ting, and 3.37% by Montrachet; and (ii) CVP, Kaiser Capital and Highgrade are directly, legally and beneficially wholly-owned by Mr. Ting.

2. The percentage was calculated on the basis of 4,283,308,717 Shares in issue as at the Latest Practicable Date and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.

3. The percentage was calculated on the enlarged issued share capital of the Company as a result of the issue of the CVP Consideration Shares comprising a total of 504,872,727 Shares and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.

4. The percentage was calculated on the enlarged issued share capital of the Company as a result of the issuance of the Consideration Shares comprising a total of 909,418,181 Shares and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.

5. The Company granted the following share options to CVP and parties acting in concert with it:–

   i. On 17 December 2015, the Company granted options to Devoss Global, a company legally and beneficially wholly-owned by Mr. Ting. After the share subdivision of the Company in 2016, adjustment were made on 8 November 2016 to the terms of the share options, such that Devoss Global is entitled to subscribe for 6,000,000 new Shares at an exercise price of HK$0.80 per Share;

   ii. On 3 April 2018, the Company granted total of 12,900,000 share options entitling the following persons to subscribe for a total of 12,900,000 Shares at the exercise price of HK$1.89 per Share as follows:

      a. 2,000,000 option shares (entitlement to subscription of 2,000,000 Shares) were granted to Mr. Zhu Qin in his capacity as an executive Director;

      b. 5,000,000 share options (entitlement to subscription of 5,000,000 Shares) were granted to Mr. Zhou Francis Bingrong in his then capacity as a consultant of the Company. He was subsequently re-appointed as an executive Director on 7 January 2019;

      c. 5,000,000 share options (entitlement to subscription of 5,000,000 Shares) were granted to Ms. Kuo Kwan in her capacity as an executive Director;

      d. 300,000 share options (entitlement to subscription of 300,000 Shares) were granted to Ms. Fan in her capacity as an independent non-executive Director;

      e. 300,000 share options (entitlement to subscription of 300,000 Shares) were granted to Mr. Chu in his capacity as an independent non-executive Director; and

      f. 300,000 share options (entitlement to subscription of 300,000 Shares) were granted to Mr. Ip in his capacity as a non-executive Director. He was re-designated to a non-executive Director on 7 March 2019.

   As at the Latest Practicable Date, none of the above share options was exercised.

6. On 17 February 2017, CVP Financial (formerly known as Perfect Zone Holdings Limited) and Bartha Holdings entered into a subscription of exchangeable bonds issued by Bartha Holdings, which will entitle CVP Financial to exchange for the entire issued share capital of Bartha International as at the date of exercising the exchange rights under the exchangeable bonds. The consideration for the exchangeable bonds was satisfied by the Company issuing the Bartha Convertible Bonds in the principal amount of HK$150,000,000 to Bartha Holdings on 28 July 2017, which are convertible into 136,363,636 Shares at the conversion price of HK$1.1 per Share. As at the Latest Practicable Date, CVP Financial exercised 49% of the exchange rights under the exchangeable bonds on 28 July 2017 and obtained 4,900 shares in Bartha International as a result. None of the conversion rights under the Bartha Convertible Bonds has been exercised.

7. The percentage was calculated on the enlarged issued share capital of the Company as a result of the issuance of (a) the Consideration Shares comprising a total of 909,418,181 Shares, (b) 18,900,000 Shares upon the exercise of all outstanding options granted by the Company to CVP and parties acting in concert with it, and (c) 136,363,636 Shares to be issued upon full conversion of the Bartha Convertible Bonds at the conversion price of HK$1.1 per conversion share and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.

As shown in the table above, the shareholding of the existing public Shareholders will decrease from approximately 52.73% to: (i) approximately 47.17% immediately after the issuance of the CVP Consideration Shares only (representing a dilution by approximately 5.56%); and (ii) approximately 43.50% immediately after the issuance of the CVP Consideration Shares and SRA Consideration Shares (representing a dilution by approximately 9.23%). Although the shareholding interest of the existing public Shareholders will be diluted, having taking into account, among others, (i) the optimistic prospects of the micro-financing industry in the PRC; (ii) the benefits which are expected to be brought forth by the Acquisitions; (iii) the fairness and reasonableness of the Consideration; (iv) the fairness and reasonableness of the Issue Price; and (v) the generally positive financial effects to the Group as discussed in the previous sections, we are of the opinion that the dilution effect on shareholding of the existing public Shareholders is acceptable.

13. Whitewash Waiver – Takeovers Code provisions

Under Rule 26.1 of the Takeovers Code, CVP would be obliged to make an mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by CVP and parties acting in concert with it (which include SRA) which would otherwise arise as a result of completion of the CVP Acquisition or the Acquisitions (as the case may be), unless the Whitewash Waiver is obtained from the Executive.

As stated in the Letter from the Board, the conditions precedent relating to, among others: (i) the granting of the Whitewash Waiver by the Executive and not having been revoked; and (ii) the approval of, among others, the Whitewash Waiver by the Independent Shareholders at the EGM in accordance with the Takeovers Code, are not waivable by any party to the relevant Agreement. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders at the EGM, the Acquisitions will not proceed.

Based on our analysis regarding the terms of the Agreements above, we are of the view that for the purpose of implementing the Acquisitions, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

RECOMMENDATION

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

(a) the benefits to be derived by the Group from the Acquisitions as described under the paragraph headed "Reasons for and benefits of the Acquisitions" in the Letter from the Board;

(b) the prospects of the micro-finance industry in the PRC is promising and the positive trend is likely to continue in the near future;

(c) the stellar financial performance of the Target Company of revenue and net profits attributable to shareholders of the Target Company for 11M2018 of approximately RMB115.5 million and approximately RMB50.7 million, respectively;

(d) the Consideration of approximately HK$685.3 million represents a discount of approximately 18.9% to the Attributable Appraised Value of approximately HK$845.5 million;

(e) the implied P/E Multiple of the Target Company is slightly above the average but below the median of the Finance Comparable Companies' P/E Multiples, suggesting that the Consideration is fairly priced;

(f) the Reference Acquisition's consideration was based on an implied valuation of the Target Company of approximately HK$888.9 million, which was almost identical to the implied valuation of the Target Company under the Consideration;

(g) the implied P/E Multiples of the Target Company is approximately 15.2 times, which is below the range of the P/E Multiples of the Finance Comparable Transactions;

(h) the Issue Price represents premiums of approximately 7.00%, 33.50%, 48.65% and 347.2% over the average closing Share prices for the last five, ten and twenty consecutive trading days, respectively, immediately prior to and including the Last Trading Day and the NAV attributable to the Shareholders per Share of approximately HK$0.123 as at 30 September 2018 (the date of which was prior to the date of the Announcement;

(i) the implied P/B Multiple of the Company of approximately 4.5 times was far above the range of the P/B Multiples of the Wine Comparable Companies of approximately 0.4 times to 1.5 times;

(j) the sudden yet material worsening of the operating performance of the Group in 1H2019 reflecting the latest fundamental underlying economics of the Group would have been factored into the closing Share prices between 24 October 2018 and 9 November 2018;

(k) the payment method of the Consideration comprising the Consideration Shares and the Promissory Note enables the Group to delay the cash outflow which in turn allows the Group to have greater flexibility of cash management; and

(l) albeit a mixed result, the financial effects to the Group are generally positive as discussed in paragraph headed "11. Financial effects of the Acquisitions" in this letter above,

we are of the view that the terms of the Agreements and transactions contemplated thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions approving the Agreements and transactions contemplate thereunder (including the issuance of Consideration Shares), the Specific Mandate and the Whitewash Waiver at the EGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Koh Kwai Yim
Executive Director

Ms. Koh Kwai Yim is the Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 18 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 March 2016, 2017 and 2018 and the unaudited consolidated financial information, together with the accompanying notes to the financial statements, of the Group for the three months ended 30 June 2018, six months ended 30 September 2018 and nine months ended 31 December 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.madison-group.com.hk):

Annual report for the year ended 31 March 2016 (pages 50 to 103):
http://www3.hkexnews.hk/listedco/listconews/GEM/2016/0624/GLN20160624017.pdf

Annual report for the year ended 31 March 2017 (pages 57 to 107):
http://www3.hkexnews.hk/listedco/listconews/GEM/2017/0629/GLN20170629051.pdf

Annual report for the year ended 31 March 2018 (pages 67 to 147):
http://www3.hkexnews.hk/listedco/listconews/GEM/2018/0628/GLN20180628057.pdf

First quarter report for the three months ended 30 June 2018 (pages 6 to 15):
http://www3.hkexnews.hk/listedco/listconews/GEM/2018/0813/GLN20180813093.pdf

Interim report for the six months ended 30 September 2018 (pages 6 to 62):
http://www3.hkexnews.hk/listedco/listconews/GEM/2018/1113/GLN20181113105.pdf

Third quarter report for the nine months ended 31 December 2018 (pages 6 to 22):
http://www3.hkexnews.hk/listedco/listconews/GEM/2019/0213/GLN20190213029.pdf

A. Summary of financial information of the Group

The following is a summary of the financial results of the Group for each of the three years ended 31 March 2016, 2017 and 2018 and for the six months ended 30 September 2018 as extracted from the relevant annual and interim reports of the Company:

	For the six months ended 30 September	For the year ended 31 March		
	2018	**2018**	**2017**	**2016**
	(Unaudited)	**(Audited)**	**(Audited)**	**(Audited)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	79,005	159,984	139,912	126,684
Loss before taxation	(81,373)	(157,048)	(16,366)	(7,083)
Income tax (expense) credit	231	(68)	374	(2,221)
Loss for the year and total comprehensive expense for the year	(81,142)	(157,116)	(15,992)	(9,304)
Loss for the year and total comprehensive expense for the year attributable to:				
Owners of the Company	(73,114)	(138,364)	(15,638)	(9,447)
Non-controlling interests	(8,028)	(18,752)	(354)	143
Loss per share *(HK cents)*				
Basic	(1.76)	(3.46)	(0.39)	(0.27)
Diluted	(1.76)	(3.46)	(0.39)	(0.27)
Dividend per Share *(HK cents)*	–	–	–	–

The auditor of the Company for the years ended 31 March 2016, 2017 and 2018 was SHINEWING (HK) CPA Limited. The audit opinions of SHINEWING (HK) CPA Limited in respect of the above periods were not qualified and there were no modified opinions nor emphasis of matter or material uncertainty related to going concern contained in the auditor's report of SHINEWING (HK) CPA Limited in respect of the above periods.

2. INDEBTEDNESS STATEMENT

Statement of indebtedness of the Group

As at the close of business on 31 January 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group was as follows:

The Group had (i) amounts due to Mr. Ting, a Director, of approximately HK$2,933,000, which was unsecured, interest free and repayable on demand; (ii) convertible bonds issued by Bartha International to three bondholders in the principal amount of HK$50 million with maturity date in April 2020; (iii) convertible bonds issued by the Company to Bartha Holdings (or its nominees) in the principal amount of HK$150 million (i.e. the Bartha Convertible Bonds); (iv) an interest-free promissory note issued to CVP Holdings (or its nominee(s)) with principal amount of HK$14 million in July 2020; (v) interest-bearing borrowings of HK$162.1 million from Independent Third Parties, which were unsecured and repayable with maturity date from March 2019 to July 2019; (vi) an outstanding unsecured and interest bearing borrowings of US$15 million (approximately HK$117 million) from an Independent Third Party repayable with maturity date in May 2021; (vii) an outstanding unsecured, and interest free borrowings of US$13 million (equivalent to HK$101.4 million) from an Independent Third Party repayable by the 75% of earnings before interest and tax and depreciation of the subsidiary; (viii) an outstanding unsecured and interest free borrowings of US$2 million (approximately HK$15.6 million) from a related company held by Mr. Ting, a Director, repayable with maturity date in August 2021; and (ix) an outstanding unsecured and interest free borrowings of SEK0.5 million (approximately HK$0.5 million) from an Independent Third Party repayable on demand.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding or authorized or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other contingent liabilities as at the close of business on 31 January 2019.

3. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2018, being the date on which the latest published audited financial statements of the Company were made up, and up to and including the Latest Practicable Date:

Corporate actions:

a. The Company, as purchaser, and Remixpoint, as vendor, entered into the BITPoint Agreement (as supplemented by an amendment agreement dated 13 April 2018 and two supplemental agreements dated 14 May 2018 and 13 July 2018) to acquire 20% equity interest in BITPoint on 30 March 2018. The Company entered into a collaboration agreement with BITPoint on 13 April 2018 to establish a strategic collaboration relationship to develop virtual currency trading platform and virtual currency related business. On 2 August 2018, the Company and Remixpoint entered into a termination agreement for terminating the BITPoint Acquisition. The BITPoint Agreement constituted a discloseable transaction of the Company.

   For details, please refer to the announcements of the Company dated 30 March 2018, 13 April 2018, 18 April 2018, 14 May 2018, 13 July 2018 and 2 August 2018.

b. On 12 April 2018, the Company entered into the placing agreement (the "**Placing Agreement**") with Eternal Pearl Securities Limited ("**Eternal Pearl**") and Shenwan Hongyuan Securities (H.K.) Limited ("**Shenwan Hongyuan**") (the "**Placing Agents**") in relation to the placing of up to 71,000,000 new Shares (the "**Placing Shares**") (as to 36,000,000 Placing Shares to be placed out by Eternal Pearl and as to 35,000,000 Placing Shares to be placed out by Shenwan Hongyuan) at the placing price of HK$1.7 per Placing Share for funding the BITPoint Acquisition. The Placing Agreement entered into between the Company and Eternal Pearl constituted a fully exempt connected transaction of the Company. An aggregate of 70,056,000 Placing Shares were allotted and issued to not less than six independent placees pursuant to the general mandate on 23 April 2018. The net proceeds from the Placing was originally intended for the BITPoint Acquisition. Since the BITPoint Acquisition did not complete and was terminated on 2 August 2018, the Board had resolved to utilise approximately HK$56.56 million from the net proceeds of the placing for the acquisition of a total of 802,900 shares in Remixpoint, which details are set out below. The balance of approximately HK$60.20 million was utilised on the BITOCEAN Acquisition. As at the date of the 2018 third quarterly report of the Company, all the proceeds from the Placing was fully utilised.

   For details, please refer to the announcements of the Company dated 12 April 2018, 23 April 2018 and 24 September 2018 and the 2018 third quarterly report of the Company.

c. Madison Software and potential vendors entered into a non-legally binding memorandum of understanding on 19 April 2018 for the proposed acquisition of the entire share capital of Perfect Elite Holdings Limited.

Madison Software agreed to acquire 10,000 shares of Perfect Elite Investment Holdings Limited from Vision Creation Group Limited, Vision Paragon Limited, Victory Journey Holdings Limited, Link Joy Limited and Cosmo Tide Limited for a total consideration of HK$1,131,400,000 to be satisfied partly by cash and partly by the allotment and issue of 502,844,400 new Shares at HK$1.8 per Share. Such acquisition constituted major transaction of the Company. Please refer to the announcement of the Company dated 5 May 2018.

On 19 June 2018, the parties to the Madison Software Acquisition Agreement entered into a deed of termination for terminating the acquisition of Perfect Elite Investment Holdings Limited.

For details, please refer to the announcements of the Company dated 19 April 2018, 5 May 2018 and 19 June 2018.

d. The acquisition of 49% equity interest in Bartha International on 17 November 2017 through the exercising of the exchange rights by CVP Financial under the exchangeable bonds in the principal amount of HK$73,500,000 issued by Bartha Holdings. Upon completion of such acquisition on 31 May 2018, Bartha International and its subsidiary became indirect non wholly-owned subsidiaries of the Company and their financial results are consolidated into the consolidated financial statements of the Company. Such acquisition constituted a major and connected transaction of the Company.

For details, please refer to the announcements of the Company dated 17 November 2017 and 31 May 2018 and the circular of the Company dated 28 February 2018.

e. The acquisition of 51% equity interest in the issued capital of Diginex HPC (the "**Diginex Acquisition**") for the total consideration of approximately HK$470.9 million, completion of which took place on 31 July 2018, upon which Diginex HPC became an indirect non wholly-owned subsidiary of the Company on 31 July 2018 and its financial results are consolidated into the consolidated financial statements of the Company. The Diginex Acquisition constituted a discloseable transaction of the Company.

For details, please refer to the announcements of the Company dated 26 April 2018 and 31 July 2018 and the circular of the Company dated 13 July 2018.

f. The formation of a joint venture company, namely Madison Blockhouse Limited ("**Madison Blockhouse**") which is owned as to 33.3% by The Blockhouse Technology Limited and as to 66.7% by Madison Blockchain Holdings Company Limited, a wholly-owned subsidiary of the Company on 23 July 2018. The initial capital contribution to Madison Blockhouse shall be US$2.0 million (equivalent to approximately HK$15.6 million).

   For details, please refer to the announcement of the Company dated 23 July 2018.

g. The acquisition of 100% equity interest in the issued capital of HPC Nordic for the total consideration of US$1.75 million (equivalent to approximately HK$13.7 million), completion of which took place on 30 August 2018, upon which HPC Nordic became an indirect non wholly-owned subsidiary of the Company and its financial results were consolidated into the consolidated financial statements of the Company.

h. The Group expanded into the wine auction business by mid of December 2018. For details, please refer to the announcement of the Company dated 13 September 2018.

i. During the period from 16 August 2018 to 3 September 2018, the Group acquired on-market a total of 802,900 shares of Remixpoint, Inc. at the total cash consideration of approximately HK$56.56 million. Such acquisitions did not constitute a discloseable transaction of the Company. For details, please refer to the announcement of the Company dated 24 September 2018.

j. The audited consolidated profit attributable to owners of Bartha International for the year ended 31 March 2018 amounted to approximately HK$9.1 million, which is higher than the profit estimate disclosed in the circular dated 28 February 2018. For details, please refer to the announcement of the Company dated 8 October 2018.

k. On 20 November 2018, the Company entered into the Agreements. Upon Completion, the Target Company's financial results will be consolidated into those of the Company. The Acquisitions constituted a major and connected transaction of the Company. Please refer to the MOU Announcement and the Announcement.

l. On 9 December 2018, Madison Lab has entered into a sale and purchase agreement with the BITOCEAN Sellers in relation to the BITOCEAN Acquisition for the total consideration of JPY1,680,000,000. On 8 January 2019, Madison Lab and BITOCEAN Sellers entered into a supplemental agreement to determine the closing date of the BITOCEAN Acquisition. Completion of the BITOCEAN Acquisition took place on 11 January 2019, upon which BITOCEAN became an indirect non wholly-owned subsidiary of the Company and its financial results were consolidated into the consolidated financial statements of the Company. The BITOCEAN Acquisition constituted a discloseable transaction of the Company.

   For details, please refer to announcements of the Company dated 20 November 2018, 9 December 2018, 8 January 2019, 11 January 2019 and 23 January 2019.

Financial position:

m. In comparing the nine months ended 31 December ("**3Q**") 2018 to 3Q2017, the Company had recorded:

   i. a material improvement in gross profit margin from approximately 32% to 42%;

   ii. a material change in net trading position from a net gain of approximately HK$2.2 million to a net loss of approximately HK$34.2 million;

   iii. a material increase in administrative and other operating expenses from approximately HK$41.7 million to HK$169.9 million, representing an increase of approximately 307%;

   iv. a material decrease in the fair value loss of exchangeable bonds from approximately HK$151.1 million to HK$11.7 million, representing a decrease of approximately 92%; and

   v. a material increase in finance costs from approximately HK$6.0 million to HK$21.2 million, representing an increase of approximately 253%.

n. From 31 March 2018 to 31 December 2018, the Company had recorded:

   i. a material increase in the property, plant and equipment from approximately HK$8.0 million to HK$222.2 million, representing an increase of approximately 2,678%;

   ii. a material decrease in exchangeable bonds from approximately HK$147.1 million to HK$63.3 million, representing a decrease of approximately 57%;

   iii. a material increase in goodwill from nil to approximately HK$424.1 million;

   iv. a material increase in held-for-trading financial assets from approximately HK$7.0 million to HK$27.9 million, representing an increase of approximately 299%;

   v. a material increase in trade and other receivables from approximately HK$32.9 million to HK$182.2 million, representing an increase of approximately 454%;

   vi. a material increase in bank balances – segregated accounts from nil to approximately HK$120.9 million;

vii. a material increase in bank balances and cash from approximately HK$43.3 million to HK$68.4 million, representing an increase of approximately 58%;

viii. a material increase in trade and other payables from approximately HK$15.7 million to HK$190.2 million, representing an increase of approximately 1,111%;

ix. a material increase in borrowings from nil to approximately HK$361.4 million;

x. a material increase in convertible bonds from approximately HK$101.8 million to HK$154.6 million, representing an increase of approximately 52%; and

xi. a material increase in equity attributable to the Shareholders from approximately HK$154.0 million to HK$472.1 million, representing an increase of approximately 207%.

Change of members of the Board:

o. The Company had undergone the following change in the members of the Board:

i. the appointment of Mr. Zhou, Francis Bingrong as an executive Director and deputy chairman of the Company on 17 April 2018;

ii. the resignation of Mr. Zhou, Francis Bingrong as an executive Director and deputy chairman of the Company and the appointment of Mr. Xiong Hu as an executive Director on 24 August 2018;

iii. the resignation of Mr. Xiong Hu as an executive Director on 24 October 2018;

iv. the resignation of Mr. Teoh Ronnie Chee Keong as an executive Director and Chief Executive Officer of the Company on 11 December 2018;

v. the appointment of Mr. Zhou, Francis Bingrong as an executive Director and Chief Executive Officer of the Company on 7 January 2019; and

vi. the re-designation of Mr. Ip Cho Yin, *J.P.* from an independent non-executive Director to a non-executive Director on 7 March 2019.

4. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, in the absence of unforeseeable circumstances and taking into account the Enlarged Group's present internal resources and available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group has recently expanded the wine business by offering wine auction business to customers. The inaugural wine auction of the Group was held in late 2018 with an online platform that customers can place bids on, followed by the live through video and real time sale from around the globe. The Directors believe that the Group can further strengthen the position in the high-end fine wine business through its wine auction business, and can better leverage its cash position through receiving consignments provided by the consignors to the wine auction business.

The Group has completed the acquisitions of cryptocurrency business, including but not limited to the acquisition of Diginex Group and BITOCEAN Acquisition. Through the acquisition of Diginex Group, the Group has built up its expertise in cryptocurrency mining while the BITOCEAN Acquisition allows the Group to participate in the virtual exchange services in Japan.

The Company and HDR entered into a memorandum of understanding, pursuant to which, among others, subject to and upon finalisation and signing of definitive agreements, HDR will grant a put option to the Company and the Company will grant a call option to HDR for the transfer of 51% of the entire issued share capital of Madison Lab from the Group to HDR. Please refer to the announcement of the Company dated 11 December 2018.

BITOCEAN is one of the 17 registered virtual currency exchange service providers currently registered with the Financial Services Agency of Japan. BITOCEAN is permitted to conduct virtual currency (mainly Bitcoin) exchange business through auto teller machines (the "**ATM**") in Japan. The Company has planned to expand the scope of business of BITOCEAN to cover the trading of multiple virtual currencies on online platform.

It is the business direction of the Company to choose a developed country where its regulatory system has been well-established and allows fair competition for operating virtual currency trading platform business. The Company believes that the BITOCEAN Acquisition would allow the Company to materialize its long-term goal of developing the Company's virtual currency trading platform business.

The Acquisitions, if materialized, will strengthen the Group's ability to potentially develop cryptocurrency related financing or leasing products. It will also further explore business development in both cryptocurrency mining and the Financial Services Business. The Directors believe that the Acquisitions may create synergies to both cryptocurrency mining and the Financial Services Business. In addition to the potential synergy, the Acquisitions also allow the Company to obtain the Target Company's customer base and business connections. With the strong reputation of the Target Company in Chongqing, the PRC, the Group is able to leverage on the market position of the management of the Target Company as well as its extensive relationship with the municipal government of Chongqing and the business community in the region which should contribute significantly to the Group's entry into the PRC loan financing market and possible development of other financial products and services in the PRC market. The Directors also believe that building customer base in the PRC could help to further expand the Group's existing retail and wholesale of wine products and other alcoholic beverages. The Directors believe that after Completion, the Group can leverage the customer base of the Target Group in the PRC increase the Group's brand awareness in Chongqing which would benefit the Group's wine business in the long run. In the future, customers in the PRC can place a bid in the Group's wine auction to purchase wine for lifestyle or/and investment purpose via internet, borrow funds for investment in wine, and collateralize their wines for financing.

The Board believes that, with the acquisitions, the Group shall broaden the source of income attributable to the Group as well as leverage the resources of the respective companies to apply the blockchain technology into our Financial Services Business and cryptocurrency business. The Directors also consider that the development in cryptocurrency mining and HPC business development can also broaden the income stream of the Enlarged Group, enhance our operation mechanism and strengthen our market position under the highly competitive environment.

Set out below is the text of a report received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of incorporation in this circular.

信永中和 ShineWing

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

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION ON HACKETT ENTERPRISES LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF MADISON HOLDINGS GROUP LIMITED

INTRODUCTION

We report on the historical financial information of Hackett Enterprises Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") set out on pages II-1 to II-88, which comprises the consolidated statements of financial position as at 31 December 2015, 2016, 2017 and 30 November 2018, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2015, 2016, 2017 and the eleven months ended 30 November 2018 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-1 to II-88 forms an integral part of this report, which has been prepared for inclusion in the circular of Madison Holdings Group Limited (the "Company") dated 13 March 2019 (the "Circular") in connection with, amongst other matters, the acquisitions of the 77% equity interest in the Target Company by the Company.

TARGET COMPANY'S DIRECTORS' RESPONSIBILITIES OF THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation set out in note 3 to the Historical Financial Information, and for such internal control as the directors of the Target Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 3 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2015, 2016 and 2017 and 30 November 2018 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 3 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Target Group which comprises the statements of consolidated profit or loss and other comprehensive income, changes in equity and cash flows for the eleven months ended 30 November 2017 and other explanatory information (the ''Stub Period Comparative Financial Information''). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 3 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been declared or paid by the Target Company in respect of the Relevant Periods.

NO STATUTORY FINANCIAL STATEMENTS FOR THE COMPANY

No statutory financial statements have been prepared for the Target Company since its date of incorporation as it is incorporated in a jurisdiction where there is no statutory audit requirement.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044
Hong Kong

13 March 2019

A. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

I. Consolidated statements of profit or loss and other comprehensive income

		Years ended 31 December			Eleven months ended 30 November	
		2015	2016	2017	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*7*	75,539	78,824	60,616	56,563	115,542
Other income	*8*	9,092	2,913	1,180	1,031	735
Finance costs	*9*	(12,399)	(3,460)	(3,295)	(2,970)	(4,240)
Administrative expenses		(57,528)	(56,698)	(50,389)	(43,361)	(36,640)
Reversal/(allowance) for impairment on loan receivables, net		4,288	(5,608)	(2,823)	(5,437)	(3,877)
Net trading gains	*17*	710	1,008	1,605	1,509	442
(Loss)/gain on disposal of subsidiaries		(3)	7,139	2,116	2,116	28
Profit before tax	*10*	19,699	24,118	9,010	9,451	71,990
Income tax expenses	*11*	(9,504)	(8,976)	(6,604)	(6,216)	(10,828)
Profit for the year/period		10,195	15,142	2,406	3,235	61,162
Other comprehensive (expense) income for the year/period						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of financial statements from functional currency to presentation currency		(11,232)	(15,368)	17,056	13,360	824
Total comprehensive (expense) income for the year/period		(1,037)	(226)	19,462	16,595	61,986
Profit for the year/period attributable to:						
Owners of the Company		3,722	10,761	2,257	2,943	50,658
Non-controlling interests		6,473	4,381	149	292	10,504
Profit for the year/period		10,195	15,142	2,406	3,235	61,162
Total comprehensive (expense) income for the year/period attributable to:						
Owners of the Company		(7,328)	(4,127)	18,678	15,739	51,489
Non-controlling interests		6,291	3,901	784	856	10,497
Total comprehensive (expense) income for the year/period		(1,037)	(226)	19,462	16,595	61,986

II. Consolidated statements of financial position

	Notes	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 30 November 2018 RMB'000
Non-current assets					
Plant and equipment	13	11,195	7,053	4,589	2,738
Club membership	14	1,072	1,146	1,066	1,137
Loan receivables	15	24,286	29,448	7,879	16,515
Deferred tax assets	25	3,351	3,874	4,603	5,729
Goodwill	18	6,717	6,717	6,717	6,717
		46,621	48,238	24,854	32,836
Current assets					
Loan and interest receivables	15	227,829	240,036	318,207	412,560
Prepayments and other receivables	16	8,355	28,771	7,391	7,184
Held-for-trading investments/financial assets at fair value through profit or loss	17	–	43,580	–	180
Amount due from a shareholder	19	1	–	–	1
Amounts due from directors	19	–	–	5,000	–
Amounts due from related companies	19	4,722	5,012	533	581
Bank balances and cash	20	115,372	12,092	23,792	59,117
		356,279	329,491	354,923	479,623
Current liabilities					
Accruals and other payables	21	6,034	5,336	6,289	8,830
Amount due to a non-controlling shareholder	19	3	3	3	3
Amount due to a director	19	12,834	5,539	–	–
Amounts due to related companies	19	210,156	222,464	–	–
Financial assets sold under repurchase agreement	22	10,112	–	–	–
Borrowings	23	44,318	26,932	60,537	125,519
Obligations under finance leases	24	1,206	–	–	
Tax payables		7,984	8,725	13,111	18,105
		292,647	268,999	79,940	152,457

	Notes	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 30 November 2018 RMB'000
Net current assets		63,632	60,492	274,983	327,166
Total assets less current liabilities		110,253	108,730	299,837	360,002
Capital and reserves					
Share capital	26	1	1	1	1
Reserves		(8,513)	(12,640)	214,515	264,631
Equity attributable to owners of the Company		(8,512)	(12,639)	214,516	264,632
Non-controlling interests		116,949	120,850	84,741	94,649
Total equity		108,437	108,211	299,257	359,281
Non-current liabilities					
Obligations under finance leases	24	1,245	–	–	–
Deferred tax liabilities	25	571	519	580	721
		110,253	108,730	299,837	360,002

III. Consolidated statements of changes in equity

For the year ended 31 December 2015

	Attributable to the owners of the Company						
	Share capital RMB'000	Statutory reserve RMB'000 (Note (a))	(Accumulated losses) retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	–*	1,268	(2,483)	30	(1,185)	72,658	71,473
Profit for the year	–	–	3,722	–	3,722	6,473	10,195
Other comprehensive (expense) income for the year							
– Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	(11,050)	(11,050)	(182)	(11,232)
Total comprehensive income (expense) for the year	–	–	3,722	(11,050)	(7,328)	6,291	(1,037)
Appropriation to statutory reserve fund	–	2,064	(2,064)	–	–	–	–
Increase in share capital *(Note 26)*	1	–	–	–	1	–	1
Contribution of non-controlling interests upon the incorporation of a subsidiary	–	–	–	–	–	38,000	38,000
At 31 December 2015	1	3,332	(825)	(11,020)	(8,512)	116,949	108,437

* *The balance represents an amount less than RMB1,000.*

For the year ended 31 December 2016

	Attributable to the owners of the Company						
	Share capital RMB'000	Statutory reserve RMB'000 (Note (a))	(Accumulated losses) retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	1	3,332	(825)	(11,020)	(8,512)	116,949	108,437
Profit for the year	–	–	10,761	–	10,761	4,381	15,142
Other comprehensive expense for the year							
– Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	(14,888)	(14,888)	(480)	(15,368)
Total comprehensive income (expense) for the year	–	–	10,761	(14,888)	(4,127)	3,901	(226)
Appropriation to statutory reserve fund	–	339	(339)	–	–	–	–
At 31 December 2016	1	3,671	9,597	(25,908)	(12,639)	120,850	108,211

For the year ended 31 December 2017

	Attributable to the owners of the Company							
	Share capital RMB'000	Statutory reserve RMB'000 (Note a)	Retained profits RMB'000	Exchange reserve RMB'000	Other reserve RMB'000 (Note b)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	1	3,671	9,597	(25,908)	–	(12,639)	120,850	108,211
Profit for the year	–	–	2,257	–	–	2,257	149	2,406
Other comprehensive income for the year								
– Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	16,421	–	16,421	635	17,056
Total comprehensive income for the year	–	–	2,257	16,421	–	18,678	784	19,462
Derecognised upon disposal of a subsidiary *(note 28)*	–	–	–	–	–	–	(36,893)	(36,893)
Waiver of shareholder's loan	–	–	–	–	208,477	208,477	–	208,477
Appropriation to statutory reserve fund	–	855	(855)	–	–	–	–	–
At 31 December 2017	1	4,526	10,999	(9,487)	208,477	214,516	84,741	299,257

For the eleven months ended 30 November 2017

	Attributable to the owners of the Company						
	Share capital RMB'000	Statutory reserve RMB'000 (Note a)	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	1	3,671	9,597	(25,908)	(12,639)	120,850	108,211
Profit for the period	–	–	2,943	–	2,943	292	3,235
Other comprehensive income for the period							
– Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	12,796	12,796	564	13,360
Total comprehensive income for the period	–	–	2,943	12,796	15,739	856	16,595
Derecognised upon disposal of a subsidiary *(note 28)*	–	–	–	–	–	(36,893)	(36,893)
At 30 November 2017 (unaudited)	1	3,671	12,540	(13,112)	3,100	84,813	87,913

For the eleven months ended 30 November 2018

	Attributable to the owners of the Company							
	Share capital *RMB'000*	Statutory reserve *RMB'000* *(Note a)*	Retained profits *RMB'000*	Exchange reserve *RMB'000*	Other reserve *RMB'000* *(Note b)*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2018	1	4,526	10,999	(9,487)	208,477	214,516	84,741	299,257
Effect of changes in accounting policies *(note 3)*	–	–	(1,373)	–	–	(1,373)	(589)	(1,962)
At 1 January 2018 (restated)	1	4,526	9,626	(9,487)	208,477	213,143	84,152	297,295
Profit for the period	–	–	50,658	–	–	50,658	10,504	61,162
Other comprehensive income for the period								
– Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	831	–	831	(7)	824
Total comprehensive income for the period	–	–	50,658	831	–	51,489	10,497	61,986
At 30 November 2018	1	4,526	60,284	(8,656)	208,477	264,632	94,649	359,281

* *The balance represents an amount less than RMB1,000.*

Notes:

a. In accordance with the relevant regulations applicable in the People's Republic of China (the "PRC"), companies established in the PRC are required to transfer at least 10% of their statutory annual profits after tax in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of the directors of the respective PRC companies.

b. Pursuant to directors' minutes dated 31 December 2017, an amount of approximately RMB208,477,000 had been waived by Mr. Ting Pang Wan Raymond ("Mr. Ting"), one of the ultimate beneficial owners of the Company and was credited to other reserve.

IV. Consolidated statements of cash flows

	Years ended 31 December			Eleven months ended 30 November	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	19,699	24,118	9,010	9,451	71,990
Adjustments for:					
Depreciation	4,965	4,499	2,649	2,365	1,867
Bank interest income	(629)	(103)	(35)	(32)	(12)
Net trading gains	(710)	(1,008)	(1,605)	(1,509)	(442)
Finance costs	12,399	3,460	3,295	2,970	4,240
(Reversal)/allowance for impairment on loan receivables, net	(4,288)	5,608	2,823	5,437	3,877
Written off of loan receivables	–	4,532	3,833	2,241	–
Loss/(gain) on disposal of subsidiaries	3	(7,139)	(2,116)	(2,116)	(28)
Loss/(gain) on disposal/written off of plant and equipment	661	(70)	20	16	24
Operating cash flows before movements in working capital changes	32,100	33,897	17,874	18,823	81,516
Increase in loan receivables	(32,558)	(26,449)	(66,063)	(47,333)	(102,637)
Decrease in prepayments and other receivables	406	2,645	18,219	17,131	381
Decrease (increase) in held-for-trading investments/financial assets at fair value through profit or loss	710	(42,572)	4,668	(26,767)	262
(Decrease) increase in accruals and other payables	(101,072)	(587)	1,854	608	2,512
Cash used in operations	(100,414)	(33,066)	(23,448)	(37,538)	(17,966)
Income tax paid	(8,638)	(8,809)	(2,886)	(2,885)	(6,466)
NET CASH USED IN OPERATING ACTIVITIES	(109,052)	(41,875)	(26,334)	(40,423)	(24,432)
INVESTING ACTIVITIES					
Advance to a related company	(12,562)	–	(1,182)	–	(12)
Bank interest income received	629	103	35	32	12
Proceeds from disposal of plant and equipment	6	108	587	67	5
Purchase of plant and equipment	(2,992)	(323)	(1,561)	(1,526)	(21)
Net cash inflow from disposal of subsidiaries	(1,749)	1,227	8,452	8,452	(9)
Net cash (outflow) inflow from acquisition of subsidiaries	3,087	–	–	–	–
Purchase of club membership	(1,072)	–	–	–	–
Repayment from a related company	377	–	649	649	–
Prepayment for capital injection	–	(23,000)	–	–	–
(Advance to) repayment from a director	–	–	(400)	(20)	–
Repayment from a director	–	–	–	–	4,988
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(14,276)	(21,885)	2,980	7,654	4,963

	Years ended 31 December			Eleven months ended 30 November	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
FINANCING ACTIVITIES					
Advance from (repayment to) a director	3,150	(1,641)	(615)	–	–
Advance from related companies	100,793	–	4,740	–	–
Repayment to related companies	–	(390)	(4,740)	(4,740)	–
Interest paid	(4,395)	(3,460)	(3,295)	(2,970)	(4,240)
New borrowings raised	33,640	11,698	81,095	72,430	88,027
Proceeds from financial assets sold under repurchase agreement	9,390	–	–	–	–
Repayment of borrowings	(10,000)	(31,071)	(41,862)	(33,554)	(31,052)
Repayment of financial assets sold under repurchase agreement	(20,000)	(10,112)	–	–	–
Repayment of obligations under finance leases	(1,068)	(2,451)	–	–	–
Repayment to shareholder	(1)	–	–	–	–
Share capital contribution in a subsidiary by non-controlling interests	38,000	–	–	–	–
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	149,509	(37,427)	35,323	31,166	52,735
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,181	(101,187)	11,969	(1,603)	33,266
Effect of foreign exchange rate changes	(1,941)	(2,093)	(269)	9	2,059
CASH AND CASH EQUIVALENTS AT 1 JANUARY	91,132	115,372	12,092	12,092	23,792
CASH AND CASH EQUIVALENTS AT 31 DECEMBER/30 NOVEMBER, representing bank balances and cash	115,372	12,092	23,792	10,498	59,117

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

The Target Company, Hackett Enterprises Limited (the "Company") is a private limited company incorporated in the Republic of Seychelles on 3 September 2014. The directors of the Target Company consider its immediate and ultimate holding company is CVP Financial Group Limited (formerly known as Insight Financial Group Limited (incorporated in the British Virgin Islands (the "BVI")). The address of registered office is P.O Box 1239, Offshore Incorporations Centre, Victoria, Mahe, Seychelles and principal place of business of the Company is 28/F., Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wanchai, Hong Kong.

The Target Company was engaged in investment holding during the year. The principal activities of its subsidiaries are set out in note 28.

The Historical Financial Information is presented in Renminbi ("RMB"). Other than those subsidiaries established in the People's Republic of China (the "PRC") and certain subsidiaries of which primary source of revenue is dividend which is derived from the operation of its major subsidiaries operating in the PRC, whose functional currency is RMB, the functional currency of its subsidiaries is HK$. The functional currency of the Target Company is Hong Kong dollars ("HK$"), which is different from the presentation currency, RMB. As the Company's subsidiaries mainly operate in the PRC, the directors of the Target Company consider that it is appropriate to present the consolidated financial statements in RMB.

For the information of the subsidiaries of Target Company, please refer to note 28 for the particular of subsidiaries.

2. Application of Hong Kong Financial Reporting Standards ("HKFRS(s)")

For the purpose of preparing and presenting the Historical Financial Information during the Relevant Periods, the Target Company has consistently applied all the applicable HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs"), issued by the HKICPA which are effective for the financial year beginning on 1 January 2018 throughout the Relevant Periods, except that the Target Group only adopted HKFRS 9 "Financial Instruments" from 1 January 2018 and HKAS 39 "Financial Instruments: Recognition and Measurement" during the three years ended 31 December 2017.

The accounting policies for financial instruments for HKAS 39 and HKFRS 9 are set out in note 3 below.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Target Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained profits as at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

The Target Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 3 below.

Classification and measurement of financial instruments

The directors of the Target Company reviewed and assessed the Target Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recongised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at fair value or amortised cost as were previously measured under HKAS 39.

Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Target Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 January 2018, the directors of the Target Company reviewed and assessed the Target Group's existing financial assets subject to ECL for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

As at 1 January 2018, an additional allowance on the Target Group's loan receivables of approximately RMB2,511,000 have been recognised, thereby reducing the opening retained profits and non-controlling interests of approximately RMB1,373,000 and approximately RMB589,000 respectively, net of their related deferred tax impact of RMB549,000.

Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Target Group's financial assets and financial liabilities and reconciles the carrying amounts of financial assets and financial liabilities under HKAS 39 to the carrying amounts under HKFRS 9 on 1 January 2018.

	Carrying amount at 31 December 2017 (HKAS 39)	**Adoption of HKFRS 9 – Remeasurement**	**Carrying amount at 1 January 2018 (HKFRS 9)**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loan and interest receivables	326,086	(2,511)	323,575

The table below summarises the impact of transition to HKFRS 9 on retained profits at 1 January 2018.

	Retained profits	**Non-controlling interest**
	RMB'000	*RMB'000*
Balance at 31 December 2017 as originally stated	10,999	84,741
Recognition of additional expected credit losses	(1,757)	(754)
Recognition of deferred tax credit	384	165
Balance at 1 January 2018 as restated	9,626	84,152

New and revised HKFRSs issued but not yet effective

The Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

[1] *Effective for annual periods beginning on or after 1 January 2019.*

[2] *Effective for annual periods beginning on or after 1 January 2020.*

[3] *Effective for annual periods beginning on or after 1 January 2021.*

[4] *Effective date not yet been determined.*

The directors of the Target Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Target Group.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the consolidated financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 "Property, Plant and Equipment", while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 "Leases". Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 "Leases" and the related Interpretations when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 30 November 2018, the Target Group has non-cancellable operating lease commitments of approximately RMB1,905,000 as disclosed in note 30. Out of this balance, an amount of approximately RMB47,000 represents operating leases with original lease terms of over one year in which the Target Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Target Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Target Group's consolidated financial statements.

3. **Significant accounting policies**

Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the Historical Financial Information for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the Historical Financial Information to ensure conformity with the Target Group's accounting policies.

Control is achieved where the Target Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Target Group's returns. When the Target Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Target Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Target Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Target Group obtains control of the subsidiary and cease when the Target Group loses control of the subsidiary.

Income and expenses of subsidiary are included in the consolidated statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Target Group are eliminated in full on consolidation.

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 "Income Taxes".

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Target Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Target Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Changes in the Target Company's ownership interests in existing subsidiaries

Changes in the Target Company's ownership interests in existing subsidiaries that do not result in the Target Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Target Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

When the Target Company loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Target Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Target Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments (on or after 1 January 2018) or HKAS 39 Financial Instruments: Recognition and Measurement (before 1 January 2018) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in a subsidiary

Investment in a subsidiary is included in the Target Company's statements of financial position at cost less any identified impairment loss.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Club membership

Club membership with indefinite useful life is stated at cost less any impairment loss. Impairment is reviewed annually or when there is any indication that the club membership has suffered impairment loss.

Impairment losses on tangible assets

At the end of the reporting period, the Target Company reviews the carrying amounts of its tangible assets to identify there is indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash, as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Under HKFRS 9 (applicable after 1 January 2018)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Target Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

– the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Target Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the line item "revenue" (note 7).

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "realised gain on held-for-trading investments / financial assets at fair value through profit or loss" and "unrealised gain on held-for-trading investments / financial assets at fair value through profit or loss". Fair value is determined in the manner described in note 6.

A financial asset is held for trading if:

– it has been acquired principally for the purpose of selling it in the near term; or

– on initial recognition, it is part of a portfolio of identified financial instruments that the Target Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

– it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Target Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Target Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Target Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Target Group's operations.

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

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Target Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

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

– when there is a breach of financial covenants by the debtor; or

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

The Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Target Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at the original effective interest rate.

If the Target Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Target Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Under HKAS 39 (applicable before 1 January 2018)

Financial assets

The Target Group's financial assets are classified into financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-for-trading investments are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss and is included in the "net trading gains".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from a shareholder, a director, related companies, loan and interest receivables, other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of loans and receivables could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as loan receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss is recognised as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the reception of loan receivables, where the carrying amount is reduced through the use of an allowance account. When a loan receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Under HKFRS 9 and HKAS 39

Financial liabilities and equity instruments

Debt and equity instruments issued by the Target Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities, including accruals and other payables, amounts due to a non-controlling shareholder, a director and related companies, financial assets sold under repurchase agreements, borrowings, obligations under finance leases are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form as integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Target Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial assets sold under repurchase agreement

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest incurred on repurchase agreements is recognised as interest expense over the life of each agreement using the effective interest method.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, The Target Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Target Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is district or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

– The customer simultaneously receives and consumes the benefits provided by The Target Group's performance as The Target Group performs;

– The Target Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or

– The Target Group's performance does not create an asset with an alternative use to The Target Group and The Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes sales related taxes.

Financial consultancy service income and brokerage commission income are recognised at a point in time when the service for the transaction are completed under the terms of each engagement and the revenue can be measured reliable as only that time the Target Group has a present right to payment for services performed.

Contract assets and contract liabilities

A contract asset represents The Target Group's right to consideration in exchange for goods or services that The Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents The Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents The Target Group's obligation to transfer goods or services to a customer for which The Target Group has received consideration from the customer. A contract liability would also be recognised if The Target Group has an unconditional right to receive consideration before The Target Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Retirement benefit costs

Payments to state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessee

Assets held under finance leases are recognised as assets of the Target Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Target Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Target Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint arrangement that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Target Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Target Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Target Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax", as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probably that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Fair value measurement

When measuring fair value, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Target Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Target Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. Critical accounting judgement and key sources of estimation uncertainty

In the application of the Target Group's accounting policies, which are described in note 3, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Target Company have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Control over subsidiaries

As disclosed in note 28, Yuanjian Insurance Brokerage Company Limited* ("遠見保險代理有限公司", "Yuanjian") (formerly known as Chongqing Yuanjian Insurance Brokerage Company Limited# "重慶遠見保險代理有限公司") is considered as a subsidiary of the Target Group, in which only 24% equity interest in Yuanjian was held by the Group, since the Target Group controlled 100% of the voting rights in the directors and shareholders' meeting of Yuanjian.

The English translation is for identification only.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loan receivables (Under HKFRS 9)

The impairment provisions for loan receivables are based on assumptions about ECL. The Target Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Target Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of profit or loss and other comprehensive income. As at 1 January 2018 and 30 November 2018, accumulated impairment losses of loan receivables were approximately RMB21,445,000 and RMB25,454,000, respectively.

Loan receivables mainly include financing advances provided to customers which are partially secured by real estate properties and other collaterals. Apart from assessing the financial positions of customers, the management further reviews value of the pledged real estate properties and other collaterals by reference to recent market transactions in comparable properties/fair values determined by the directors of the Target Company. If the market value of securing real estate properties and other collaterals are deteriorated and are below the carrying amount of the corresponding financing advances, provision on impairment may be required.

Impairment of loan receivables (Under HKAS 39)

The provisioning policy for impairment of loan receivables of the Target Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgements. A considerable amount of judgement is required in assessing the ultimate realisation of loan receivables from these customers, if applicable, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Target Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required. As at 31 December 2015, 2016 and 2017, accumulated impairment losses of loan receivables were approximately RMB10,714,000, RMB16,111,000 and RMB18,934,000 respectively.

Loan receivables mainly include financing advances provided to customers which are partially secured by real estate properties and other collaterals. Apart from assessing the financial positions of customers, the management further reviews value of the pledged real estate properties and other collaterals by reference to recent market transactions in comparable properties/fair values determined by the directors of the Target Company. If the market value of securing real estate properties and other collaterals are deteriorated and are below the carrying amount of the corresponding financing advances, provision on impairment may be required.

Income taxes

The Target Group is mainly subject to income taxes in the PRC and Hong Kong. Significant judgement is required in determining the provision for taxation and the timing of payment of the related taxation. The final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the relevant periods in which such determination are made.

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Target Group assesses annually the residual values and the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period and the estimate will be changed in the future period.

Estimated impairment of plant and equipment

The management of the Target Group determines whether the plant and equipment are impaired whenever there is indication of impairment presented. The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Target Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment losses were recognised for the Relevant Periods.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Target Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, 2016, 2017 and 30 November 2018, the carrying amounts of goodwill were approximately RMB6,717,000, RMB6,717,000, RMB6,717,000 and RMB6,717,000, respectively. No impairment losses were recognised for the Relevant Periods.

5. Capital risk management

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Target Group consists of debt, which comprises mainly the amounts due to a non-controlling shareholder in a subsidiary, a director and related companies, borrowings, obligation under finance leases, bank balances and cash and equity attributable to the owners of the Target Company, comprising issued share capital and reserves.

The directors of the Target Company review the capital structure regularly. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Target Company, the Target Group will balance its overall capital structure through new share issues and the issue of new debt. The Target Group's overall strategy remains unchanged for the years ended 31 December 2015, 2016, 2017 and eleven months ended 30 November 2018.

6. Financial instruments

(a) *Categories of financial instruments*

	As at 31 December 2015 *RMB'000*	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 30 November 2018 *RMB'000*
Financial assets				
Financial assets at amortised cost/ loan and receivables (including cash and cash equivalents)	378,875	314,819	359,225	495,173
Held-for-trading investments/ financial assets at fair value through profit or loss	–	43,580	–	180
	378,875	358,399	359,225	495,353
Financial liabilities				
At amortised cost	282,545	259,893	66,229	133,610
Obligations under finance leases	2,451	–	–	–
	284,996	259,893	66,229	133,610

(b) *Financial risk management objectives and policies*

The Target Group's major financial instruments include loan and interest receivables, other receivables, held-for-trading investments, amounts due from a shareholder/a director/related companies, bank balances and cash, accruals and other payables, amounts due to a non-controlling shareholder/a director/related companies, borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (including interest risk and foreign currency risk). The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i. Credit risk

The Target Group's credit risk is primarily attributable to loan receivables. Management has a credit policy in place and the exposures to the credit risk are monitored on an on-going basis.

In respect of loan receivables, representing financing advances to customers under the Target Group's loan business, individual credit evaluations are performed. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

24%, 22%, 27% and 20% of all financing advances given out as at 31 December 2015, 2016, 2017 and 30 November 2018, respectively, are backed by real estates and motor vehicles situated in Chongqing, the PRC as a security. The Target Group also identified legal ownership and the valuation of the collaterals. An advance given out is based on the value of collaterals and is generally less than the estimated value of the collaterals. The Target Group closely monitors the ownership and value of the collaterals throughout the loan period. Advances to customers are due by the date as specified in the corresponding loan agreements.

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Target Group has significant exposure to individual customers. 7%, 8%, 10% and 9% of the total loan receivables was due from the Target Group's largest customer as at 31 December 2015, 2016, 2017 and 30 November 2018, respectively.

The Target Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 94%, 93%, 83% and 74% of the total loan receivables as at 31 December 2015, 2016, 2017 and 30 November 2018, respectively.

The maximum exposure to credit risk without taking account of the collateral held is represented by the carrying amount of loan receivables as at the end of the reporting period. The Target Group does not provide any guarantees which would expose the Target Group to credit risk.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies.

As at 31 December 2015, 2016 and 2017, impairment loss was recognised when there was objective evidence of impairment loss.

Starting from 1 January 2018, the Target Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Target Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

– internal credit rating

– external credit rating

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– actual or expected significant changes in the operating results of the borrower

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– significant increase in credit risk on other financial instruments of the borrower

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Target Group and changes in the operating results of the borrower

As at 1 January 2018 and 30 November 2018, the credit rating of other receivables and amounts due from a shareholder/related companies were normal. The Group has assessed that the expected credit losses for other receivables and amounts due from a shareholder/related companies are not material under 12 months expected losses method. Thus no loss allowance provision was recognised during the respective period.

The management of the Target Group considers bank balances and cash that are deposited with financial institutions with high credit rating to be low credit risk financial assets. The directors of the Target Company consider that the probability of default is negligible on the basis of high-credit-rating issuers during the Relevant Periods.

The Group's exposure to credit risk

In order to minimise credit risk, the Target Group has tasked its operation management committee to develop and maintain the Target Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and reasonable and supportive forward-looking information. Especially the following indicators are incorporated.

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

– significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors.

The Target Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Target Group's current credit risk grading framework comprises the following categories:

Category (Grading)	Description	Basis of recognising ECL
Normal	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Special mention Substandard	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Doubtful Loss	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from loan receivables are set out in note 15.

The carrying amount of the Target Group's financial assets at FVTPL as disclosed in note 17 best represents their respective maximum exposure to credit risk. The Target Group holds no collateral over any of these balances.

ii. Liquidity risk

In management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group will be required to pay. Specifically, other loan with a repayment on demand clause is included in the earliest time band regardless of the probability of the lender choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity risk tables

As at 31 December 2015	**On demand or within one year**	**More than one year but not exceeding two years**	**More than two years but not exceeding five years**	**Total undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accruals and other payables	5,122	–	–	5,122	5,122
Amount due to a non-controlling shareholder in a subsidiary	3	–	–	3	3
Amount due to a director	12,834	–	–	12,834	12,834
Amount due to related companies	210,156	–	–	210,156	210,156
Financial assets sold under repurchase agreement	10,830	–	–	10,830	10,112
Obligation under finance leases	1,439	1,322	–	2,761	2,451
Borrowings	47,478	–	–	47,478	44,318
	287,862	1,322	–	289,184	284,996

As at 31 December 2016	On demand or within one year *RMB'000*	More than one year but not exceeding two years *RMB'000*	More than two years but not exceeding five years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Accruals and other payables	4,955	–	–	4,955	4,955
Amount due to a non-controlling shareholder in a subsidiary	3	–	–	3	3
Amount due to a director	5,539	–	–	5,539	5,539
Amount due to related companies	222,464	–	–	222,464	222,464
Borrowings	29,843	–	–	29,843	26,932
	262,804	–	–	262,804	259,893

As at 31 December 2017	On demand or within one year *RMB'000*	More than one year but not exceeding two years *RMB'000*	More than two years but not exceeding five years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Accruals and other payables	5,689	–	–	5,689	5,689
Amount due to a non-controlling shareholder in a subsidiary	3	–	–	3	3
Borrowings	60,682	–	–	60,682	60,537
	66,374	–	–	66,374	66,229

As at 30 November 2018	On demand or within one year *RMB'000*	More than one year but not exceeding two years *RMB'000*	More than two years but not exceeding five years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Accruals and other payables	8,088	–	–	8,088	8,088
Amount due to a non-controlling shareholder in a subsidiary	3	–	–	3	3
Borrowings	127,918	–	–	127,918	125,519
	136,009	–	–	136,009	133,610

Note:

Borrowings with a repayment on demand clause of the Target Group are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2015, 2016, 2017 and 30 November 2018, the aggregate undiscounted principal amounts of these borrowings amounted to approximately RMB24,346,000, RMB26,932,000, RMB31,643,000 and RMB33,744,000, respectively. Taking into account the Target Group's financial position, the directors of the Target Company do not believe that it is probable that the lender will exercise its discretionary rights to demand immediate repayment. The directors of the Target Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash outflow will amount to RMB27,360,000, RMB29,843,000, RMB34,795,000 and RMB37,714,000, respectively.

iii. Interest rate risk

The Target Group's exposure to changes in interest rate is exposed to fair value interest rate risk in relation to loan receivables, financial assets sold under repurchase agreement, obligations under finance leases and borrowings at fixed rates.

The Target Group's exposure to changes in interest rates is mainly attributable to its bank balance. Bank balances at variable rates expose the Target Group to cash flow interest-rate risk.

The Target Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Target Group's variable rate bank balances and interest rates as at 31 December 2015, 2016, 2017 and 30 November 2018 are set as below:

	Interest rate							
	As at 31 December 2015	**As at 31 December 2016**	**As at 31 December 2017**	**As at 30 November 2018**	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2017**	**As at 30 November 2018**
					RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Variable rate bank balances	0.01% – 0.38% p.a.	0.01% – 0.30% p.a.	0.01% – 0.30% p.a.	0.01% – 0.38% p.a.	114,090	6,627	18,129	57,269

Sensitivity analysis

The exposure to interest rates for variable-rate bank balances at the end of the reporting period is not material to the Target Group. As no significant impacts on the results of the Target Group would rise from the changes in interest rates for variable-rate bank balances, accordingly sensitivity analysis in this respect is not presented.

iv. Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The following table shows the Target Group's exposure at the end of the reporting period to currency risk arising from transactions or recognised assets denominated in a currency other than the functional currency of the entity to which they relate.

	Liabilities				Assets			
	As at 31 December 2015	**As at 31 December 2016**	**As at 31 December 2017**	**As at 30 November 2018**	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 December 2017**	**As at 30 November 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Japanese Yen ("JPY")	–	–	29,039	92,997	–	–	1	70,216

The Target Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

If a 5% increase/decrease in JPY against the RMB and all other variables were held constant, the Target Group's profit and retained profits for the year ended 31 December 2017 and eleven months ended 30 November 2018 would decrease/increase by approximately RMB1,212,000 and RMB951,000, respectively. The sensitivity analysis includes only outstanding foreign currency denominated monetary items.

v. Fair value

The held-for-trading investments/financial assets at fair value through profit or loss are measured at the fair value as at 31 December 2015, 2016, 2017 and 30 November 2018. The following table gives information about how the fair value of the held-for-trading investments/financial assets at fair value through profit or loss are determined (in particular, the valuation techniques and inputs used).

	Fair value						
	As at 31 December 2015 *RMB'000*	**As at 31 December 2016** *RMB'000*	**As at 31 December 2017** *RMB'000*	**As at 30 November 2018** *RMB'000*	**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant unobservable inputs**
Held-for-trading investments/ financial assets at fair value through profit or loss – unlisted investments	–	43,580	–	180	Level 2	Fair value quoted by the relevant bank	N/A

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their short-term maturities.

(c) Transfers of financial assets

In daily operating activities, the Target Group entered into repurchase agreements with certain counterparties. As at 31 December 2015, the carrying amount of loan receivables, which were sold by the Target Group to a counterparty and were committed to repurchase at specified future dates and price, was approximately RMB10,000,000. The proceeds from selling such loan receivables amounted RMB10,112,000 as at 31 December 2015 are presented as "financial assets sold under repurchase agreements" (Note 22).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these loans receivables to the counterparties during the covered period. However, the Target Group is not allowed to sell or pledge these loan receivables during the covered period unless both parties mutually agree with such agreement. Accordingly, the Target Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised the loan receivables under financial assets but considered as "collateral" for the financial assets sold under repurchase agreements.

7. Revenue

The principal activities of The Target Group are provision of loan financing and financial consultancy services. Revenue represents interest income (either from real estate-backed loans, micro loans and other loans) net of corresponding sales related taxes, brokerage commission income and financial consultancy service income. The amount of each significant category of revenue recognised in revenue for the Relevant Periods is as follows:

	Years ended 31 December			Eleven months ended 30 November	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15					
Financial consultancy service income	37,695	24,505	10,634	9,428	44,563
Brokerage commission income	–	574	3,753	3,753	–
	37,695	25,079	14,387	13,181	44,563
Revenue from other sources					
Interest income from:					
Real estate-backed loans	9,267	17,695	8,668	7,581	5,256
Micro loans	23,025	23,433	27,496	26,948	36,348
Other loans	5,552	12,617	10,065	8,853	29,375
	37,844	53,745	46,229	43,382	70,979
	75,539	78,824	60,616	56,563	115,542

8. Other income

	Years ended 31 December			Eleven months ended 30 November	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Bank interest income	629	103	35	32	12
Exchange gain, net	193	705	–	–	541
Government grants *(note)*	3,041	942	52	48	–
Consultancy income	–	1,027	833	833	–
Handling fee income	5,221	–	–	–	–
Sundry income	8	136	260	118	182
	9,092	2,913	1,180	1,031	735

Note: Government grants in respect of encouragement of expansion of enterprise were recognised at the time the Target Group fulfilled the relevant granting criteria.

9. Finance cost

	Years ended 31 December			Eleven months ended 30 November	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interests on:					
bank and other borrowings	12,029	3,389	3,295	2,970	4,240
obligations under finance leases	370	71	–	–	–
	12,399	3,460	3,295	2,970	4,240

10. Profit before tax

	Years ended 31 December			Eleven months ended 30 November	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before tax has been arrived at after charging:					
Salaries and other benefits (excluding directors' emoluments)	26,383	26,052	24,137	19,181	17,976
Contribution to defined contribution retirement benefits scheme *(note 31)*	2,285	2,115	2,079	1,069	1,645
	28,668	28,167	26,216	20,250	19,621
Auditor's remuneration	–	34	39	–	–
Depreciation	4,965	4,499	2,649	2,365	1,867
Directors' emoluments	–	2,489	2,828	2,725	1,175
Loss/(gain) on disposal/written off of plant and equipment	661	(70)	20	16	24
Operating lease charges in respect of properties	7,504	7,619	4,619	4,065	2,908
Write off of loans receivables	–	4,532	3,833	2,241	–

11. Income tax expenses

The charge comprises:

	Years ended 31 December			Eleven months ended 30 November	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax:					
Hong Kong	–	–	–	–	3,740
PRC Enterprise Income Tax ("EIT")	9,099	9,551	6,672	6,946	7,514
Under-provision of withholding tax on the distributable profits of the Company's PRC subsidiaries	–	–	600	600	–
Deferred taxation *(note 25)*	405	(575)	(668)	(1,330)	(426)
	9,504	8,976	6,604	6,216	10,828

(i) Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the eleven months ended 30 November 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

(iii) Profits of the subsidiaries established in the PRC are subject to PRC EIT for the Relevant Periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory EIT tax rate of the PRC subsidiaries is 25% for both years. Further 10% withholding income tax is generally imposed on dividends relating to profits.

The income tax expense for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Years ended 31 December			Eleven months ended 30 November	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	19,699	24,118	9,010	9,451	71,990
Tax at domestic income tax rate of 25%	4,924	6,029	2,253	2,363	17,998
Effect of different taxation rates in other jurisdictions	5,680	620	802	475	(3,827)
Tax effect of expenses not deductible for tax purpose	746	970	2,068	2,206	1,529
Tax effect of income not taxable for tax purpose	(5,639)	(2,779)	(823)	(533)	(1,050)
Tax effect of tax loss not recognised	2,452	2,898	1,199	611	–
Utilisation of tax loss previously not recognised	–	–	–	–	(3,691)
Effect of two-tiered profits tax rates regime	–	–	–	–	(277)
Tax effect of deductible temporary differences not recognised	213	290	44	40	5
Tax effect of withholding tax on the distributable profits of the Target Company's PRC subsidiaries	1,128	948	1,061	1,054	141
Income tax expense	9,504	8,976	6,604	6,216	10,828

12. Dividends

No dividends were paid, declared or proposed during the Relevant Periods, nor has any dividend been proposed since the end of the Relevant Periods.

13. Plant and equipment

	Office equipment	Leasehold improvements	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2015	3,935	5,326	4,527	13,788
Exchange realignment	36	232	42	310
Additions	893	3,144	973	5,010
Disposals and written off	(43)	(1,111)	–	(1,154)
At 31 December 2015 and 1 January 2016	4,821	7,591	5,542	17,954
Exchange realignment	51	300	71	422
Additions	183	140	–	323
Disposals and written off	(90)	–	(357)	(447)
Disposals of subsidiaries	(126)	(201)	–	(327)
At 31 December 2016 and 1 January 2017	4,839	7,830	5,256	17,925
Exchange realignment	(59)	(326)	(76)	(461)
Additions	804	757	–	1,561
Disposals and written off	(172)	(1,196)	–	(1,368)
Disposals of subsidiaries	(155)	(574)	–	(729)
At 31 December 2017 and 1 January 2018	5,257	6,491	5,180	16,928
Exchange realignment	53	287	67	407
Additions	21	–	–	21
Disposals and written off	(227)	(74)	–	(301)
At 30 November 2018	5,104	6,704	5,247	17,055

	Office equipment *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
ACCUMULATED DEPRECIATION				
At 1 January 2015	820	950	378	2,148
Exchange realignment	8	117	8	133
Charge for the year	924	2,783	1,258	4,965
Disposals and written off	(24)	(463)	–	(487)
At 31 December 2015 and 1 January 2016	1,728	3,387	1,644	6,759
Exchange realignment	20	262	25	307
Charge for the year	889	2,352	1,258	4,499
Disposals and written off	(71)	–	(338)	(409)
Disposals of subsidiaries	(83)	(201)	–	(284)
At 31 December 2016 and 1 January 2017	2,483	5,800	2,589	10,872
Exchange realignment	(33)	(324)	(44)	(401)
Charge for the year	691	762	1,196	2,649
Disposals and written off	(116)	(645)	–	(761)
Disposals of subsidiaries	(20)	–	–	(20)
At 31 December 2017 and 1 January 2018	3,005	5,593	3,741	12,339
Exchange realignment	37	287	59	383
Charge for the period	412	384	1,071	1,867
Disposals and written off	(198)	(74)	–	(272)
At 30 November 2018	3,256	6,190	4,871	14,317
CARRYING VALUES				
At 31 December 2015	3,093	4,204	3,898	11,195
At 31 December 2016	2,356	2,030	2,667	7,053
At 31 December 2017	2,252	898	1,439	4,589
At 30 November 2018	1,848	514	376	2,738

Depreciation is recognised so as to write off the cost of plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

Office equipment	3 – 10 years
Leasehold improvements	over the lease terms
Motor vehicles	4 years

The carrying amounts of plant and equipment include carrying amount of approximately RMB2,935,000 in respect of assets held under finance leases as at 31 December 2015.

14. Club membership

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the financial year/period	1,072	1,072	1,146	1,066
Exchange adjustments	–	74	(80)	71
At the end of the financial year/period	1,072	1,146	1,066	1,137

The club membership is an intangible asset acquired from third parties with indefinite useful life.

Impairment testing on club membership with indefinite useful lives

The club membership held by the Target Group is considered by the directors of the Target Company as having indefinite useful lives because it is a life-time membership which has no explicit legal life. The club membership will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and wherever there is an indication that they may be impaired.

No impairment loss has been recognised during the Relevant Periods as the directors of the Target Company are of the opinion that the recoverable amount was higher than the carrying amount. The fair values of the Target Group's intangible assets at the end of Relevant Periods have been determined by the directors of the Target Company. The valuations performed by the directors of the Target Company were arrived at by reference to recent market prices for similar assets in recent transactions.

15. Loan and interest receivables

	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 30 November 2018 RMB'000
Secured loans				
Real estate-backed loans	41,295	30,703	28,762	27,731
Secured micro loans	17,959	26,250	54,851	52,163
	59,254	56,953	83,613	79,894
Unsecured loans				
Unsecured micro loans	149,720	162,345	171,794	209,400
Unsecured other loans	51,659	36,108	50,697	104,654
	201,379	198,453	222,491	314,054
	260,633	255,406	306,104	393,948
Less: Allowances for loan receivables	(10,714)	(16,111)	(18,934)	(25,454)
Loan receivables	249,919	239,295	287,170	368,494
Interest receivables	2,196	30,189	38,916	60,581
	252,115	269,484	326,086	429,075
Loan and interest receivables analysed for reporting purpose as:				
Non-current assets	24,286	29,448	7,879	16,515
Current assets	227,829	240,036	318,207	412,560
	252,115	269,484	326,086	429,075

The average loan period as at the end of the Relevant Periods as follows:

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
Real estate-backed loans	90 days to 1 year	180 days to 1 year	180 days to 1 year	180 days to 1 year
Secured and unsecured micro loans	90 days to 3 years	60 days to 4 years	60 days to 4 years	90 days to 4 years
Other loans	90 days to 1 year	300 days to 600 days	216 days to 395 days	150 days to 600 days

As at 31 December 2015, 2016, 2017 and 30 November 2018, the loans provided to customers bore fixed interest rate at 0.7%-3.0%, 0.7%-3.5%, 0.13%-2.5%, and 0.3% to 3.5% per month, respectively, and were repayable according to the loan agreements.

As at 31 December 2015, 2016, 2017 and 30 November 2018, included in the gross balances are loans of approximately RMB53,148,000, RMB39,949,000, RMB77,122,000 and RMB72,326,000, respectively were secured by real estates in the PRC; approximately RMB6,106,000, RMB17,004,000, RMB6,491,000 and RMB7,568,000, respectively were secured by motor vehicles; and approximately RMB71,354,000, RMB54,112,000, RMB89,994,000 and RMB130,666,000, respectively were guaranteed by guarantors.

As at 31 December 2015, 2016, 2017 and 30 November 2018, the Target Group held collaterals with value of approximately RMB105,385,000, RMB114,130,000, RMB189,907,000 and RMB 214,405,000, respectively over the financing advances to customers.

As at 31 December 2015, micro loans included loan receivables under repurchase agreement of approximately RMB10,000,000 *(note 22)*.

Movement in the allowance for loan receivables:

	As at 31 December 2015 *RMB'000*	**As at 31 December 2016** *RMB'000*	**As at 31 December 2017** *RMB'000*
At the beginning of the year	26,318	10,714	16,111
Allowance for impairment on loan receivables	9,320	7,723	6,801
Reversal of allowance for impairment on loan receivables	(13,608)	(2,115)	(3,978)
Write-down on loan receivables	(11,316)	(211)	–
At the end of the year	10,714	16,111	18,934

	Stage 1: 12-month ECL *RMB'000*	Stage 2: Lifetime ECL *RMB'000*	Stage 3: Lifetime ECL – Credit impaired	Total *RMB'000*
At 31 December 2017 (audited)	1,322	13,476	4,136	18,934
Adoption of HKFRS 9 on 1 January 2018	1,347	676	488	2,511
At 1 January 2018 (as restated)	2,669	14,152	4,624	21,445
Transfer to Stage 2: Lifetime ECL	(78)	78	–	–
Transfer to Stage 3: Lifetime ECL – credit impaired	–	(575)	575	–
Allowance for impairment on loan receivables	3,508	4,562	3,174	11,244
Reversal of allowance for impairment on loan receivables	(2,308)	(4,527)	(532)	(7,367)
Exchange realignment	132	–	–	132
At 30 November 2018	3,923	13,690	7,841	25,454

Included in the Target Group's loan receivables of approximately RMB73,949,000, RMB72,829,000 and RMB82,378,000 as at 31 December 2015, 2016, and 2017, respectively were past due as at the reporting date.

The ageing of loan receivables which were past due but not impaired is as follows:

	As at 31 December 2015 *RMB'000*	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*
Within 90 days	9,681	4,256	4,687
91 – 180 days	18,870	2,126	4,432
181 – 365 days	38,218	12,770	9,196
Over 365 days	7,180	53,677	64,063
	73,949	72,829	82,378

The Target Group's neither past due nor impaired loan receivables mainly represented loans granted to creditworthy customers for whom there were no recent history of default.

During the eleven months ended 30 November 2018, in determining the expected credit losses for these assets, the directors of the Target Company have taken into account the historical default experience, the financial position of the counterparties, value of collaterals as well as the future prospects of the industries in which the lenders operate, considering various external sources of actual and forecast economic information for estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon and the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for loan receivables.

The ageing of loan receivables and expected credit loss model as at 1 January 2018 and 30 November 2018 are as follows:

Loan receivables:

	As at 1 January 2018			As at 30 November 2018		
	Weighted average expected loss rate	Gross carrying amount	Loss allowance	Weighted average expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*
The amount not yet past due	1.53%	206,211	3,158	1.54%	276,457	4,245
The amount past due:						
Within 90 days	2,83%	7,181	203	2.89%	6,472	187
91 – 180 days	3.19%	5,077	162	3.12%	4,871	152
181 – 365 days	16.66%	11,248	1,874	15.85%	15,010	2,379
Over 365 days	21.01%	76,387	16,048	20.29%	91,138	18,491
	7.01%	306,104	21,445	6.46%	393,948	25,454

As at 1 January 2018 and 30 November 2018, an analysis of the gross amount of loans receivables is as follows:

	As at 1 January 2018				As at 30 November 2018			
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL – credit impaired	Total	Stage 1: 12-month ECL	Stage 2: Lifetime ECL	Stage 3: Lifetime ECL – credit impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross amount:								
Normal	182,946	–	–	182,946	259,140	–	–	259,140
Special Mention	–	66,853	–	66,853	–	74,709	–	74,709
Substandard	–	48,554	–	48,554	–	46,692	–	46,692
Doubtful	–	–	7,229	7,229	–	–	12,870	12,870
Loss	–	–	522	522	–	–	537	537
	182,946	115,407	7,751	306,104	259,140	121,401	13,407	393,948

During the year ended 31 December 2015, 2016, 2017 and eleven months ended 30 November 2017 (unaudited) and 2018, bad debts of approximately nil, RMB4,532,000, RMB3,833,000, RMB2,241,000 and nil were directly written off respectively.

16. Prepayments and other receivables

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	1,690	540	3,577	785
Prepayment on capital injection *(Note)*	–	23,000	–	–
Deposits and other receivables	6,665	5,231	3,814	6,399
	8,355	28,771	7,391	7,184

Note:

On 11 July 2016, Kang Run Management Advisory (Chongqing) Co., Ltd.# ("康潤企業管理諮詢(重慶)有限公司", "Kang Run") and Chongqing Run Kun Management Consulting Co. Ltd# ("重慶潤坤企業管理諮詢有限公司", "Run Kun"), indirect wholly-owned subsidiaries of the Target Company, entered into a contract with an independent third party to invest RMB23,000,000 in aggregate to establish a new company providing insurance services, in which Kang Run and Run Kun will hold 28% and 18% of the total share capital respectively. During the year ended 31 December 2017, the establishment of the new company was being cancelled and the prepayment on capital injection was refunded.

17. Held-for-trading investments/financial assets at fair value through profit or loss

Held-for-trading investments/financial assets at fair value through profit or loss are measured at fair value at the year end for recurring measurement, grouped into Level 2 based on the degree to which the fair value is observable in an active market.

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
	Level 2	Level 2	Level 2	Level 2
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments stated at Fair value	–	43,580	–	180

There were no transfers between levels of fair value hierarchy during the Relevant Periods.

The English translation is for identification only.

Held-for-trading investments as at 31 December 2016 represented two kinds of investment-linked structured deposits with banks, with principal amounts of approximately RMB43,580,000. The return of the investment-linked deposits is determined by reference to the performance of investment portfolio managed by the relevant banks.

As at 30 November 2018, the unlisted funds managed by the bank in the PRC with underlying financial instrument mainly consist of the bank deposits and bonds of the PRC with approximately RMB180,000.

The Target Group disposed of certain listed securities and realised gain on held for trading investments of approximately RMB710,000, RMB1,008,000, RMB1,605,000, RMB1,509,000 and RMB442,000 for the years ended 31 December 2015, 2016, 2017 and for the eleven months ended 30 November 2017 (unaudited) and 2018, respectively, has been recognised in profit or loss.

18. Goodwill

	As at 31 December 2015 *RMB'000*	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 30 November 2018 *RMB'000*
COST AND CARRYING AMOUNT				
At the beginning of the financial year/period	6,717	6,717	6,717	6,717
Arising on acquisition of a subsidiary *(Note 29(i))*	133	–	–	–
Eliminated on disposal of a subsidiary *(Note 29(ii))*	(133)	–	–	–
At the end of the financial year/period	6,717	6,717	6,717	6,717

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to one cash generating unit ("CGU"). The carrying amount of goodwill arising from acquisition of Starlight Financial Holdings Limited ("Starlight Financial") as at 31 December 2015, 2016, 2017 and 30 November 2018 of approximately RMB6,717,000 is allocated to that CGU.

During the Relevant Periods, management of the Target Group determines that there are no impairments of its goodwill of Starlight Financial.

The recoverable amount of Starlight Financial has been determined based on value in use calculation. In assessing the valuation of the CGU, the management adopted the income approach. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10%. Starlight Financial's cash flows beyond the five-year period are extrapolated using a pre-tax 3% growth rate, which represents the long-term inflation rate in the PRC. No impairment loss has been recognised during the Relevant Periods as directors of the Target Company are of the opinion that the recoverable amount was higher than the carrying amount.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its recoverable amount.

19. Amount due from (to) a shareholder/a director/related companies/a non-controlling shareholder

The amounts are unsecured, interest-free and repayable on demand.

20. Bank balances and cash

As at 31 December 2015, 2016, 2017 and 30 November 2018, bank balances and cash comprise cash held by the Target Group carrying interest at market rates ranging from 0.01% to 0.38%, 0.01% to 0.30%, 0.01% to 0.30% and 0.01% to 0.38% per annum respectively.

21. Accruals and other payables

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expense and other payables	5,604	5,069	5,920	8,403
Financing service income receipts in advance *(note)*	430	267	369	427
	6,034	5,336	6,289	8,830

Note:

Financing service income receipts in advance represents the deferred income arose from the difference between loan receivables and the actual fund transferred to the customers at the inception of loan granted in accordance with the respective loan agreements and the deferred income will be recognised as interest income over the loan period.

22. Financial assets sold under repurchase agreement

	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 30 November 2018 RMB'000
Benefit rights of loans and advance to customers	10,112	–	–	–

The Target Group entered into repurchase transaction to principally finance the mirco loan financing business, through the over-the-counter trading platform offered by the Chongqing Financial Assets Exchange during the year ended 31 December 2015, the Target Group sold a portion of the unsecured micro loans to investors under repurchase agreements and the Target Group agreed to repurchase the respective loan receivables sold at pre-determined prices within 1 year. The above amounts were guaranteed by a third party which provides guarantee service. In addition, further counter-guaranteed was obtained by an indirectly wholly own subsidiary of the Target Company for the year ended 31 December 2015.

Details of the carrying values of underlying assets of financial assets sold under repurchase agreement are set out in note 15.

23. Borrowings

	As at 31 December 2015 *RMB'000*	As at 31 December 2016 *RMB'000*	As at 31 December 2017 *RMB'000*	As at 30 November 2018 *RMB'000*
Bank borrowings (guaranteed) *(note (a))*	19,972	–	–	–
Other borrowings (guaranteed) *(note (b))*	–	–	28,894	91,775
Other borrowings (unguaranteed) *(note (c))*	24,346	26,932	31,643	33,744
	44,318	26,932	60,537	125,519
Carrying amount repayable:				
Within one year	30,071	15,234	39,720	98,879
After one year but within two years	14,247	11,698	20,817	26,640
	44,318	26,932	60,537	125,519
Carrying amount that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	14,247	11,698	20,817	26,640
Carrying amount that are repayable within one year from the end of the reporting period but contain a repayment on demand clause	10,099	15,234	10,826	7,104
Amounts due within one year shown under current liabilities	19,972	–	28,894	91,775
Amounts show under current liabilities	44,318	26,932	60,537	125,519
	44,318	26,932	60,537	125,519

Notes:

(a) As at 31 December 2015, bank borrowings amounted RMB19,972,000 were guaranteed by an independent third party which provides guarantee service and was in counter-guaranteed arrangement by an indirectly wholly-owned subsidiary of the Company.

(b) (i) As at 31 December 2017, included in the other borrowings of the Target Group is an outstanding balance of JPY500,000,000 (equivalent to approximately RMB28,895,000) due to Software Research Associates, Inc., a non-controlling shareholder of the Target Company. Such borrowing is guaranteed by 68,000,000 shares of the Company which is held by Royal Spectrum. The amount has a fixed interest rate of 2% p.a..

(ii) As at 30 November 2018, included in the other borrowings of the Target Group is an outstanding balance of JPY1,500,000,000 (equivalent to approximately RMB91,775,000) due to Software Research Associates, Inc., a non-controlling shareholder of the Target Company. Such borrowing is guaranteed by 250,000,000 shares of the Company which is held by Royal Spectrum. The amount has a fixed interest rate of 2% p.a..

(c) The amount is unsecured and with fixed interest rate of 10% p.a..

(d) The balance of borrowings bore interest at annual fixed interest rates during the Relevant Periods are set out below:

As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
7.8% – 10% p.a.	10% p.a.	2% – 10% p.a.	2% – 10% p.a.

(e) Bank and other borrowings that are denominated in RMB, HK$ and JPY during the Relevant Periods are set out below:

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	19,972	–	–	–
HK$	24,346	26,932	31,642	33,744
JPY	–	–	28,895	91,775

24. Obligations under finance leases

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	1,206	–	–	–
Non-current portion	1,245	–	–	–
	2,451	–	–	–

The Target Group leases motor vehicles under finance leases as at 31 December 2015. The lease term was 3 years. Interest rate underlying the obligations under the finance leases is fixed at respective contract date at 12.19% p.a.. Purchase options have been included in the lease at conditions specified under different situations.

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable under finance leases								
Within one year	1,439	–	–	–	1,206	–	–	–
After one year but within two years	1,322	–	–	–	1,245	–	–	–
After two years but within five years	–	–	–	–	–	–	–	–
	2,761	–	–	–	2,451	–	–	–
Less: future finance charges	(310)	–	–	–	N/A	–	–	–
Present value of lease obligation	2,451	–	–	–	2,451	–	–	–
Less: Amount due for settlement within 12 months (shown under current liabilities)					(1,206)	–	–	–
Amount due for settlement after 12 months					1,245	–	–	–

The Target Group's obligations under finance leases are secured by the lessor's charge over the motor vehicles.

There is no obligation under finance leases as at 31 December 2016, 2017 and 30 November 2018.

Financial lease obligations are denominated in RMB.

25. Deferred tax

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	3,351	3,874	4,603	5,729
Deferred tax liabilities	571	519	580	721

The followings are the major deferred tax assets (liabilities) recognised and movements during the Relevant Periods:

	Withholding tax on undistributed profit of subsidiaries in the PRC	Impairment on loan receivables	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	(464)	3,649	–	3,185
(Charged) credited to profit or loss *(note 11)*	(107)	(1,062)	764	(405)
At 31 December 2015 and 1 January 2016	(571)	2,587	764	2,780
Credited (charged) to profit or loss *(note 11)*	52	1,287	(764)	575
At 31 December 2016 and 1 January 2017	(519)	3,874	–	3,355
(Charged) credited to profit or loss *(note 11)*	(61)	729	–	668
At 31 December 2017 (as originally stated)	(580)	4,603	–	4,023
Effect of change in accounting policy *(note 2)*	–	549	–	549
At 1 January 2018 (as restated)	(580)	5,152	–	4,572
(Charged) credited to profit or loss *(note 11)*	(141)	567	–	426
Exchange realignment	–	10	–	10
At 30 November 2018	(721)	5,729	–	5,008

The Target Group had unused tax losses of approximately RMB13,024,000, RMB23,337,000, RMB23,821,000 and RMB1,688,000 as at 31 December 2015, 2016, 2017 and 30 November 2018 available to offset against future profits. No deferred tax asset has been recognised in respect of the tax loss as at 31 December 2015, 2016, 2017 and 30 November 2018 due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB3,978,000, RMB4,572,000, RMB1,688,000 and RMB1,688,000 as at 31 December 2015, 2016, 2017 and eleven months ended 30 November 2018 that will expire in five years from the dates they were incurred. Other losses may be carried forward indefinitely.

At 31 December 2015, 2016, 2017 and 30 November 2018, no deferred tax asset has been recognised in relation to deductible temporary differences derived from plant and equipment of approximately RMB880,000, RMB2,770,000, RMB2,838,000 and RMB3,051,000, respectively, as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised as at 31 December 2015, 2016, 2017 and 30 November 2018.

26. Share capital

	Number of shares	**RMB**	**Presented in RMB'000**
Ordinary shares of US$1, issued and fully paid:			
At 1 January 2015	1	6	–*
Issue of shares on 15 December 2015 *(Note)*	99	612	1
At 31 December 2015, 31 December 2016, 31 December 2017 and 30 November 2018	100	618	1

Note:

On 15 December 2015, the Target Company issued 99 ordinary shares at a price of US$1 each. These shares rank pari passu in all respects with other shares in issue.

27. Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Target Group's consolidated statements of cash flows from financing activities.

	Amounts due to shareholders (Note 19) RMB '000	Amounts due to related companies (Note 19) RMB '000	Amount due to a director (Note 19) RMB '000	Financial assets sold under repurchase agreement (Note 22) RMB '000	Borrowings (Note 23) RMB '000	Obligations under finance leases (Note 24) RMB '000	Total RMB '000
At 1 January 2015	1	103,992	–	20,781	19,756	3,519	148,049
Financing cash flows	(1)	100,793	3,150	(10,610)	19,615	(1,438)	111,509
Non-cash changes:							
Finance cost incurred *(Note 9)*	–	–	–	–	12,029	370	12,399
Acquisition of a subsidiary *(Note 29(i))*	–	23	18,608	–	–	–	18,631
Disposal of a subsidiary *(Note 29(ii))*	–	(2,339)	(8,924)	–	–	–	(11,263)
Repayment by a related Company *(Note 33(d))*	–	8,004	–	–	(8,004)	–	–
Foreign exchange movements	–	(317)	–	(59)	922	–	546
At 31 December 2015 and 1 January 2016	–	210,156	12,834	10,112	44,318	2,451	279,871
Financing cash flows	–	(390)	(1,641)	(10,112)	(22,762)	(2,522)	(37,427)
Non-cash changes:							
Finance cost incurred *(Note 9)*	–	–	–	–	3,389	71	3,460
Current account set off *(Note 33(c))*	–	–	(5,926)	–	–	–	(5,926)
Foreign exchange movements	–	12,698	272	–	1,987	–	14,957
At 31 December 2016 and 1 January 2017	–	222,464	5,539	–	26,932	–	254,935
Financing cash flows	–	–	(615)	–	35,938	–	35,323
Non-cash changes:							
Finance cost incurred *(Note 9)*	–	–	–	–	3,295	–	3,295
Current account set off *(Note 33(d))*	–	894	(4,750)	–	–	–	(3,856)
Waiver of loan *(Note 33(e))*	–	(208,477)	–	–	–	–	(208,477)
Foreign exchange movements	–	(14,881)	(174)	–	(5,628)	–	(20,683)
At 31 December 2017 and 1 January 2018	–	–	–	–	60,537	–	60,537
Financing cash flows	–	–	–	–	52,735	–	52,735
Non-cash changes:							
Finance cost incurred	–	–	–	–	4,240	–	4,240
Foreign exchange movements	–	–	–	–	8,007	–	8,007
At 30 November 2018	–	–	–	–	125,519	–	125,519
At 1 January 2017	–	222,464	5,539	–	26,932	–	254,935
Financing cash flows	–	(4,740)	–	–	35,906	–	31,166
Non-cash changes:							
Finance cost incurred *(Note 9)*	–	–	–	–	2,970	–	2,970
Current account set off *(Note 33(f))*	–	–	(4,270)	–	–	–	(4,270)
Foreign exchange movements	–	(12,298)	–	–	(3,508)	–	(15,806)
At 30 November 2017 (Unaudited)	–	205,426	1,269	–	62,300	–	268,995

28. Particulars of subsidiaries

Details of the subsidiaries of the Target Group during the Relevant Periods are as follows:

Name	Place of incorporation/ establishment and operations	Paid up issued/ registered ordinary share capital	Percentage of equity interest held by The Target Group								Principal activities
			Directly				Indirectly				
			12.2015	12.2016	12.2017	11.2018	12.2015	12.2016	12.2017	11.2018	
Starlight Financial Holdings Limited	Hong Kong	HK$234,000,000	70%	70%	70%	70%	N/A	N/A	N/A	N/A	Investment holding
City Eagle Holdings Limited	Hong Kong	HK$100	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Investment holding
Choice Ace Holdings Limited	Hong Kong	HK$1	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Investment holding
Rosy Market Holdings Limited	Hong Kong	HK$1	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Investment holding
Ace Dynamic Limited	Hong Kong	HK$1	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Investment holding
China Runking Financing Group Limited	Hong Kong	HK$1	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Provision of loan financing services and investment holding
Top Synergy Holdings Limited	Hong Kong	HK$1	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Investment holding
Run Tong Credit (Liangliang District Chongqing) Co., Ltd.# ("重慶市兩江新區潤通小額貸款有限公司")	The PRC	USD30,000,000	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Provision of loan financing services and microfinance services
Kang Run	The PRC	US$500,000	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Financial consulting services
Shanghai Kangkai Business Consulting Limited# ("上海康鍇商務諮詢有限公司")	The PRC	RMB1,000,000	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Financial consulting services
Run Kun	The PRC	HK$10,000,000	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Financial consulting services
Wine Financier Limited *(note (a))*	Hong Kong	HK$10,000	N/A	N/A	N/A	N/A	100%	100%	100%	100%	Provision of loan financing services and investment holding
Chongqing Jie Run Insurance Limited# ("重慶捷潤保險公估有限公司") *(note (b))*	The PRC	RMB2,000,000	N/A	N/A	N/A	N/A	100%	100%	100%	N/A	Investment holding
Yuanjian *(note (c))*	The PRC	RMB50,000,000	N/A	N/A	N/A	N/A	24%	24%	N/A	N/A	Provision of insurance brokerage services
Shen Yue Investment Consultancy Limited# ("深岳投資諮詢(上海)有限公司") *(note (d))*	The PRC	HK$1,000,000	N/A	N/A	N/A	N/A	100%	N/A	N/A	N/A	Provision of financial consulting services
Sino Ever Holdings Limited *(note (d))*	Hong Kong	HK$10	N/A	N/A	N/A	N/A	100%	N/A	N/A	N/A	Investment holding
Eagle Horizon Investments Limited *(note (e)*	Hong Kong	HK$1	N/A	N/A	N/A	N/A	100%	100%	100%	N/A	Investment holding
Chongqing Kai-yue Business Management Limited# ("重慶鎧岳商業管理有限公司") *(note (f))*	The PRC	RMB500,000	N/A	N/A	N/A	N/A	N/A	100%	100%	100%	Financial consulting services

\# *The English translation is for identification only.*

Notes:

(a) The subsidiary was acquired from a related company, Madison China Limited, at a consideration of HK$10,000 (equivalent to approximately RMB8,000) on 29 January 2015. The Target Group disposed it to another related company, iVega Investment Limited, at a consideration of approximately HK$3,216,000 (equivalent to approximately RMB2,535,000) on 9 July 2015 and repurchased it back at a consideration of approximately HK$2,990,000 (equivalent to approximately RMB2,452,000) on 28 October 2015.

(b) The subsidiary was incorporated on 7 December 2015, with the registered capital of RMB2,000,000, and was deregistered on 30 September 2017.

(c) The subsidiary was incorporated on 7 December 2015, with the registered capital of RMB50,000,000. It is considered to be a subsidiary of the Company despite the Company holds indirectly not more than half of the equity interest therein as the Target Company has the power to cast all the votes at meetings of the board of directors and shareholders of the entity, which has power to affect the returns of this subsidiary.

(d) The Target Group disposed them to Ting Pang Wan, Raymond, an indirect controlling shareholder at a consideration of HK$1,500,000 (equivalent to approximately RMB1,343,000) on 30 December 2016.

(e) The Target Group disposed it to Digital Red Campus Company Limited, an independent third party at a consideration of HK$1 (equivalent to approximately RMB1) on 2 February 2018.

(f) The subsidiary was incorporated on 6 September 2016, with the registered capital of RMB500,000.

29. Acquisition and disposal of subsidiaries

(i) Acquisition of subsidiaries

For the year ended 31 December 2015

On 29 January 2015, The Target Group acquired 100% of the equity interest in Wine Financier Limited at a consideration of HK$10,000 (equivalent to approximately RMB8,000) from a related company, Madison China Limited, which is 46.27% beneficially owned by Mr. Ting. This acquisition has been accounted for using the acquisition method and completed on 29 January 2015. The amount of goodwill arising as a result of the acquisition was approximately HK$168,000 (equivalent to approximately RMB133,000). Wine Financier Limited is engaged in the loan financing services to further extent the Target Group's financial consulting operations.

Assets acquired and liabilities recognised at the date of the acquisition are as follows:

	Acquiree's fair value on acquisition
	RMB'000
Deposits	10
Amount due from immediate holding company	8
Cash and cash equivalents	1,483
Accrued liabilities and other payables	(14)
Amount due to a director	(1,589)
Amount due to a related company	(23)
	(125)

	RMB'000
Goodwill arising on acquisition:	
Cash consideration transferred	8
Net liabilities acquired	125
	133

Goodwill arose in the acquisition of Wine Financier Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Wine Financier Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Minimal acquisition-related cost of the transaction is incurred during the year ended 31 December 2015 and recognised in administrative expenses.

Net cash inflow on acquisition of Wine Financier Limited

	RMB'000
Cash consideration transferred	(8)
Less: cash and cash equivalents balances acquired	1,483
	1,475

Included in the revenue and profit for the year ended 31 December 2015 was approximately RMB2,569,000 and approximately RMB2,537,000 respectively attributable to the additional business generated by Wine Financier Limited during the period from 29 January 2015 (first date of acquisition) to 9 July 2015 (date of disposal).

Had the acquisition been completed on 1 January 2015, total revenue of the Target Group for the year would have been approximately RMB76,025,000, and profit for the year would have been approximately RMB10,172,000.

On 28 October 2015, The Target Group acquired 100% of the equity interest in Wine Financier Limited at a consideration of approximately HK$2,990,000 (equivalent to approximately RMB2,452,000). This acquisition has been accounted for using the acquisition method and completed on 28 October 2015. No goodwill was arising as a result of the acquisition. Wine Financier Limited is engaged in the loan financing services which was acquired to further extent The Target Group's financial consulting operations.

Assets acquired and liabilities recognised at the date of the acquisition are as follows:

	Acquiree's fair value on acquisition
	RMB'000
Loan receivables	12,891
Deposits	10
Amount due from intermediate holding company	369
Amount due from a related company	2,641
Cash and cash equivalents	4,064
Amount due to a director	(17,019)
Tax payable	(504)
	2,452

No goodwill is arisen from the acquisition.

Minimal acquisition-related cost of the transaction is incurred during the year ended 31 December 2015 and recognised in administrative expenses.

Net cash inflow on acquisition of Wine Financier Limited:

	RMB'000
Cash consideration transferred	(2,452)
Less: cash and cash equivalents balances acquired	4,064
	1,612

Included in the total revenue and profit for the year ended 31 December 2015 was approximately RMB19,000 and RMB12,301,000 respectively attributable to the additional business generated by Wine Financier Limited during the period from 28 October 2015 (second date of acquisition) to 31 December 2015.

Had the acquisition been completed on 1 January 2015, total revenue of The Target Group for the year would have been approximately RMB76,025,000 and profit for the year would have been approximately RMB10,172,000.

(ii) Disposals of subsidiaries

For the year ended 31 December 2015

On 9 July 2015, The Target Group disposed of its 100% equity interest in Wine Financier Limited to a related company with a common director at a consideration of approximately HK$3,216,000 (equivalent to approximately RMB2,535,000).

The net assets of the subsidiary disposed of at the date of disposal are as follows:

	RMB'000
Loan receivables	12,386
Deposits	9
Amount due from a related company	10,481
Cash and cash equivalents	4,284
Accruals and other payables	(13,492)
Amount due to a director	(8,924)
Amount due to a related company	(2,339)
Net assets disposed of	2,405
Loss on disposal of a subsidiary	
Consideration received and receivable	2,535
Net assets disposed of	(2,405)
Goodwill	(133)
Loss on disposal of a subsidiary	(3)
Consideration received and receivable	
Cash received	2,535
Net cash outflow arising on disposal	
Cash consideration received	2,535
Cash and cash equivalents	(4,284)
	(1,749)

The subsidiary disposed of had no significant impact on the results and cash flows of The Target Group for the year ended 31 December 2015.

For the year ended 31 December 2016

On 30 December 2016, The Target Group disposed of its 100% equity interest in Sino Ever Holdings Limited ("Sino Ever"), which together with its subsidiary (collectively referred to as "Sino Ever Group" to Ting Pang Wan, Raymond, an indirect controlling shareholder at a consideration of HK$1,500,000 (equivalent to approximately RMB1,343,000).

The net liabilities of the Sino Ever Group disposed of at the date of disposal are as follows:

	RMB'000
Plant and equipment	43
Prepayments and other receivables	116
Cash and cash equivalents	116
Accruals and other payables	(146)
Tax payable	(1)
Amount due to a fellow subsidiary	(5,924)
	(5,796)
Gain on disposal of a subsidiary	
Consideration received and receivable	1,343
Net liabilities disposed of	5,796
Gain on disposal of a subsidiary	7,139
Consideration received and receivable	
Cash received	1,343
Net cash inflow arising on disposal	
Cash consideration received	1,343
Cash and cash equivalents	(116)
	1,227

The Sino Ever Group disposed of had no significant impact on the results and cash flows of the Target Group for the year ended 31 December 2016.

For the year ended 31 December 2017

On 17 November 2017, The Target Group disposed of its 24% equity interest in Yuanjian to Shenzhen Qianhai Dadao Financial Services Company ("深圳前海大道金融服務有限公司"), an independent third party at a net consideration of approximately RMB13,766,000. It is considered to be a subsidiary of the Company despite the Company holds indirectly not more than half of the equity interest therein as the Company has the power to cast the majority of votes at meetings of the board of directors of the entity, which has power to affect the returns of this subsidiary.

The net assets of the subsidiary disposed of at the date of disposal are as follows:

	RMB'000
Property, plant and equipment	709
Held for trading investment	40,517
Prepayments and other receivables	2,847
Cash and cash equivalents	5,314
Accruals and other payables	(844)
	48,543
Gain on disposal of a subsidiary	
Net consideration received and receivable	13,766
Net assets disposed of	(48,543)
Non-controlling interest	36,893
Gain on disposal of a subsidiary	2,116
Consideration received and receivable	
Cash received	13,766
Net cash inflow arising on disposal	
Cash consideration received	13,766
Cash and cash equivalents	(5,314)
	8,452

Profit for the year of the Target Group includes loss of approximately RMB1,102,000 and revenue for the year of The Target Group includes RMB3,753,290 which were generated by Yuanjian.

The English translation is for identification only.

During the period from 1 January 2017 to 17 November 2017, Yuanjian contributed approximately RMB5,917,000 to The Target Group's net operating cash flows and paid approximately RMB614,000 in respect of investing activities.

For the eleven months ended 30 November 2018

On 2 February 2018, the Target Group disposed of its 100% equity interest in Eagle Horizon Investment Limited to Digital Red Campus Company Limited, an independent third party at a net consideration of HK$1 (equivalent to approximately RMB1).

The net assets of the subsidiary disposed of at the date of disposal are as follows:

	RMB'000
Cash and cash equivalents	9
Accruals and other payables	(37)
	(28)
Gain on disposal of a subsidiary	
Net consideration received and receivable	–*
Net assets disposed of	(28)
Loss on disposal of a subsidiary	(28)
Consideration received and receivable	
Cash received	–*
Net cash outflow arising on disposal	
Cash consideration received	–*
Cash and cash equivalents	(9)
	(9)

* *The balance represents an amount less than RMB1,000.*

Eagle Horizon Investment Limited disposed of had no significant impact on the results and cash flows of the Target Group for the eleven months ended 30 November 2018.

30. Commitments

Operating lease commitments

The Target Group as lessee

As at 31 December 2015, 2016, 2017 and 30 November 2018, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	6,213	2,754	4,444	1,858
In the second to fifth years inclusive	1,020	–	1,307	47
	7,233	2,754	5,751	1,905

The Target Group leases the properties under operating lease. These leases run for an initial period of one to five years as at 31 December 2015, 2016 and 2017 and 30 November 2018. These leases do not include any contingent rental.

31. Retirement benefit schemes

The Target Group operates a defined contribution MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 for the year ended 31 December 2015, 2016, 2017 and for eleven months ended 30 November 2017 and 2018 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employees' monthly salaries or up to a maximum of HK$1,500 for the year ended 31 December 2015, 2016, 2017 and for eleven months ended 30 November 2017 and 2018 (the "Mandatory Contributions"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65, death or total incapacity.

Employees of the subsidiaries in the PRC are members of the state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of The Target Group with respect to the retirement benefit plan is to make the required contributions.

There were no forfeited contributions utilised to offset employers' contributions for the year. The employers' contributions which have been dealt with in the consolidated statements of profit or loss and other comprehensive income were as follows:

	Years ended 31 December			Eleven months ended 30 November	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Employers' contributions charged to the consolidated statements of profit or loss and other comprehensive income	2,285	2,115	2,079	1,069	1,645

32. Related party transactions

(a) The emoluments of the directors of the Target Company (representing key management personnel) during the Relevant Periods have set out in note 10.

(b) During the Relevant Periods, the Target Group had following material transactions with its related parties:

Name of related parties	Nature of transaction	Years ended 31 December			Eleven months ended 30 November	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Madison China Limited *(Notes (a))*	Consulting fee income	–	514	833	833	–
CVP Capital Limited *(Notes (b))*	Rental expenses	–	–	1,729	1,444	2,296

Notes (a): Madison China Limited is 46.27% beneficially owned by Mr. Ting.

Notes (b): CVP Capital Limited is 41.34% beneficially owned by Mr. Ting.

(c) The acquisition and disposals of subsidiaries made with the related parties of the Company during the Relevant Period has set out in note 29.

(d) Apart from the balances and transactions with related parties disclosed elsewhere in the Historical Financial Information, the Target Group had not entered into any other significant related party transactions during the Relevant Periods.

33. Major non-cash transactions

(a) During the year ended 31 December 2015, deposit amounted RMB2,018,000 was utilised for acquisitions of plant and equipment.

(b) During the year ended 31 December 2015, interest expenses on bank and other borrowings amounted approximately RMB8,004,000 was settled by a related company.

(c) During the year ended 31 December 2016, included in amounts due to a subsidiary of approximately RMB5,926,000 is transferred from amount due to a director of approximately RMB5,926,000.

(d) During the year ended 31 December 2017, included in the amount due to a director of approximately RMB4,750,000, amounts due from related companies of approximately RMB4,856,000, amounts due to related companies of approximately RMB894,000 are set off with amount due from a director and the residual amount of approximately RMB1,000,000 is shown as amount due from a director.

(e) During the year ended 31 December 2017, amounts due to related companies of approximately RMB208,477,000 had been waived by Mr. Ting was credited to other reserve.

(f) During the period ended 30 November 2017, included in the amount due to a director of approximately RMB4,270,000 is set off with amounts due from related companies.

34. Statement of financial position of the Target Company

		As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset					
Investment in a subsidiary		177,234	177,234	177,234	177,242
		177,234	177,234	177,234	177,242
Current assets					
Amounts due from shareholders	*(a)*	1	–	–	–
Amounts due from related companies	*(a)*	4,722	5,013	9,127	10,736
Amounts due from directors	*(a)*	3,932	4,204	1,000	11
Bank balances		5	12	9	9
		8,660	9,229	10,136	10,756
Current liabilities					
Accruals and other payables		–	36	37	–
Amounts due to related companies	*(a)*	208,104	222,464	–	9
		208,104	222,500	37	9
Net current liabilities		(199,444)	(213,271)	10,099	10,747
Total assets less current liabilities		(22,210)	(36,037)	187,333	187,989
Capital and reserves					
Share capital		–*	–*	–*	–*
Reserves	*(b)*	(22,210)	(36,037)	187,333	187,989
Total equity		(22,210)	(36,037)	187,333	187,989

* *The balance represents an amount less than HK$1,000.*

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand.

(b) The movements of reserves of the Target Company are as follows:

	Accumulated losses *RMB'000*	Exchange reserves *RMB'000*	Other reserve *RMB'000*	Total *RMB'000*
At 1 January 2015	(202)	–*	–	(202)
Loss for the year	(11,381)	–	–	(11,381)
Other comprehensive expense for the year				
– Exchange difference arising on translation	–	(10,627)	–	(10,627)
At 31 December 2015 and 1 January 2016	(11,583)	(10,627)	–	(22,210)
Loss for the year	(61)	–	–	(61)
Other comprehensive expense for the year				
– Exchange difference arising on translation	–	(13,766)	–	(13,766)
At 31 December 2016 and 1 January 2017	(11,644)	(24,393)	–	(36,037)
Loss for the year	(43)	–	–	(43)
Other comprehensive income for the year				
– Exchange difference arising on translation	–	14,936	–	14,936
Waiver of shareholder's loan	–	–	208,477	208,477
At 31 December 2017 and 1 January 2018	(11,687)	(9,457)	208,477	187,333
Loss for the period	(12)	–	–	(12)
Other comprehensive income for the period				
– Exchange difference arising on translation	–	668	–	668
At 30 November 2018	(11,699)	(8,789)	208,477	187,989

* *The balance represents an amount less than HK$1,000.*

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company, or its subsidiaries have been prepared in respect of any period subsequent to 30 November 2018 and up to the date of this report.

Set out below is the management discussion and analysis of the Target Group (i) for the year ended 31 December 2015; (ii) for the year ended 31 December 2016; (iii) for the year ended 31 December 2017; and (iv) the eleven months ended 30 November 2018. The following financial information is based on the financial information of the Target Group as set out in Appendix II to this circular.

BUSINESS REVIEW

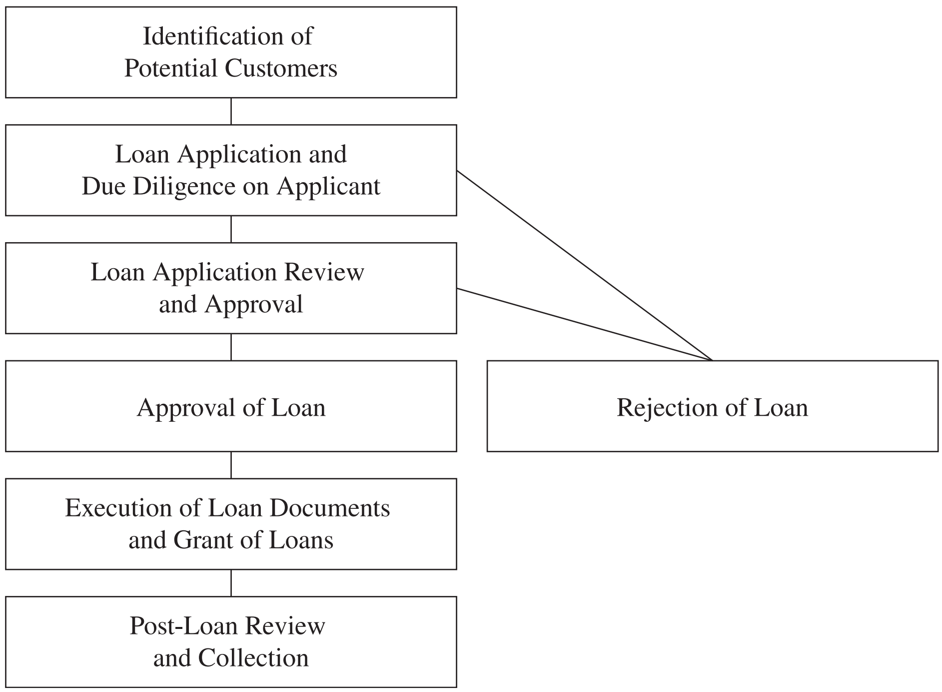
The Target Company is an investment holding company incorporated in the Republic of Seychelles on 3 September 2014. Except for being an investment holding company, the Target Company has no business activities since its incorporation.

The Target Group is principally engaged in the provision of loan financing services in the PRC and Hong Kong and financial consultancy services in the PRC. For further details of the Target Group, please refer to the section headed "Information of the Target Group" in the Letter from the Board in this circular.

The loan financing services

The loan financing services consisted of secured financing services, microfinance services in the PRC and loan financing services in Hong Kong. The revenue from the loan financing services was comprised of the interest income from the loans provided to the customers. Such interest income net of corresponding sales related taxes amounted to approximately RMB37.8 million, RMB53.7 million, RMB46.2 million and RMB71.0 million for the years ended 31 December 2015, 2016, 2017 and for the eleven months ended 30 November 2018, respectively.

The loan financing services process typically starts with identifying potential customers and covers loan application, due diligence on the applicant, loan application review and approval, execution of loan documents, grant of loan, post-loan review and collection. The diagram below illustrates the business model and process involved in Target Group's loan financing services:



Identification of Potential Customers

The customers of the Target Group are generally identified from referrals from agents, its existing customers or staff members, other financing consultancy service providers, and through direct and channel marketing of the business unit and marketing department.

Loan Application

The business process begins with a loan applicant's submission of a loan application, supplemented by information the Target Group requires relating to such application. For instance, a corporate applicant must provide its basic corporate information, including its business license, articles of association, or other appropriate document (i.e. Capital (Contribution) Verification Report if applicable) regarding the loan application. In the loan application, the proposed size, term and use of the loan, whether the loan will be guaranteed or secured, and capability and fund sources of repayment must also be specified. Loan applications that do not meet the Target Group's basic customer eligibility requirements are liable to be rejected by them without proceeding further.

Due Diligence on the Applicant

The Target Group will proceed with a due diligence on an applicant by their risk management department if the loan application passes its preliminary assessment in their loan application stage. While the scope of such due diligence may vary depending on a variety of factors such as the applicant's scale of business operation, the industry of the applicant's business, the amount and term of the loan applied for and its intended usage, the Target Group's further due diligence generally includes (i) collecting further business and financial information on the applicant; (ii) performing on-site visits if there is any collateral, (iii) conducting anti-fraud investigations and third-party credit investigations on the applicant; (iv) having interviews with the applicant; and/or (v) verify the facts provided from the applicant from public or third party sources. If a loan application involves guarantee, the risk management department will need to have face to face meeting with the guarantor(s) and conduct necessary due diligence. If the guarantor is an enterprise, the risk management department will collect further business and financial information on the applicant. On the other hand, if a loan application involves collateral such as automobiles or real estate, the risk management department will conduct due diligence to ascertain its ownership title and validity typically through physical inspection and obtaining the corresponding certificate of title or other ownership document(s) of the collateral. For real property collaterals, we require property valuation report to be issued by an independent valuer on such real property. Based on the results of the due diligence review, the risk management department will prepare and submit a due diligence report for internal review and approval.

Loan Application Review and Approval

In general, the Target Group sets a series of pre-loan guidelines for processing loan applications and established the following measures to check the background of their customers and the collateral to be provided:

– obtain the customer's accountant's report for the previous financial year and monthly financial statements (during loan period);

– obtain the customer's most recent annual tax return and quarterly tax return from the Tax Bureau; and

– search the national court website to check whether the customer is subject to enforcement proceedings.

In addition to above pre-loan guidelines, the Target Group also has post-loan guidelines to identify potential risks on the loans granted including:

– where there is a sudden economic crisis or fall in real estate prices;

– where customers are having difficulties in meeting repayments;

– where customers cannot be contacted for a length of time; and

– where customers neither renew nor extend the loan at the end of the term,

the staff of the Target Group shall inform such circumstances to member(s) of the senior management and/or the directors and request early repayment of the loans.

The key terms and conditions of a loan, such as principal loan amount, interest rate, quality and sufficiency of guarantees and collaterals (if any) and term of loan, are considered and approved in the loan application review and approval process. Loans in the amount of less than or equal to RMB200,000 can be approved by the head of risk management, while loans in the amount of more than RMB200,000 must be approved by higher seniority on a case by case basis. In the event that the loans in the amount of more than RMB1,000,000, it must be approved by the director of the Target Group. It typically takes less than ten calendar days to complete the review and approval process for a transaction application while more than half the transactions are completed within five calendar days.

Execution of Loan Documents and Grant of Loans

After a loan application is approved, the risk management department will proceed with execution of loan documents, which may include a loan agreement, a guarantee agreement and/or a collateral agreement and/or other relevant documentation as applicable. If any collateral provided is registerable, the Target Group will proceed with registering their security interest in such collateral with the relevant government authorities before release of the loan. Funds are released once the person responsible for the approval of the loan reviewed all the necessary signed documents and delivered the approval signal to the finance department.

Post-Loan Review and Collection

The risk management department will continue to monitor and review their customers' abilities to repay the loans after drawdown. The risk management department conducts periodic site visits for sizeable loans and gathers updated information to evaluate whether there are indications that customers may have difficulty in making timely repayments, and whether there are any changes in the appearance and condition of the collaterals which may affect the market value. The risk management officers of the Target Group are required to prepare periodic post-loan monitoring memoranda and reports, which are regularly reviewed by head of risk management department to identify any potential risk of defaults at an early stage, and bring forth to general manager's attention as and when appropriate. The Target Group will send regular notices to remind their customers of their payment obligations before the relevant due dates, and have in place collection procedures in case of overdue payments. If the defaulting customer fails to make repayments pursuant to the repayment plan or the Target Group is not able to reach an agreement with the defaulting customer, the Target Group will approach the guarantors to collect the overdue loans. Depending on the risk profile of overdue loans, the Target Group may initiate face to face negotiations, take necessary legal action by our legal department or source for outside factoring services.

Loan Services in Target Group

The Target Group provides three types of loans, namely, real estate-backed loans, micro loans and other loans. For real estate-back loans, the Target Group generally grants loans to the customers at the loan size over RMB10.0 million with the real-estate for security. For micro loans, the Target Group generally grants loans to customers at the loan size below RMB5.0 million in Chongqing either secured or unsecured. For other loans, the Target Group generally grants loans to customers in Hong Kong without being backed by real-estate and unsecured loans to customers in the PRC at the loan size more than RMB5.0 million.

Loan portfolio by type

	As at 31.12.2015	As at 31.12.2015	As at 31.12.2016	As at 31.12.2016	As at 31.12.2017	As at 31.12.2017	As at 30.11.2018	As at 30.11.2018
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Real estate-back loans	41,295	15.8	30,703	12.0	28,762	9.4	27,731	7.0
Micro loans	167,679	64.4	188,595	73.9	226,645	74.0	261,563	66.4
Other loans	51,659	19.8	36,108	14.1	50,697	16.6	104,654	26.6
Total	260,633	100.0	255,406	100.0	306,104	100.0	393,948	100.0

Loan portfolio by customer base

The Target Group's geographical distribution covers Hong Kong and the PRC and customer base covers diverse groups of customers including individual and enterprises. The Target Group is licensed to base the operations in Chongqing City. In Hong Kong, the Target Group possesses money lender license to operate money lending business. The following tables set forth the details of the Target Group's outstanding loans by customer type and by geographical location.

Customer base by geographical location

	As at 31.12.2015 Loan balance	As at 31.12.2015 No. of customers	As at 31.12.2016 Loan balance	As at 31.12.2016 No. of customers	As at 31.12.2017 Loan balance	As at 31.12.2017 No. of customers	As at 30.11.2018 Loan balance	As at 30.11.2018 No. of customers
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Chongqing	246,974	2,513	237,418	3,720	255,407	3,006	291,294	2,925
Hong Kong	13,165	3	17,514	3	50,203	4	102,424	6
Shanghai	494	2	474	2	494	2	230	1
Total	260,633	2,518	255,406	3,725	306,104	3,012	393,948	2,932

Customer base by loan type

	As at 31.12.2015 Individual RMB'000	As at 31.12.2015 Enterprises RMB'000	As at 31.12.2016 Individual RMB'000	As at 31.12.2016 Enterprises RMB'000	As at 31.12.2017 Individual RMB'000	As at 31.12.2017 Enterprises RMB'000	As at 30.11.2018 Individual RMB'000	As at 30.11.2018 Enterprises RMB'000
Real estate-back loans	13,000	28,295	2,408	28,295	467	28,295	-	27,731
Micro loans	160,339	7,340	184,652	3,943	222,944	3,701	246,528	15,035
Other loans	8,305	43,354	9,249	26,859	10,012	40,685	2,033	102,621
Total	181,644	78,989	196,309	59,097	233,423	72,681	248,561	145,387

Number of customers by loan type

	As at 31.12.2015 Individual	As at 31.12.2015 Enterprises	As at 31.12.2016 Individual	As at 31.12.2016 Enterprises	As at 31.12.2017 Individual	As at 31.12.2017 Enterprises	As at 30.11.2018 Individual	As at 30.11.2018 Enterprises
Real estate-back loans	1	3	1	3	1	3	-	3
Micro loans	2,484	22	3,700	15	2,987	15	2,852	69
Other loans	4	4	4	2	4	2	2	6
Total	2,489	29	3,705	20	2,992	20	2,854	78

Loan portfolio by security

The Target Group provides both secured and unsecured loans. The following table sets forth a breakdown of the Target Group's loan portfolio by security as of the dates indicated:

	As at 31.12.2015 RMB'000	As at 31.12.2015 %	As at 31.12.2016 RMB'000	As at 31.12.2016 %	As at 31.12.2017 RMB'000	As at 31.12.2017 %	As at 30.11.2018 RMB'000	As at 30.11.2018 %
Secured loans								
Real estate-back loans	41,295	15.8	30,703	12.0	28,762	9.4	27,731	7.0
Micro loans	17,959	6.9	26,250	10.3	54,851	17.9	52,163	13.2
	59,254	22.7	56,953	22.3	83,613	27.3	79,894	20.2
Unsecured loans:								
Micro loans	149,720	57.5	162,345	63.6	171,794	56.1	209,400	53.2
Other loans	51,659	19.8	36,108	14.1	50,697	16.6	104,654	26.6
	201,379	77.3	198,453	77.7	222,491	72.7	314,054	79.8
Total	260,633	100.0	255,406	100.0	306,104	100.0	393,948	100.0

The following table sets forth the details of the number of the Target Group's loans remained indicated by security as of the dates indicated:

	As at 31.12.2015	As at 31.12.2016	As at 31.12.2017	As at 30.11.2018
Secured loans				
Real estate-back loans	4	4	4	3
Micro loans	70	220	211	188
	74	224	215	191
Unsecured loans:				
Micro loans	2,436	3,495	2,791	2,733
Other loans	8	6	6	8
	2,444	3,501	2,797	2,741
Total	2,518	3,725	3,012	2,932

Maturity Profile of Loan Portfolio

The Target Group mainly provides short-term loans to customers, which are loans with terms that ranged within one year. The following table sets forth the maturity profile of the Target Group's loans as of the dates indicated:

	As at 31.12.2015	As at 31.12.2015	As at 31.12.2016	As at 31.12.2016	As at 31.12.2017	As at 31.12.2017	As at 30.11.2018	As at 30.11.2018
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:–								
Past due	82,067	31.4	85,610	33.6	99,893	32.7	117,491	29.8
Due within three months	20,071	7.7	18,494	7.2	60,723	19.8	134,257	34.1
Due between three months and six months	63,283	24.3	37,077	14.5	46,737	15.3	53,076	13.5
Due between six months and one year	46,051	17.7	49,314	19.3	76,265	24.9	59,548	15.1
Due over one year	49,161	18.9	64,911	25.4	22,486	7.3	29,576	7.5
Total	260,633	100.0	255,406	100.0	306,104	100.0	393,948	100.0

Loan Portfolio by exposure size

The following table sets forth the distribution of the principal amount of the Target Group's outstanding loans by exposure size as of the dates indicated:

	As at 31.12.2015 *RMB'000*	As at 31.12.2016 *RMB'000*	As at 31.12.2017 *RMB'000*	As at 30.11.2018 *RMB'000*
Less than or equal to RMB 1 million				
Secured loans	13,128	21,854	37,393	38,087
Unsecured loans	147,233	160,109	159,771	180,888
	160,361	181,963	197,164	218,975
Over RMB 1 million but less than or equal to RMB 2 million				
Secured loans	6,416	3,881	13,710	13,260
Unsecured loans	3,924	4,143	14,208	25,878
	10,340	8,024	27,918	39,138
Over RMB 2 million but less than or equal to RMB 5 million				
Secured loans	–	4,508	5,800	2,400
Unsecured loans	–	–	–	8,000
	–	4,508	5,800	10,400
Over RMB 5 million but less than or equal to RMB 10 million				
Secured loans	10,000	10,000	10,000	10,000
Unsecured loans	19,992	16,081	7,827	7,000
	29,992	26,081	17,827	17,000
Over RMB 10 million				
Secured loans	29,710	16,710	16,710	16,147
Unsecured loans	30,230	18,120	40,685	92,288
	59,940	34,830	57,395	108,435
Total	260,633	255,406	306,104	393,948

Loan portfolio by geographical location

The Target Group classifies the loans geographically based on the location of the loan subsidiary originating the loan. The following table presents the distribution of the balances of the Target Group's outstanding loans by geographical region as of the dates indicated:

	As at 31.12.2015 Real estate-back loans *RMB'000*	As at 31.12.2015 Micro loans *RMB'000*	As at 31.12.2015 Other loans *RMB'000*	As at 31.12.2016 Real estate-back loans *RMB'000*	As at 31.12.2016 Micro loans *RMB'000*	As at 31.12.2016 Other loans *RMB'000*	As at 31.12.2017 Real estate-back loans *RMB'000*	As at 31.12.2017 Micro loans *RMB'000*	As at 31.12.2017 Other loans *RMB'000*	As at 30.11.2018 Real estate-back loans *RMB'000*	As at 30.11.2018 Micro loans *RMB'000*	As at 30.11.2018 Other loans *RMB'000*
Secured loans												
Hong Kong	–	–	–	–	–	–	–	–	–	–	–	–
Chongqing	41,295	17,959	–	30,703	26,250	–	28,762	54,851	–	27,731	52,163	–
Shanghai	–	–	–	–	–	–	–	–	–	–	–	–
	41,295	17,959	–	30,703	26,250	–	28,762	54,851	–	27,731	52,163	–
Unsecured loans												
Hong Kong	–	–	13,165	–	–	17,514	–	–	50,203	–	–	102,424
Chongqing	–	149,720	38,000	–	162,345	18,120	–	171,794	–	–	209,400	2,000
Shanghai	–	–	494	–	–	474	–	–	494	–	–	230
	–	149,720	51,659	–	162,345	36,108	–	171,794	50,697	–	209,400	104,654
Total	41,295	167,679	51,659	30,703	188,595	36,108	28,762	226,645	50,697	27,731	261,563	104,654

Loan Portfolio by industry

The following table sets forth a breakdown of Target Group loans granted to customers in the industry as of the dates indicated:

	As at 31.12.2015 *RMB'000*	As at 31.12.2015 *%*	As at 31.12.2016 *RMB'000*	As at 31.12.2016 *%*	As at 31.12.2017 *RMB'000*	As at 31.12.2017 *%*	As at 30.11.2018 *RMB'000*	As at 30.11.2018 *%*
Wholesale and retail	46,132	17.7	54,883	21.5	69,525	22.7	62,252	15.8
Manufacturing	31,670	12.2	26,606	10.4	39,476	12.9	68,680	17.4
Construction	28,739	11.0	26,767	10.5	38,558	12.6	33,436	8.5
Accommodation and catering	26,524	10.2	19,110	7.5	19,245	6.3	14,091	3.6
Real estate industry	20,160	7.7	21,167	8.3	19,655	6.4	20,707	5.3
Resident services	17,819	6.8	15,800	6.2	14,215	4.6	21,265	5.4
Transportation, warehousing and postal	12,960	5.0	22,993	9.0	16,684	5.5	14,631	3.7
Financial industry	7,832	3.0	13,418	5.3	44,271	14.5	95,691	24.3
Others	68,797	26.4	54,662	21.4	44,475	14.5	63,195	16.0
Total	260,633	100.0	255,406	100.0	306,104	100.0	393,948	100.0

By the value of loans borrowed by the top five borrowers

As at 31 December 2015, 2016 and 2017 and 30 November 2018, the aggregate value of loans borrowed by the top five borrowers was approximately RMB69.9 million, RMB60.9 million, RMB75.2 million and RMB118.4 million, respectively. As at the Latest Practicable Date, none of such top five borrowers was a connected person of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there is no relationship between the top five borrowers of the Target Group. The following table sets forth the details of the aggregate value of loans borrowed by each of the top five borrowers in terms of value of loans borrowed at as the dates indicated:

	As at 31.12.2015	**As at 31.12.2015**	**As at 31.12.2016**	**As at 31.12.2016**	**As at 31.12.2017**	**As at 31.12.2017**	**As at 30.11.2018**	**As at 30.11.2018**
	RMB'000	*% of total outstanding loans*	*RMB'000*	*% of total outstanding loans*	*RMB'000*	*% of total outstanding loans %*	*RMB'000*	*% of total outstanding loans*
The first largest borrower	18,120	7.0	18,120	7.1	29,145	9.5	34,036	8.6
The second largest borrower	16,710	6.4	16,710	6.5	16,710	5.5	32,721	8.3
The third largest borrower	13,000	5.0	10,000	3.9	11,541	3.8	25,532	6.5
The fourth largest borrower	12,110	4.7	8,739	3.4	10,000	3.3	16,146	4.1
The fifth largest borrower	10,000	3.8	7,342	2.9	7,827	2.6	10,000	2.5
Total	69,940	26.9	60,911	23.8	75,223	24.7	118,435	30.0

By the value of loans guaranteed by the top five guarantors

As at 31 December 2015, 2016 and 2017 and 30 November 2018, the aggregate value of loans guaranteed by the top five guarantors was approximately RMB43.0 million, RMB32.8 million, RMB34.6 million and RMB21.9 million, respectively. As at the Latest Practicable Date, none of such top five guarantors was a connected person of the Company. The following table sets forth the details of the aggregate value of loans guaranteed by each of the top five guarantors in terms of value of loans guaranteed at as the dates indicated:

	As at 31.12.2015	**As at 31.12.2015**	**As at 31.12.2016**	**As at 31.12.2016**	**As at 31.12.2017**	**As at 31.12.2017**	**As at 30.11.2018**	**As at 30.11.2018**
	RMB'000	*% of total outstanding loans*	*RMB'000*	*% of total outstanding loans*	*RMB'000*	*% of total outstanding loans*	*RMB'000*	*% of total outstanding loans*
The first largest guarantor	16,710	6.4	16,710	6.5	20,000	6.5	10,000	2.5
The second largest guarantor	13,000	5.0	10,000	3.9	10,000	3.3	5,000	1.3
The third largest guarantor	10,000	3.8	2,408	0.9	1,585	0.5	3,000	0.8
The fourth largest guarantor	1,667	0.6	2,100	0.8	1,564	0.5	2,000	0.5
The fifth largest guarantor	1,664	0.6	1,585	0.6	1,477	0.5	1,856	0.5
Total	43,041	16.4	32,803	12.7	34,626	11.3	21,856	5.6

For marketing purposes, the Target Group offers micro loans in the PRC to customers under different product names. The following sets forth the main product names:

優易貸 and 商易貸 – Loan targets to those high quality small and micro enterprises/individual for business.

業主貸, 速美貸 and 速享貸 – Loan targets to those district/country house owners; high-end female clients; social insurance/provident fund workers for individual consumption.

Provisioning Policies for Loans on Target Group

The Target Group adopts a loan classification approach to manage the loan portfolio risk. The loans are categorized by reference to the "Five-Tier Principle" set forth in "The Guidance on Provisioning for Loan Losses" issued by the China Banking Regulatory Commission ("CRBC"). The provisions are made for the anticipated level of loan loss after categorizing the loan according to the "Five-Tier Principle". According to the "Five-Tier Principle", the loans are categorized as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk.

The following sets forth the definition of the five loan categories under the "Five-Tier Principle":

Normal	Borrowers are current in meeting commitments. There is no reason to doubt their repayment ability.
Special-Mention	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard	Borrowers' ability to service their loans is in question and they cannot reply entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked.
Loss	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The Target Group assesses impairment loss either collectively or individually as appropriate. The Target Group assesses its loans for impairment periodically (at intervals of no longer than six months) to determine whether there is objective evidence of impairment, such as significant financial difficulty of our customers, a default or delinquency in interest or principal payments and significant changes, and to recognize any related provisions by applying HKFRS 9 Financial Instruments and the related consequential amendment to other HKFRSs. HKFRS 9 introduces new requirements for expected credit losses ("ECL") for financial assets.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessments are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Please refer to the section headed "Accountant's Report of the Target Group – Notes to the Historical Financial Information – Significant Accounting Policies – Financial instruments" for further details to this circular.

Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. Loans that are classified as "substandard", "doubtful" or "loss" are assessed individual or impairment.

The following table sets forth the Target Group's loan quality analysis as at the dates indicated:

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 November 2018
Impaired loan ratio[1]	**9.7%**	**17.0%**	**18.4%**	**15.3%**
Balance of impaired loans *(RMB'000)*	25,316	43,425	56,304	60,099
Total amount of loans receivable *(RMB'000)*	260,633	255,406	306,104	393,948
Allowance coverage ratio[2]	**42.3%**	**37.1%**	**38.1%**	**42.4%**
Allowance for impairment losses *(RMB'000)*	10,714	16,111	21,445	25,454
Balance of impaired loans *(RMB'000)*	25,316	43,425	56,304	60,099
Provisions for impairment losses ratio[3]	**4.1%**	**6.3%**	**7.0%**	**6.6%**
Overdue loan ratio[4]	**31.5%**	**33.5%**	**32.0%**	**31.6%**
Balance of overdue loans *(RMB'000)*	82,147	85,610	97,822	124,491
Total amount of loans receivable *(RMB'000)*	260,633	255,406	306,104	393,948

Notes:

(1) Represents the balance of impaired loans divided by the total amount of loans receivable.

(2) Represents the allowance for impairment losses on all loans divided by the balance of impaired loans.

(3) Represents the allowance for impairment losses on all loans divided by the total amount of loans receivable. Since the ageing of loan receivables which were past due but not impaired for over 365 days as at 31 December 2015 were just past due for close to 365 days, it applied a lower rate of allowance for impairment losses. While the ageing of loan receivables which were past due but not impaired for over 365 days as at 30 November 2018 were past due for over 2 years, it applied a higher rate of allowance for impairment losses. The lower rate in 2015 led to a lower provisions for impairment losses ratio and the higher rate in 2018 led to a higher provisions for impairment losses ratio, which presented an increasing trend.

(4) Represents the overdue loans, being loans with whole or part of the principal and/or interest that was overdue for one day or more, divided by the total amount of loans receivable.

The financial consultancy services

The revenue from the financial consultancy services was comprised of consultancy fees the Target Group received for the management and financial advisory services for small and medium-sized enterprises ("SMEs") in the PRC, amounting to approximately RMB37.7 million, RMB24.5 million, RMB10.6 million and RMB44.6 million for the years ended 31 December 2015, 2016, 2017 and for the eleven months ended 30 November 2018, respectively.

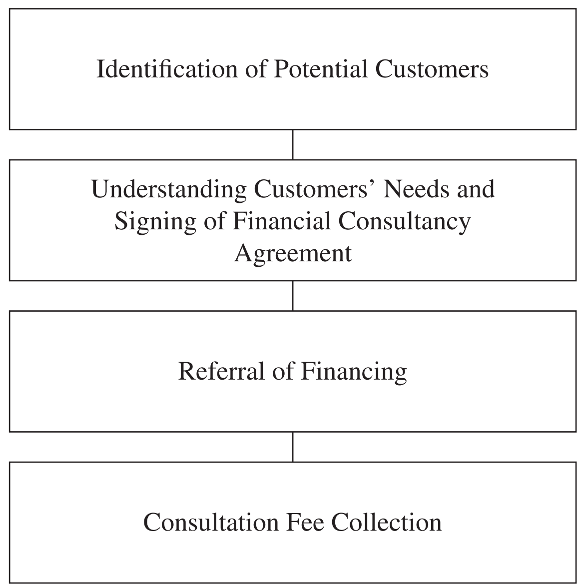
For the three years ended 31 December 2017, the financial consultancy services of the Target Group was generally management advisory and training including corporate management, sales management and financial management. In 2018, on top of the above services, a new line of financial consultancy services was added to provide financial arrangement services to refer potential lenders to other financing companies or lenders in return for referral fees in Hong Kong (the "Referral Business").

Referral Business

The Referral Business was commenced after the Target Group had been approached by several customers who demanded substantial loans. Those customers approached the Target Group because of the reputation and experience in financing services of the senior management of the Target Group. When the size of the loan demanded by these customers exceeds the Target Group's lending limit of RMB19 million and the customers are not from Chongqing which were beyond the geographic coverage of the Target Group, the Target Group was not able to provide loans for these customers. As the management of the Target Group witnessed the high demand in sizable loans, the Target Group launched the Referral Business in 2018. As at 30 November 2018, the Target Company had accumulated 5 customers in the Referral Business with the referral loan size ranging from RMB40 million to RMB100 million.

The Target Group refers the customers to other financing companies solely through the personal relationships of the management and the business referrals network of the Target Group. The Target Group will understand the customer's needs, sign financial consultancy agreement with the customer, match the lender(s) and facilitate the transaction. If those financing companies, the lender(s), who are referred by the Target Group, accept to grant a loan to the customer, the Target Group will receive a consultancy fee as a percentage of loan amount loaned out by the financing companies from the customer.

The diagram below illustrates the business model and process involved in the Target Group's Referral Business:



Identification of Potential Customers

The Target Group did not initiate to meet customers with sizable loans demand. However, potential customers started to approach the Target Group because of the reputation and experience in financing services of the senior management of the Target Group. In early 2019, the Target Group acknowledged the profitability of the Referral Business, and started to engage experienced consultants with strong network and expertise in sizable loan financing to start sourcing new customers and loan financing companies.

Understanding Customers' Needs and Signing of Referral Arrangement Agreement

Only senior management of the Target Group will deal with customers who demand sizable loans. They will first examine the needs and objectives of the customers, understand the customer's financial background, size of loan required and purpose of the loan.

After the assessment, if the management considers the loans demanded by the customers match with the risk appetite of some of the loan financing companies, the financing consultancy agreement will then be entered into between the customer and the Target Group. The rate and amount of the charges are clearly disclosed to the customer on the financing consultancy agreement. The management will start sourcing for suitable lenders for the customer after the financing consulting agreement has been entered into.

Referral of Financing

Once the financing consultancy agreement is executed, the senior management of the Target Group will act as a financial consultant for the customers to find the viable financing solutions and refer the customer to another financing company through the personal relationships of the management and the business referral networks of the Target Group in return for the consultancy fee. The other financing companies or the potential lenders can be banks, financing companies, financial institutions, corporations or individuals in the PRC or Hong Kong. As advised by the Hong Kong legal adviser of the Target Group, according to the Guidelines on Additional Licensing Conditions of Money Lenders Licence (the "Guidelines") of Hong Kong, a licensed money lender in Hong Kong can appoint a person for or in relation to, granting a loan to any intended borrower or any specified class of intended borrowers, whether as to the procuring, negotiation, obtaining, application, guaranteeing or securing the repayment of such a loan. The appointed third party can be either an individual or a corporation. If a licensed money lender in Hong Kong has appointed a third party, it is required to report the name, address and identification number of its appointed third party to the Registrar of Money Lenders for or in relation to the granting of loans. There is no requirement under the Guidelines that the appointed third party has to obtain any license for being the financial intermediate of a licensed money lender. Therefore, the Hong Kong legal adviser of the Target Group is of the opinion that there is no license, permit or approval required for Wine Financier Limited to carry on its Referral Business in Hong Kong. Moreover, since the commencement of the Target Group's Referral Business, the Target Group has never acted as a financial intermediate nor been an appointed third party of any licensed money lender in Hong Kong. Therefore, the Hong Kong legal adviser of the Target Group is of the opinion that the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong) and the Guidelines are not applicable to the Referral Business of Wine Financier Limited. The Target Group conducts the entire Referral Business in Hong Kong.

If the Target Group successfully matches the lender(s) with the borrower(s), both the lender(s) and the borrower(s) will enter into a definitive loan agreement between both parties in front of the senior management of the Target Group or any of its representative.

As advised by the PRC legal adviser of the Target Group, according to the relevant laws, regulations and regulatory documents currently in force in the PRC, where (i) a Hong Kong-incorporated company acts as an intermediary (the "Intermediary") to recommend a party to grant loans to another party (where both the lender and the borrower are PRC legal entities (non-financial institutions) or PRC natural persons); (ii) each party executes the financial consultancy service agreement in Hong Kong; and (iii) the Intermediary carries out its rights and obligations under the financial consultancy service agreement in Hong Kong (which is the business model of the Target Group's Referral Business, where Wine Financier Limited is the Intermediary), the Intermediary is not required to obtain any PRC administrative approval or licence to conduct such Referral Business as described above.

Consultation Fee Collection

The key to Referral Business is based on the success of the Target Group's ability in securing the required funds for the customers. The consultancy fee is payable by the borrower upon the release of funds. The funds will be transferred from the lender to the borrower in the PRC. These consultancy fees contributed approximately 29.8% of the Target Group's total revenue for the eleven months ended 30 November 2018. The Target Group usually charge 6-10% of the principal amount in total to the customer on a case by case basis.

Brokerage services

The brokerage services business of the Target Group started operating in 2016 and was disposed of in 2017. Yuanjian Insurance Brokerage Company Limited*（遠見保險代理有限公司）("Yuanjian"), being the company operating the brokerage business, ceased to be a subsidiary of the Target Group on 17 November 2017.

For the years ended 31 December 2016 and 2017, the revenue of brokerage service was approximately RMB0.6 million and RMB3.8 million, respectively, and represented brokerage income generated from insurance agent services in the PRC.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Target Group recorded a revenue of approximately RMB78.8 million from the provision of loan financing services, consultancy services and brokerage services, representing an approximately 4.3% increase when compared with approximately RMB75.5 million that of the previous year. The increase was mainly attributable to the large increase in interest income generated from real estate-backed loans and other loans that totally covered the large decrease in financial consultancy service income.

For the year ended 31 December 2017, the Target Group recorded a revenue of approximately RMB60.6 million, representing an approximately 23.1% decrease from that of the previous year. The decrease was mainly attributable to the large decrease in interest income generated from real estate-backed loan and financial consultancy service income. The decrease in revenue was mainly attributable to the decrease in interest income and financial consultancy service income. In 2017, the Target Group focused less on real estate backed loan and more on lower risk products which yielded lower interest rate. In addition, some clients of financial consultancy services were referred by the clients of the brokerage services business. The disposal process of Yuanjian in 2017 had lasted for months that created chaos in the brokerage services business and thus less clients were introduced to financial consultancy services.

For the eleven months ended 30 November 2018, the Target Group recorded a revenue of approximately RMB115.5 million, representing an approximately 104.3% increase from that of the corresponding period in 2017. The increase was mainly attributable to the increase in interest income generated from micro loans and the financial consultancy service income.

Administrative expenses

For the year ended 31 December 2016, the administrative expenses of Target Group were approximately RMB56.7 million, which represented an approximately 1.39% decrease when compared with that of approximately RMB57.5 million for the previous year. The decrease was mainly attributable to the decrease in legal and professional fee.

For the year ended 31 December 2017, the administrative expenses of Target Group were approximately RMB50.4 million, which represented an approximately 11.11% decrease from the last corresponding period. The decrease was mainly attributable to the decrease in depreciation, staff costs and office rental.

For the eleven months ended 30 November 2018, the administrative expenses of Target Group were approximately RMB36.6 million which, represented approximately 15.7% decrease from that of the corresponding period in 2017. The decrease was mainly attributable to the disposal of Yuanjian on 17 November 2017 (for further information, please refer to Note 29(ii) to section B of Appendix II to this circular) and its related expenses and the decrease in staff costs.

Profit for the period

For the years ended 31 December 2015, 2016, 2017 and for the eleven months ended 30 November 2018, the Target Group recorded net profit attributable to owners of approximately RMB3.7 million, RMB10.8 million, RMB2.3 million and RMB50.7 million, respectively.

For the year ended 31 December 2015, the net profit attributable to owners of the Target Group of approximately RMB3.7 million was mainly attributable to interest income generated from micro loans and financial advisory fee income from financial consultancy services during the period.

For the year ended 31 December 2016, the Target Group recorded net profit attributable to owners of approximately RMB10.8 million, representing an approximately 189.1% increase from that of the previous year. The increase was mainly attributable to the large increase in the interest income received from real estate-backed loans and income from financial consultancy service, the large decrease in finance costs and a one-time gain on disposal of subsidiaries.

For the year ended 31 December 2017, the Target Group recorded net profit attributable to owners of approximately RMB2.3 million, representing an approximately 79.0% decrease from that of the previous year. The decrease was mainly attributable to the large decrease interest income received from real estate-backed loans and incomes from financial consultancy services.

For the eleven months ended 30 November 2018, the Target Group recorded net profit attributable to owners of approximately RMB50.7 million, representing approximately 1,621% increase from that of the corresponding period in 2017. The increase was mainly attributable to the increase in the interest income generated from other loans and the revenue from financial consultancy services and the decrease in administrative expenses. For the increase in interest income generated from other loans, the Target Group obtained an unsecured other borrowings (for further information in relation to the borrowings, please refer to Note 23 – "Borrowings" to section B of Appendix II to this Circular) in order to cater for higher demand in loan financing from small and medium enterprises in Hong Kong. For the increase in revenue from financial consultancy services, it was due to the launch of new line of business which involved in financial arrangement services that expanded the source of income. For the decrease in administrative expenses, it was mainly due to the disposal of Yuanjian on 17 November 2017 which reduced the office rental and other expenses, the internal organisation reform that reduced the office rental area from 2 floors in 2017 to 1 floor in Chongqing, and the reduced headcount from a total of 135 employees as of 31 December 2017 to 110 employees as of 30 November 2018 which reduced the staff costs (including the salaries and other benefits and contribution to defined contribution retirement benefits scheme).

Loan and interest receivables

The Target Group had loan and interest receivables of RMB252.1 million, RMB269.5 million, RMB326.1 million and RMB429.1 million, respectively as of 31 December 2015, 2016, 2017 and 30 November 2018, representing the financing advances provided to customers which were partially secured by collaterals, and interest revenue has been earned, but has not yet been received.

The Target Group adopted an aggressive approach to commence and expand the loan financing services business in 2014 in order to capture the market share of the financing industry. The Target Group generally accepted customers with relatively higher risk exposure which leaded to an increase in aged loan receivables starting from 2016. In 2017, the Target Group tightened up their control policy aiming to lower the outstanding loan receivables. However, the slowdown of the market environment led to higher rate of arrears and the increase in loan receivables in 2017. The Target Group remained affected by the market environment which led to the increasing trend in ageing loan receivables.

Having considered that the higher risk exposure in the loan financing services business and the slowdown of the market environment, the Target Group reinforced their determination to commence the Referral Business which has a lower credit risk exposure and provides much cash flow flexibility for the Target Group compared to loan financing services business.

Amounts due from directors

As at 31 December 2017, the Target Group had amounts due from two directors, namely Mr. Ting and Mr. Ji Zuguang, of RMB1 million and RMB4 million, respectively. Such amounts were unsecured, interest-free and repayable on demand. For the eleven months ended 30 November 2018, such amount was fully repaid, and no amount was outstanding.

Amount due from a shareholder

As at 31 December 2015 and 30 November 2018, the Target Group had an amount due from a shareholder, CVP, of approximately RMB1,000 and RMB1,000, respectively. Such amount were unsecured, interest-free and repayable on demand.

Amounts due from related companies

As at 31 December 2015, 2016, 2017 and 30 November 2018, the Target Group had amounts due from related companies, which were controlled by Mr. Ting, of approximately RMB4.7 million, RMB5.0 million, RMB0.5 million and RMB0.6 million, respectively. Such amounts were unsecured, interest-free and repayable on demand. During the year ended 31 December 2017, an amount of RMB5,012,501 was set off with an amount due to related companies.

Accruals and other payables

As at 31 December 2015, 2016, 2017 and 30 November 2018, the Target Group had amounts of approximately RMB6.0 million, RMB5.4 million, RMB6.3 million and RMB8.8 million, respectively, which included accrued expense, other payables and financing service income receipts in advance.

Amounts due to related companies

As at 31 December 2015 and 2016, the Target Group had amounts due to related companies, which were controlled by Mr. Ting, of approximately RMB210.2 million and RMB222.5 million, respectively. Such amounts were unsecured, interest-free and repayable on demand.

During the year ended 31 December 2017, an amount of approximately RMB208.5 million had been waived by Mr. Ting who controlled the related companies, and the amount was credited to other reserve. The remaining outstanding balance was fully set off with amounts due from related companies and amount due from a director, Mr. Ting. As of 31 December 2017 and 30 November 2018, no amount due to related companies was outstanding.

Amount due to a director

As at 31 December 2015 and 2016, the Target Group had an amount due to a director, Mr. Ting, of approximately RMB12.8 million and RMB5.5 million, respectively. Such amounts are unsecured, interest-free and repayable on demand.

For the year ended 31 December 2017, the amount was fully set off with amounts due from related companies, and no amount was outstanding as of 31 December 2017 and 30 November 2018.

Borrowings

As at 31 December 2015, 2016, 2017 and 30 November 2018, the Target Group had total unsecured borrowings of approximately RMB44.3 million, RMB26.9 million, RMB60.5 million and RMB125.5 million, respectively.

The balance of borrowings as at 31 December 2015, 2016, 2017 and 30 November 2018 bore interest at annual fixed interest rates of 7.8% – 10%, 10%, 2% – 10% and 2% – 10% per annum, respectively.

LIQUIDITY AND FINANCIAL RESOURCE AND CAPITAL STRUCTURE

The Target Group has adopted a prudent treasury policy and maintained a healthy position throughout the years. For the years ended 31 December 2015, 2016, 2017 and for the eleven months ended 30 November 2018, the Target Group usually financed its working capital through borrowings and internal generated funds. For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the eleven months ended 30 November 2018, the Target Group had operating cash outflow due to increase in loan receivables and decrease in accruals and other payables, increase in loan receivables and decrease in held-for-trading investments, increase in loan receivables and increase in loan receivables, respectively. To manage liquidity risk, the management of the Target Group closely monitored the liquidity position to ensure that the liquidity structure of the Target Group's assets, liabilities and commitments could meet its funding requirements.

As at 31 December 2015, 2016, 2017 and 30 November 2018, the net current assets of the Target Group amounted to approximately RMB63.6 million, RMB60.5 million, RMB275.0 million and RMB327.2 million, respectively. The current ratio, representing current assets divided by current liabilities, was approximately 1.2, 1.22, 4.44 and 3.15, respectively.

As at 31 December 2015, the Target Group had unsecured, interest-free and repayable on demand borrowings from related companies and a director in an aggregate amount of approximately RMB223.0 million. The Target Group also had unsecured and interest-bearing borrowings of approximately RMB 44.3 million. As at 31 December 2015, 2016, 2017 and 30 November 2018, the share capital comprised 100 issued ordinary shares with US$1 par value and were fully paid as of 30 November 2015, 2016, 2017 and 30 November 2018. Total equity of the Target Group amounted to approximately RMB108.4 million, RMB108.2 million, RMB299.3 million and RMB359.3 million, respectively, as at 31 December 2015, 2016, 2017 and 30 November 2018. The gearing ratio of the Target Group, representing total liabilities divided by total assets, was approximately 73.1%, 71.4%, 21.2% and 29.9%, respectively.

Charges of Assets

As at 31 December 2015, RMB2.9 million of the Target Group's assets was pledged. As at 31 December 2016, 2017 and 30 November 2018, none of the Target Group's assets was pledged.

Contingent Liabilities

As at 31 December 2015, 2016, 2017 and 30 November 2018, the Target Group did not have any material contingent liability.

Capital Commitments

As at 31 December 2015, the Target Group had future minimum lease payments under non-cancellable operating leases of approximately RMB7.2 million. The Target Group also had finance leases obligation of approximately RMB2.5 million.

As at 31 December 2016, 2017 and 30 November 2018, the Target Group had future minimum lease payments under non-cancellable operating leases of approximately RMB2.8 million, RMB5.8 million and RMB1.9 million, respectively.

Employees

The Target Group had 232, 187, 135 and 110 employees (including directors), respectively, as at 31 December 2015, 2016, 2017 and 30 November 2018, respectively.

Remunerations (including salaries, other benefits and contribution to retirement benefits schemes) of approximately RMB28.7 million, RMB30.7 million, RMB29.0 million and RMB20.8 million, respectively was paid to the Target Group's employees (including directors) for the years ended 31 December 2015, 2016, 2017 and eleven months ended 30 November 2018.

Foreign Currency Exposure

For the years ended 31 December 2015 and 2016, the majority of Target Group's principal assets, revenue and payments were denominated in RMB and majority of Target Group's liabilities were in HK$. The Target Group had also insignificant exposure to US$.

For the year ended 31 December 2017, the majority of the Target Group's principal assets, revenue and payments were denominated in RMB and the majority of the Target Group's liabilities were denominated in JPY, HK$ and RMB, of which all borrowings were denominated in JPY and HK$.

For the eleven months ended 30 November 2018, the majority of the Target Group's principal assets, revenue and payments were denominated in RMB and majority of the Target Group's liabilities were denominated in JPY and partly in HK$.

In the opinion of the board of directors of the Target Company, RMB will remain a regulated currency in the foreseeable future. Although the market is generally anticipating a wider RMB-to-HK$ and RMB-to-JPY exchange rate fluctuation limits, the board of directors of the Target Company does not anticipate any material adverse effect on the financial position of the Target Group. The board of directors of the Target Company also does not anticipate that there is any material exchange exposure in respect of other currencies.

The Group did not have a foreign currency hedging policy. However, the board of directors of the Target Company had closely monitored the RMB-to-HK$ and RMB-to-JPY exchange rate and was ready to take appropriate correction actions as necessary.

Business prospect

Witnessed a strong revenue growth in 2018, the Target Group will continue with the provision of existing services. Foreseeing a demand in cryptocurrency mining equipment, upon the completion of the Acquisition, the Target Group intends to provide financing for purchase or lease of cryptocurrency mining equipment, utilising the combined expertise in financing by the Target Group and cryptocurrency mining by the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

For the financial years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the eleven months ended 30 November 2018, the Target Group has material operating subsidiaries set out below. Details of the subsidiaries of the Target Group during the Relevant Periods are as follows:

Name	Date of incorporation/ acquisition	Date of joining the Target Group	Consideration of establishment[1]/ acquisition[2]	Buyer & Seller for acquisition	Shareholders	Percentage of shareholding	Principal activities
Starlight Financial Holdings Limited	3 June 2011	18 December 2014	HK$234,000,000 [1]	N/A	Hackett Enterprises Limited	70%	Investment holdings
					Gold Kingdom Holdings Limited	25%	
					Profounders Project I Limited	5%	
China Runking Financing Group Limited	15 February 2013	18 December 2014	HK$1 [1]	N/A	Starlight Financial Holdings Limited	100%	Provision of loan financing services and investment holding
重慶市兩江新區潤通小額貸款有限公司 (Run Tong Credit (Liangliang District Chongqing) Co., Ltd.)	18 October 2011	18 December 2014	USD30,000,000 [1]	N/A	City Eagle Holdings Limited	100%	Secured financing services and microfinance services
康潤企業管理諮詢(重慶)有限公司 (Kang Run Management Advisory (Chongqing) Co., Ltd.)	13 December 2011	18 December 2014	US$500,000 [1]	N/A	Top Synergy Holdings Limited	100%	Financial consulting services
上海康鍇商務諮詢有限公司 (Shanghai Kangkai Business Consulting Limited)	10 December 2013	18 December 2014	RMB1,000,000 [1]	N/A	康潤企業管理諮詢(重慶)有限公司 (Kang Run Management Advisory (Chongqing) Co., Ltd.)	100%	Financial consulting services
重慶潤坤企業管理諮詢有限公司 (Chongqing Run Kun Management Consulting Co. Ltd)	17 June 2013	18 December 2014	HK$10,000,000 [1]	N/A	Ace Dynamic Limited	100%	Financial consulting services
Wine Financier Limited *(note (a))*	11 September 2014	23 March 2018	HK$10,000 [1],[2]	China Runking Financing Group Limited of 10,000 shares	Hackett Enterprises Limited	100%	Investment holdings and provision of loan referrals services
				Choice Ace Holdings Limited of 10,000 shares			
				iVega Investment Limited of 10,000 shares			
				Eagle Horizon Investments Limited of 10,000 shares			
重慶鎧岳商業管理有限公司 (Chongqing Kai-yue Business Management Limited) *(note (b))*	6 September 2016	6 September 2016	RMB500,000[1]	N/A	康潤企業管理諮詢(重慶)有限公司(Kang Run Management Advisory (Chongqing) Co., Ltd.)	99%	Financial consulting services
					上海康鍇商務諮詢有限公司(Shanghai Kangkai Business Consulting Limited)	1%	

Notes:

(a) Wine Financier Limited was acquired from a subsidiary of the Company, Madison China Limited, at a consideration of HK$10,000 (equivalent to approximately RMB7,946) on 29 January 2015. The Target Group disposed of Wine Financier Limited to a company wholly-owned by Mr. Ting, at a consideration of approximately HK$3,216,000 (equivalent to approximately RMB2,535,000) on 9 July 2015 and repurchased it back at a consideration of approximately HK$2,990,000 (equivalent to approximately RMB2,452,000) on 28 October 2015. On 23 March 2018, the Target Company acquired it back from a subsidiary of the Target Group at a consideration of HK$10,000.

(b) The subsidiary was incorporated on 6 September 2016, with the registered capital of RMB500,000.

On 29 January 2015, the Target Group acquired 100% of the equity interest in Wine Financier Limited from Madison China Limited, a subsidiary of the Company, at a consideration of HK$10,000 (equivalent to approximately RMB7,946). Wine Financier Limited held a money lender's license for the provision of money lender's business (as defined in the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong)). As Wine Financier Limited had net liabilities of approximately HK$157,757 at the transaction date, China Runking acquired 100% equity interest in Wine Financier Limited at a consideration of HK$10,000, which was equivalent to the par value of 10,000 shares. This acquisition had been accounted for using the acquisition method and completed on 29 January 2015. The amount of goodwill arising as a result of the acquisition was HK$167,758 (equivalent to approximately RMB133,300). Wine Financier Limited was engaged in loan financing services to further extend the Target Group's financial consulting operations. For further information, please refer to Note 29(i) to section B of Appendix II to this circular.

Before acquiring Wine Financier Limited, the Target Group did not have its own money lender's license. After acquiring Wine Financier Limited, China Runking started to apply for a money lender's license and successfully obtained such license by mid of June 2015. After China Runking had successfully obtained a money lender's license, the Target Group disposed of Wine Financier Limited to iVega Investment Limited, an indirectly wholly-owned subsidiary of Mr. Ting, on 9 July 2015 at a consideration of HK$3,216,000 (equivalent to approximately RMB2,534,533), which was determined by reference to the then net asset value of Wine Financier Limited. The increase of Wine Financier Limited position from that of net liabilities of HK$157,757 in January 2015 to a net asset value of HK$3,216,413 in July 2015 was attributable to its loan business which began to receive interest income since February 2015. For further information, please refer to section B Note 29(ii) to section B of Appendix II to this circular.

After the acquisition of Wine Financier Limited by iVega Investment Limited, iVega Investment Limited decided that it would like to focus on other investments project instead of loan business. Therefore, iVega Investment Limited requested the Target Group to acquire back Wine Financier Limited. On 28 October 2015, the Target Group acquired 100% of the equity interest in Wine Financier Limited at a consideration of HK$2,989,660 (equivalent to approximately RMB2,452,119), which was equivalent to the then net asset value of Wine Financier Limited. This acquisition had been accounted for using the acquisition method and completed on 28 October 2015. No goodwill was arising as a result of the acquisition. For further information, please refer to Note 29(i) to section B of Appendix II to this circular.

On 30 December 2016, the Target Group disposed of its 100% equity interest in Sino Ever Holdings Limited, together with its wholly-owned subsidiary, Shen Yue Investment Consultancy Limited ("Shen Yue") (collectively referred to as "Sino Ever Group") to Mr. Ting at a consideration of HK$1,500,000 (equivalent to approximately RMB1,343,100). The principal activity of Sine Ever Holdings Limited and Shen Yue were investment holdings and consultancy business respectively. Shen Yue is no longer in operation as at the Latest Practicable Date. Therefore, Sino Ever Group does not have competing business with the Target Group or the Group as at the Latest Practicable Date. Sino Ever Group had a net liability of approximately RMB5.8 million as at the date of the aforesaid disposal, and a gain on disposal of a subsidiary was recorded for the year ended 31 December 2016. For further information, please refer to Note 29(ii) to section B of Appendix II to this circular.

On 17 November 2017, the Target Group disposed of its 24% equity interest in Yuanjian to Shenzhen Qianhai Dudao Financial Services Company Limited*(深圳前海大道金融服務有限公司), an Independent Third Party, at a net consideration of RMB13,766,646. It was considered to be a subsidiary of the Target Company notwithstanding that the Target Company held indirectly not more than half of the equity interest therein as the Target Company had the power to cast the majority of votes at meetings of the board of directors of the entity, which had power to affect the returns of this subsidiary. The Target Group disposed of held-for-trading investments amounted to RMB40,516,644 upon disposal of Yuanjian. Yuanjian ceased to be the Target Group's subsidiary on 17 November 2017. For further information, please refer to Note 29(ii) to section B of Appendix II to this circular.

On 2 February 2018, the Target Group disposed of its 100% equity interest in Eagle Horizon Investment Limited to Digital Red Campus Company Limited, an independent third party at a net consideration of HK$1 (equivalent to approximately RMB1). The disposal of Eagle Horizon Investment Limited had no significant impact on the results and cash flows of the Target Group for the eleven months ended 30 November 2018. For further information, please refer to Note 29(ii) to section B of Appendix II to this circular.

Except disclosed above, the Target Group did not have any other significant investment, material acquisition or disposal for the year ended 31 December 2015, 2016, 2017 and for the eleven months ended 30 November 2018.

STATEMENT OF INDEBTEDNESS OF THE TARGET GROUP

As at the close of business on 31 January 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Target Group was as follows:

The Target Group had (i) outstanding unsecured and interest bearing borrowings of HK$38 million from Mr. Ip, a non-executive Director (who was formerly an independent non-executive Director of the Company from 1 February 2017 to 6 March 2019 (both days inclusive) and who was re-designated as a non-executive Director of the Company on 7 March 2019), repayable with maturity date from May 2019 to March 2020; (ii) an outstanding guaranteed and interest bearing borrowings of JPY1,500 million (approximately HK$108 million) from SRA, a shareholder of the Target Group, repayable with maturity date in March 2019; and (iii) an amount due to a non-controlling shareholder of approximately HK$4,000, which was unsecured interest free and repayable on demand.

For the borrowing referred to in (ii) above, SRA as lender, Wine Financier Limited, a wholly-owned company of the Target Company, as borrower, the Target Company and Mr. Ting entered into a loan agreement on 2 April 2018 in respect of a loan provided by SRA to Wine Financier Limited in the principal amount of JPY1,500,000,000 with interest at 2% per annum for the term from 2 April 2018 to 25 September 2018 (the "SRA Loan"). On 26 September 2018, the term of the SRA Loan was further extended to a term from 26 September 2018 to 19 December 2018 on the same amount and interest rate (the "First Extension SRA Loan"). On 20 December 2018, the term of the SRA Loan was further extended to a term from 20 December 2018 to 26 March 2019 on the same amount and interest rate (the "Second Extension SRA Loan"). The SRA Loan is being used for the working capital of the daily operation of Wine Financier Limited.

The SRA Loan is guaranteed by 250,000,000 shares of the Company held by Royal Spectrum (the "Guarantee Shares"), which are maintained in Royal Spectrum's securities account. Royal Spectrum is not allowed to trade the Guarantee Shares without the permission of SRA. If Wine Financier Limited fails to repay the SRA Loan (or any part thereof or any interests thereof) as they fall due, SRA will request for the Guarantee Shares to be transferred to itself or a third party designated by it (the "Guarantee Arrangement").

As at the Latest Practicable Date, SRA and its ultimate beneficial owner(s) are third parties independent of, and not connected persons of, the Company, and upon Completion, SRA will own approximately 8.61% of the enlarged issued share capital of the Company. As such, SRA will not become a substantial shareholder (as defined under the GEM Listing Rules) of the Company. Therefore, upon Completion, SRA will not become a connected person of the Company and the SRA Loan will not become a connected transaction of the Company.

However, as Royal Spectrum is indirectly owned as to 96.63% by Mr. Ting, Royal Spectrum is a connected person of the Company. Therefore, the Guarantee Arrangement will constitute a continuing connected transaction of the Company and financial assistance provided by a connected person to the Company upon Completion. As the Directors consider that the Guarantee Arrangement is conducted on normal commercial terms or better, and it is not secured by the assets of the Company, the Guarantee Arrangement is fully exempt under Rule 20.88 of the GEM Listing Rules.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Target Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities as at the close of business on 31 January 2019.

MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Target Group since 30 November 2018, being the date on which the latest published audited financial statements of the Target Company were made up, and up to and including the Latest Practicable Date:

a. From 30 November 2018 to 31 December 2018, the Target Company had recorded a material decrease in bank balance and cash from approximately HK$59.1 million to HK$23.8 million, representing a decrease of approximately 60%.

SENIOR MANAGEMENT

In order to ensure the Target Group has relevant expertise and experience to operate the referral business, the Target Group has a management term with three members with experience in (1) the loan financing business including entrusted loan service, real estate-backed loan service, micro-loan service, pawn loan service and other loan service; and (2) financing consultancy services to assist customers on various financing issues and solutions.

Mr. TING Pang Wan Raymond, aged 46, is the founder, the chairman and a controlling shareholder of the Company. Besides, Mr. Ting is the director and shareholder of CVP and holds 52% of issued share capital of the Target Group. The subsidiaries of the Target Group are principally engaged in loan financing service, consultancy services and referral business.

Mr. Ting was the adviser on corporate development and business strategies of short-term financing in Shanghai office, an executive director and the chairman of Credit China Holdings Limited (now known as Credit China Fintech Holdings Limited), a company listed on GEM (Stock code: 8207) ("Credit China") and was principally engaged in providing financing services to small to medium sized enterprises and individuals in China and Hong Kong for the period from November 2010 to July 2014. He was also a director of a telecommunication services company which was then known as China Motion Telecom International Limited (now known as Ground Properties Company Limited) and listed on the Main Board of the Stock Exchange (Stock code: 0989) from October 2006 to August 2014. Mr. Ting has management and leadership skill in various industries and is experienced in loan financing, financing consultancy services and referring business. With various social network of peoples in various industry in the PRC and Hong Kong, Mr. Ting has ability to bring different kinds of business opportunity in referral business to the Target Group.

Mr. Ji Zuguang, aged 61, is the deputy chairman of CVP, a director of various companies of the Target Group.

He has over 15 years of experience in the secured financing industry. He was an executive director of Credit China from January 2010 to March 2014. Mr. Ji has experience in business management and also has social network in the PRC, especially in Shanghai and introduced most of referral business partners. Mr. Ji was an executive director of Ground Properties Company Limited (formerly known as China Motion Telecom International Limited) (Stock Code: 989), a company listed on the Main Board of the Stock Exchange, from September 2012 to March 2014. From 2003, Mr. Ji participated in the establishment of 上海銀通典當有限公司 Shanghai Yintong Dian Dang Company Limited ("Shanghai Yintong"), a company incorporated in the PRC with limited liability which is engaged in pawn loan business.

Mr. Ding Lu, aged 47, is current a chief strategy officer of Starlight Financial Holdings Limited.

He has over 14 years of experience in the secured financing industry. He was the chief strategy officer and the chief risk officer of Credit China and also a director of Shanghai Yintong. When Mr. Ding was working in Credit China, he was responsible for the government related affairs, including coordination among various government authorities, risk management of Credit China and the assessment and approval of loans of Shanghai Yintong.

With the above experienced management team, the Target Group can enhance the development on the referral business.

The information set out in this appendix does not form part of the accountants' report prepared by the reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, set out in Appendix II to this circular, and is included herein for illustrative purpose only.

信永中和 ShineWing

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

13 March 2019

The Board of Directors
Madison Holdings Group Limited
Flat A & B, 10/F., North Point Industrial Building,
499 King's Road,
North Point,
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Madison Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 September 2018, and related notes as set out on pages IV-5 to IV-10 of the circular in connection with the acquisitions of 77% equity interest in Hackett Enterprises Limited (the "Acquisitions"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Notes 1 to 5 to the unaudited pro forma financial information.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisitions on the Group's financial position as at 30 September 2018 as if the Acquisitions had taken place at 30 September 2018. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's unaudited condensed consolidated statement of financial position as at 30 September 2018, which has been included in the interim report for the six months ended 30 September 2018 published by the Company.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of the Acquisitions on unadjusted financial information of the Group as if the Acquisitions had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisitions at 30 September 2018 would have been as presented.

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

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31 of Chapter 7 of the GEM Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of Madison Holdings Group Limited (the ‘‘Company’’) and its subsidiaries (hereinafter collectively referred to as the ‘‘Group’’) and Hackett Enterprises Limited (the ‘‘Target Company’’) and its subsidiaries (together, the ‘‘Target Group’’) (the Group including the Target Group hereinafter referred to as the ‘‘Enlarged Group’’) (the ‘‘Unaudited Pro Forma Financial Information’’) has been prepared by the directors of the Company (the ‘‘Directors’’) to illustrate the effect of the acquisitions of 77% equity interest in the Target Company (the ‘‘Acquisitions’’).

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the ‘‘GEM Listing Rules’’) for the purpose of illustrating the effect of the Acquisitions as if the Acquisitions had been completed on 30 September 2018.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purpose only and based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group as at 30 September 2018 or at any future date had the Acquisitions been completed on 30 September 2018.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the Company's published interim report for the six months ended 30 September 2018 and the historical financial information of the Target Company sets out in Appendix II to the circular and other financial information included elsewhere in the circular.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 SEPTEMBER 2018

	The Group as at 30 September 2018	The Target Group as at 30 November 2018	Pro Forma Adjustments			The Enlarged Group as at 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3 (b))*	*(Note 3 (c))*	*(Note 4)*	
Non-current assets						
Plant and equipment	232,801	3,117				235,918
Exchangeable bonds	63,303	–				63,303
Deposits	6,795	–				6,795
Other intangible assets	7,978	1,294				9,272
Interests in associates	4,993	–				4,993
Loan receivables	–	18,802				18,802
Deferred tax asset	858	6,522				7,380
Goodwill	424,074	7,647				431,721
	740,802	37,382				778,184
Current assets						
Inventories	43,194	–				43,194
Held-for-trading financial asset	54,939	205				55,144
Loan and interest receivables	–	469,700				469,700
Trade and other receivables	158,936	8,179				167,115
Amount due from ultimate holding company	19	–				19
Amount due from immediate holding company	34	–				34
Amount due from a director	–	1				1
Amount due from related companies	–	661				661
Amount due from non-controlling interests	10	–				10
Amount due from an associate	22	–				22
Tax recoverable	70	–				70
Crypto currencies	2,794	–				2,794
Bank balances – segregated accounts	77,602	–				77,602
Bank balances and cash	103,131	67,306				170,437
	440,751	546,052				986,803
Current liabilities						
Trade and other payables	118,243	10,053	(iii) 2,700	(ii) 1,300		132,296
Amount due to director	9,081	–				9,081
Amount due to a non-controlling shareholder	–	3				3
Amount due to associates	3,990	–				3,990
Other borrowings	83,582	142,903			(142,903)	83,582
Loan from a director	–	–			(i) 38,418	38,418
Loan from a non-controlling shareholder	–	–			(ii) 104,485	104,485
Convertible bonds	151,396	–				151,396
Derivative financial instrument	16,020	–	(ii) 36,946			52,966
Promissory note payable	–	–	(ii) 148,174			148,174
Tax payables	–	20,613				20,613
	382,312	173,572				745,004
Net current assets	58,439	372,480				241,799
Total assets less current liabilities	799,241	409,862				1,019,983

	The Group as at 30 September 2018	The Target Group as at 30 November 2018	Pro Forma Adjustments			The Enlarged Group as at 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3 (b))*	*(Note 3 (c))*	*(Note 4)*	
Equity						
Share capital	4,283	1 (i)	505 (i)	405		5,193
		(i)	(1)			
Share premium	530,435	– (i)	807,291 (i)	646,868		1,984,594
Other reserve	29,047	–		(571,952)		(542,905)
Merger reserve	(40,149)	–	(1,137,531)			(1,177,680)
(Accumulated losses)/retained earnings	(211,662)	301,282 (iii)	(2,700) (ii)	(1,300)		85,620
Others	213,049	–				213,049
Equity attributable to owners of the Company	525,003	301,283				567,871
Non-controlling interest	23,503	107,758	144,616	(75,321)		200,556
Total equity	548,506	409,041				768,427
Non-current liabilities						
Deferred tax liability	829	821				1,650
Other borrowings	238,111	–				238,111
Promissory note payable	11,795	–				11,795
	250,735	821				251,556
	799,241	409,862				1,019,983

Notes:

1. The financial information of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2018 as set out in the Company's published interim report for the six months ended 30 September 2018.

2. The financial information of the Target Group is extracted from the accountant's report of the Target Group as at 30 November 2018 as set out in Appendix II to the circular after translated at the exchange rate of RMB1 to HK$1.1385, which was the prevailing exchange rate on 30 September 2018. All values are rounded to the nearest thousand except when otherwise indicated.

3. The pro forma adjustment represents the effect of the Acquisitions

   a) the Company entered into the acquisition agreement of the CVP Sale Shares by the Company from CVP Financial Group Limited ('CVP''), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ting Pang Wan Raymond (''Mr. Ting'') (the ''CVP Agreement'') and the the acquisition agreement of the Software Research Associates, Inc. (''SRA''), a company incorporated in Japan with limited liability and wholly-owned by SRA Holdings, Inc., the shares of which are listed on the First Section of the Tokyo Stock Exchange (TSE Stock Code: 3817) (the ''SRA Agreement'') (collectively referred to as the ''Agreements'') with each of CVP and SRA respectively, pursuant to which the Company has conditionally agreed to acquire, and each of CVP and SRA has conditionally agreed to sell, 52 shares (the ''CVP Sale Shares'') and 25 shares (the ''SRA Sale Shares'') of the Target Company respectively, representing 52% and 25% of the entire issued share capital of the Target Company respectively.

The acquisition of SRA Sale Shares by the Company (the "SRA Acquisition") shall also be conditional upon completion of the acquisition of CVP Sale Shares by the company (the "CVP Acquisition") having occurred.

b) Upon completion of the CVP Agreement, the assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and the Target Company are both under the control of Mr. Ting, the controlling shareholder of the Group and ultimate shareholder of the Target Group before and after the date of acquisition, and that control is not transitory. The adjustment represents the recognition of deemed contribution to Mr. Ting under merger accounting, representing the differences amongst the investment cost and the share capital of the Target Group.

The merger reserve is determined as follows:

	HK$'000
Fair value of the CVP Consideration Shares *(Note (i))*	807,796
Fair value of the Promissory Note *(Note (ii))*	185,120
Total consideration paid	992,916
Add: Share of net assets by 48% non-controlling interests in Target Group	144,616
Less: Elimination of share capital in the Target Group	(1)
Adjustment to merger reserve in the Enlarged Group	1,137,531

(i) Under the CVP Agreement, the consideration (the "CVP Consideration") for the purchase of the CVP Sale Shares is HK$462,800,000. The CVP Consideration shall be satisfied: (i) in respect of 60% of the CVP Consideration, by the Company allotting and issuing 504,872,727 new shares of the Company (the "Shares") (collectively referred to as the "CVP Consideration Shares") of HK$0.001 each at an issue price of HK$0.55 per Share (the "Issue Price") to CVP at completion of the CVP Acquisition; and (ii) in respect of 40% of the CVP Consideration, by the Company issuing a promissory note in the principal amount of HK$185,120,000 (the "Promissory Note") to CVP at Completion.

For the purpose of the Unaudited Pro Forma Financial Information, the closing price of HK$1.60 per share in the Company as quoted on The Stock Exchange of Hong Kong Limited on 28 September 2018, being the last full trading day of the shares of the Company before 30 September 2018, was used for the calculation of the fair value of the CVP Consideration Share, as if the CVP Acquisition had been completed on 30 September 2018.

The total share consideration of CVP Consideration Share is approximately HK$807,796,000, of which HK$505,000 will be credited to share capitals and the balance of approximately HK$807,291,000 will be credited to share premium.

(ii) The Promissory Note is a three-year interest free note which may be redeemed any time at the request of any party by giving the other party prior notice.

The fair value of the Promissory Note is determined based on the valuation conducted by an independent valuer, Roma Appraisals Limited on the Promissory Note as at 28 February 2019 ("PN Valuation"). The Promissory Note contains three components, the call option for the Company, the put option for the Promissory Note holder and liability components. In the opinion of the directors of the Company, the call option was insignificant for the Target Company. The fair value of the liability component is calculated using cash flows discounted at a rate based on an equivalent market interest rate of 7.70% per annum for similar instruments without put option. The fair value of the put option is determined by Swaption Model at discount rate of 7.70% of approximately HK$36,946,000.

The fair value of Promissory Note as at 30 September 2018 is as follows:

	HK$'000
Fair value of liability component	148,174
Fair value of derivative component	36,946
Fair value of the Promissory Note	185,120

(iii) The pro forma adjustment represents estimated acquisition-related costs (including advisory, legal, accounting, valuation and other professional fees) of approximately HK$2,700,000 which are recognised in profit or loss.

(iv) The fair value of the CVP Consideration Shares and Promissory Note will have to be reassessed as at the date of completion of the Acquisitions which may be different from presented above.

c) Upon completion of the SRA Agreement, the difference between the SRA Consideration and the derecognition of the carrying value of respective non-controlling interest of the Target Group is recognised in other reserve of the Company since changes in the Group's ownership interests in the Target Group that do not result in a loss of control.

The other reserve is determined as follows:

	HK$'000
Fair value of the SRA Consideration Shares *(Note (i))*	647,273
Less: Carrying amount of 25% non-controlling interest before the SRA Acquisition in the Target Group	(75,321)
Adjustment to other reserve in the Enlarged Group	571,952

(i) Under the SRA Agreement, the consideration (the "SRA Consideration") for the purchase of the SRA Sale Shares is HK$222,500,000 and shall be satisfied entirely by the Company allotting and issuing 404,545,454 new Shares (the "SRA Consideration Shares") at the Issue Price to SRA at Completion.

For the purpose of the Unaudited Pro Forma Financial Information, the closing price of HK$1.60 per share in the Company as quoted on The Stock Exchange of Hong Kong Limited on 28 September 2018, being the last full trading day of the shares of the Company before 30 September 2018, was used for the calculation of the fair value of the SRA Consideration Share, as if the SRA Acquisition had been completed on 30 September 2018.

The total share consideration of SRA Consideration Share is approximately HK$647,273,000, of which HK$405,000 will be credited to share capital and the balance of approximately HK$646,868,000 will be credited to share premium.

(ii) The pro forma adjustment represents estimated acquisition-related costs (including advisory, legal, accounting, valuation and other professional fees) of approximately HK$1,300,000 which are recognised in profit or loss.

(iii) The fair value of the SRA Consideration Shares will have to be reassessed as at the date of completion of the Acquisitions which may be different from presented above.

4. (i) The pro forma adjustment represents the reclassification of other borrowings of the Target Group of approximately HK$38,418,000 (equivalent to approximately RMB33,744,000) which will be reclassified as "loan from a director" upon the completion of the Acquisitions as the loans is due to Mr. Ip Cho Yin, *J.P.*, a non-executive director of the Company.

   (ii) The pro forma adjustment represents the reclassification of other borrowings of the Target Group of approximately HK$104,485,000 (equivalent to approximately RMB91,775,000) which will be reclassified as "loan from a non-controlling shareholder" upon the completion of the Acquisitions as the loans is due to Software Research Associates, Inc., a subsidiary wholly owned by SRA Holdings, Inc., a non-controlling shareholder of the Company.

5. No adjustment has been made to the unaudited condensed pro forma financial information of the Enlarged Group to reflect any trading results or other transactions of the Group and Target Group entered subsequent to 30 September 2018.

ROMA

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13 March 2019

Madison Holdings Group Limited
Flat A & B, 10/F,
North Point Industrial Building,
499 King's Road, North Point,
Hong Kong

Case Ref: AK/BV5195/NOV18

Dear Sir/Madam,

Re: Business Valuation of 100% Equity Interest in Hackett Enterprises Limited and its subsidiaries

We refer to recent instructions from Madison Holdings Group Limited (hereinafter referred to as the "Company") to us to conduct a business valuation on 100% equity interest in Hackett Enterprises Limited (hereinafter referred to as the "Target Group"), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 30 November 2018 (hereinafter referred to as the "Date of Valuation").

This report states the purpose of valuation, scope of work, economic overview, industry overview, an overview of the Target Group, basis of valuation, investigation, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Target Group and/or their representative(s) (together referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose. In case of any change in the assumptions, our opinion of value may vary materially.

3. ECONOMIC OVERVIEW

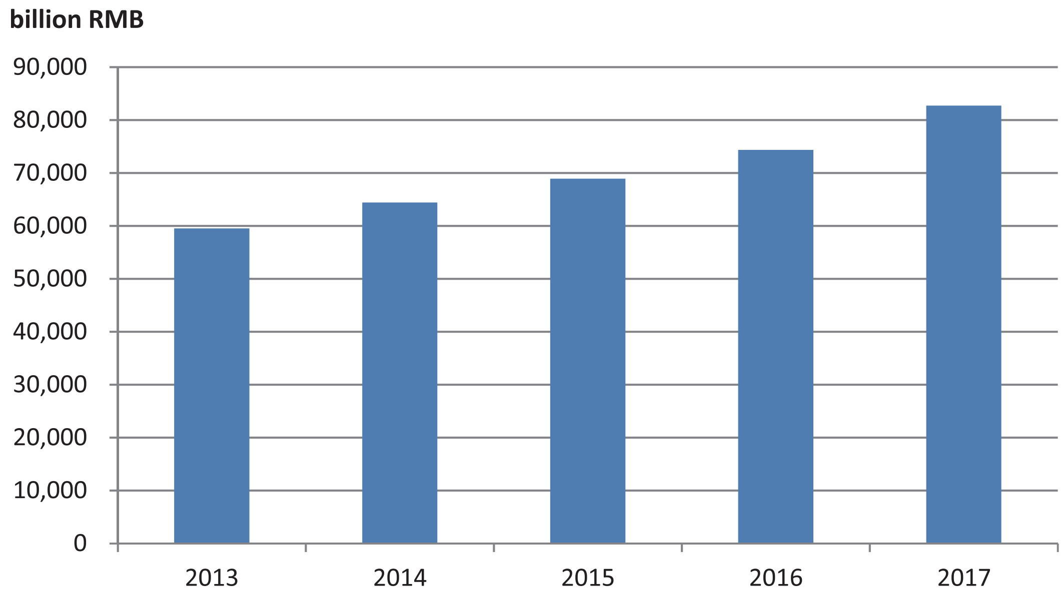
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("GDP") of China in 2017 was RMB82,712 billion, a year over year nominal increase of 11.2% comparing to 2016. China was the second largest economy in the world, in terms of nominal GDP measured by the International Monetary Fund ("IMF") in 2017. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2013 to 2017, compound annual growth rate of China's nominal GDP was 8.6%. An upward trend of China's nominal GDP was observed from 2013 to 2017. Figure 1 illustrates the nominal GDP of China from 2013 to 2017.

Figure 1 – China's Nominal GDP from 2013 to 2017

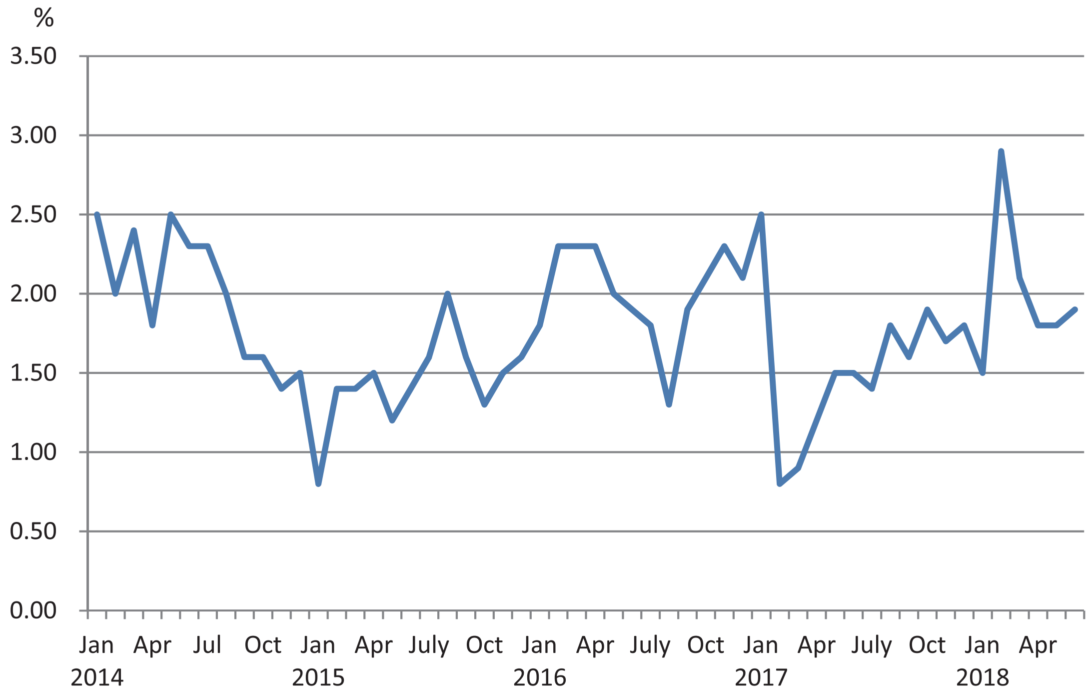


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index ("CPI") demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the year-over-year change in CPI dropped to 1.5% in December 2014. During first half of 2015, the year-over-year change in CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0% in second half of 2015. In 2016, the year-over-year change in CPI dropped from 2.3% in January to 1.3% in August, but rose in the later months and arrived at 2.1% in December. In 2017, the year-over-year change in CPI dropped from 2.5% in January to 0.8% in February and increased to 1.8% in December. In 2018, the year-over-year change in CPI rose to 2.9% in February then dropped to 1.8% in May Figure 2 shows the year-over-year change in CPI of China from January 2014 to June 2018.

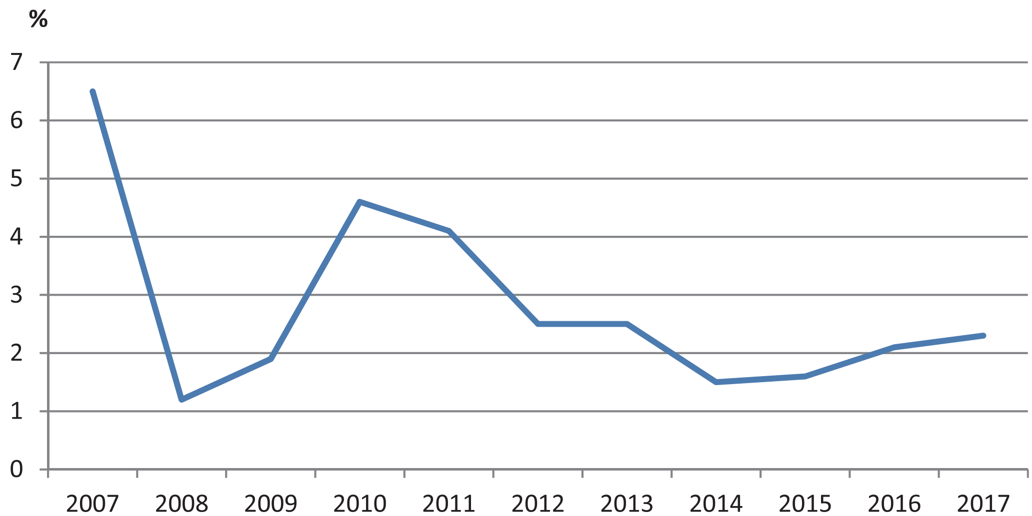
Figure 2 – Year-over-year Change in China's CPI from January 2014 to June 2018



Source: Bloomberg

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.5% in 2014. It started to climb then in the recent three years from 1.6% in 2015 to 1.8% in 2017. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2007 to 2017.

Figure 3 – China's Inflation Rate from 2007 to 2017



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

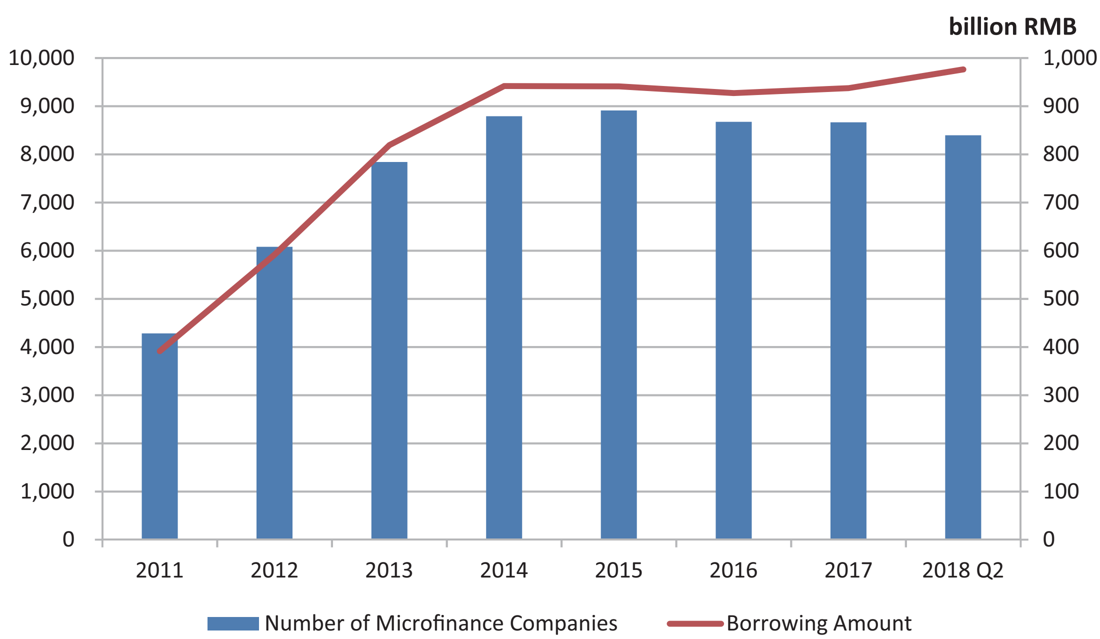
4.1 Microfinancing Industry in China

The prolonged growing economy in China raises the demand for borrowing for small and medium-sized enterprises ("SMEs") and individuals for business expansion and personal consumption. However, due to the small borrowing amount, lack of sufficient collaterals and higher default risk, banks are reluctant to lend to SMEs and individuals. These loan applications may also be subject to long processing time. The existence of microfinance companies could help these applicants for borrowing loans as they do not require large enterprises as a guarantor, the application time of loan was also shorter compared with borrowing from bank.

The China Banking Regulatory Commission and the People's Bank of China jointly promulgated the Guiding Opinions of China Banking Regulatory Commission and the People's Bank of China on the Pilot Operation of Small-sum Loan Companies (中國銀行業監督管理委員會、中國人民銀行關於小額貸款公司試點的指導意見) in May 2008, which sets out the fundamental requirements for establishing, registering and operating microfinance companies in China. Apart from the support in financial institutions in China, the Chinese government showed its support through issuing another opinion, namely 關於金融支持經濟結構調整和轉型升級的指導意見 (the "New Opinion") in July 2013 by the State Council of the People's Republic of China. The New Opinion also provided guidance on the diversification of customer segments in microfinance industry.

Due to the strong demand and government's support in the microfinance industry, the number of microfinance companies increases from 4,282 in 2011 to 8,910 in 2015, then lowered to 8,394 in second quarter of 2018. The borrowing amount grows simultaneously from RMB391.5 billion in 2011 to RMB976.3 billion in second quarter of 2018. Figure 4 shows the number of microfinance companies and borrowing amount of microfinance companies in China respectively.

Figure 4 – Number of Microfinance Companies and Borrowing Amount of Microfinance Companies in China



Source: The People's Bank of China

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2013 to 2017, compound annual growth rate of China's nominal GDP was 8.6%. An upward trend of China's nominal GDP was observed from 2013 to 2017. Figure 1 illustrates the nominal GDP of China from 2013 to 2017.

5. OVERVIEW OF THE TARGET GROUP

The Target Group is an investment holding company incorporated in the Republic of Seychelles with limited liability. The Target Group is principally engaged in the provision of secured financing services, microfinance services and financial consulting services in China through its subsidiaries as advised by the Management.

6. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2017, market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Target Group. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy in China as we considered necessary for the purpose of the valuation.

We have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. We have also consulted other sources of financial and business information. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

The valuation of the Target Group requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The business nature and prospect of the Target Group;
- The financial information of the Target Group;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;

- Relevant licenses and agreements;
- The business risks of the Target Group such as the ability in maintaining competent technical and professional personnel; and
- Investment returns of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Target Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits. Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). Under the Asset-Based Approach, the market value of equity of a business entity/group refers to the market values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

8.4 Business Valuation

In the process of valuing the Target Group, we have taken into account of the operation and financial information of the Target Group and conducted discussions with the Management to understand the status and prospect of the Target Group and the industry it is participating. Also, we have considered the accessibility to available data in choosing among the valuation approaches.

The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Target Group and therefore it could not reflect the market value of the Target Group. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of the Target Group.

By adopting the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales, price-to-earnings and price-to-book multiples. The operation of the Target Group and similar companies do not heavily depend on their assets hence the price-to-book multiples were not adopted. The price-to-sales multiples were not adopted because they could not fully capture the cost structure of the Target Group. Therefore, we have adopted the price-to-earnings ("P/E") multiple as we considered it as the most appropriate multiple in calculating the market value of the Target Group.

We adopted several listed companies with similar business nature and operations similar to those of the Target Group as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in loan financing and consultancy related businesses with combined revenue and profit contribution more than 80%, in which more than 60% of the total revenue and profit were generated from loan financing business;
- The companies have major operating segment in China;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

According to the aforementioned selection criteria and under best-effort basis, eight comparable companies were selected and adopted. Based on the selection criteria as set out above, these comparable companies represent the comprehensive and exhaustive list providing a fair and representative benchmark for assessing the P/E multiple for the valuation of the Target Group. Details of the exhaustive list of the comparable companies adopted based on our aforementioned selection criteria were illustrated as follows:

Company Name	Stock Code	Listing Location	Business Description	Percentage of Relevant Revenue to Total Revenue	Percentage of Relevant Net Profit to Total Net Profit
China Financial Services Holdings Ltd.	605.HK	Hong Kong	China Financial Services Holdings Ltd. is a diversified finance service company. The company, through its subsidiaries, provides direct loans by self-owned funds, bank loans by guarantee company, corporate bonds or collective notes financing service through the guarantee function, and financing consulting service based on the financing needs of SMEs.	100.00%	100.00%
China Huirong Financial Holdings Ltd.	1290.HK	Hong Kong	China Huirong Financial Holdings Ltd. is a short-term secured financing service provider. The company specializes in providing short-term loans secured by collateral, or "pawn loans", to customers.	100.00%	100.00%
Gome Finance Technology Co., Ltd.	628.HK	Hong Kong	Gome Finance Technology Co., Ltd. is a financial service platform company. The company provides lending credit and debt, floatation of loans, investment management consulting, and other services.	87.38%	100.00%

Company Name	Stock Code	Listing Location	Business Description	Percentage of Relevant Revenue to Total Revenue	Percentage of Relevant Net Profit to Total Net Profit
Zuoli Kechuang Micro-Finance Co., Ltd.	6866.HK	Hong Kong	Zuoli Kechuang Micro-Finance Co., Ltd. focuses on providing credit-based financing solutions to Deqing's fast-growing SME and microenterprise sector.	100.00%	100.00%
Quanzhou Huixin Micro-Credit Co., Ltd.	1577.HK	Hong Kong	Quanzhou Huixin Micro-Credit Co., Ltd. offers micro lending and other related financial services to individuals and small business throughout China.	100.00%	100.00%
Yangzhou Guangling District Taihe Rural Micro-finance Co., Ltd.	8252.HK	Hong Kong	Yangzhou Guangling District Taihe Rural Micro-finance Co., Ltd. offers financial services. The company provides loans issuing, financing guarantee, financial institutions business agency, and other businesses. The company serves small and medium enterprises, individual businesses, and other groups in Yangzhou.	100.00%	100.00%
Sheng Ye Capital Ltd.	8469.HK	Hong Kong	Sheng Ye Capital Ltd. offers financial services. The company provides receivable accounts financing, account management, credit assessment, and other services. The company serves customers in large state owned enterprises, listed companies, and other groups.	88.81%	N/A*
Good Resources Holdings Ltd.	109.HK	Hong Kong	Good Resources Holdings Ltd. identifies and assesses investment opportunities and provides financial services. The company also trades children's playground equipment.	100.00%	100.00%

Source: Bloomberg and announcements from HKExnews

Note: Breakdown of net profit related to loan financing and financial consultancy businesses was not available from Bloomberg and the latest financial reports of Sheng Ye Capital Ltd. (8469.HK).

The market capitalization of the comparable companies as at the Date of Valuation are as follows:

Company Name	Stock Code	Market Capitalization *(HKD)*
China Financial Services Holdings Ltd.	605.HK	2,193,001,700
China Huirong Financial Holdings Ltd.	1290.HK	1,086,787,000
Gome Finance Technology Co., Ltd.	628.HK	1,647,685,100
Zuoli Kechuang Micro-Finance Co., Ltd.	6866.HK	436,600,000
Quanzhou Huixin Micro-Credit Co., Ltd.	1577.HK	999,600,000
Yangzhou Guangling District Taihe Rural Micro-finance Co., Ltd.	8252.HK	1,254,000,000
Sheng Ye Capital Ltd.	8469.HK	5,578,763,900
Good Resources Holdings Ltd.	109.HK	1,346,762,600
Median		1,300,381,300

Source: Bloomberg

The P/E multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	P/E Multiple
China Financial Services Holdings Ltd.	605.HK	8.61
China Huirong Financial Holdings Ltd.	1290.HK	16.75
Gome Finance Technology Co., Ltd.	628.HK	66.98
Zuoli Kechuang Micro-Finance Co., Ltd.	6866.HK	2.53
Quanzhou Huixin Micro-Credit Co., Ltd.	1577.HK	10.06
Yangzhou Guangling District Taihe Rural Micro-finance Co., Ltd.	8252.HK	23.24
Sheng Ye Capital Ltd.	8469.HK	29.13
Good Resources Holdings Ltd.	109.HK	19.65
Average (Excluding Outliers)		17.90

The P/E multiple adopted was the average (excluding outliers) of the P/E multiples of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. We obtained the estimated market value of the Target Group as at 30 November 2018 by applying the average (excluding outliers) P/E multiple to the estimated net profit of HKD57,785,255 of the Target Group for the period from 1 December 2017 to 30 November 2018. The market value of the Target Group was then arrived by adjusting with the marketability discount and control premium.

8.5 Marketability Discount and Control Premium

The marketability discount was the percentage difference between the private placement price per share and the market trading price per share. Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We have made reference to the result of the restricted stock study (the "Research") published in "Stout Restricted Stock Study 2018" by Stout Risius Ross, LLC, one of the preeminent firms offering a broad range of financial advisory services to private and public companies.

According to the Research, a total of 747 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through December 2018 were examined. With reference to the Research, we have adopted the median marketability discount for the 747 transactions of 15.80% in arriving at the market value of the Target Group as at the Date of Valuation. The median marketability discount was adopted to minimize effect of extreme data. This median figure was concluded in the Research and we have not adjusted nor selected the data.

In addition, as we are considering the market value of the Target Group from the perspective of controlling interest, the median control premium for international transaction of 26.00% has been adopted to reflect the higher marketability of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (4th Quarter 2017) (the "Study") published by FactSet Mergerstat, LLC., an independent information provider for merger and acquisition transaction data.

The median control premium was adopted to minimize effect of extreme data. The Study examined 114 transactions (comprising 59 U.S. transactions and 55 international transactions) whereby 50.01% or more of a company was acquired for the 4th quarter of 2017. The control premium was the percentage difference between the purchase price per share and the market trading price per share unaffected by the acquisition announcement.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in this valuation and they are:

- The audited financial statements of the Target Group as at 30 November 2018 can reasonably represent its financial position as at the Date of Valuation;
- The estimated net profit used in arriving the market value of the Target Group was calculated with reference to the management account for the month ended 31 December 2017 and the audited financial statements for the period from 1 January 2018 to 30 November 2018 provided by the Management;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate has or would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and
- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Target Group. The factors considered included, but not limited to, the followings:

- Audited financial statements of the Target Group as at 30 November 2018;
- Management account of the Target Group for the month ended 31 December 2017;
- Relevant licenses of the Target Group;
- General descriptions in relation to the Target Group; and
- Economic outlook in China.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of the Target Group provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. The information has not been audited or compiled by us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Target Group was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the Target Group.

We have not investigated the title to or any legal liabilities of the Target Group, and have assumed no responsibility for the title to the Target Group appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Target Group, the Company, their associated companies or the values reported herein.

13. OPINION OF VALUE

Based on the investigation stated above, the valuation method employed and key assumptions appended above, the market value of the 100% equity interest in the Target Group as at the Date of Valuation, in our opinion, was reasonably stated as **HKD1,098,000,000 (HONG KONG DOLLARS ONE BILLION AND NINETY EIGHT MILLION ONLY)**.

Yours faithfully,
For and on behalf of

Roma Appraisals Limited

APPENDIX I

The Date of Valuation could be interpreted as the effective date as stated in rule 11.4 – current valuation ("Rule 11.4") of the Codes on Takeovers and Mergers and Share Buy-backs (the "Codes") published by the Securities and Futures Commission of Hong Kong (the "SFC").

According to the note to Rule 11.4, any valuation that is more than 3 months old will normally be regarded as not current. As at the Latest Practicable Date of 8 March 2019, the Date of Valuation and thus the effective date would be 3 months and 7 days prior the Latest Practicable Date. Therefore, according to Rule 11.4, the valuation report would, under normal circumstances, be regarded as not current.

We have performed additional analysis on the 100% equity interest in the Target Group as at 31 December 2018 based on the updated combined financial information ("Updated Combined Financial Information") further provided by the Company, which was based on the audited Accountant's Report for the 11 months ended 30 November 2018 and the management account for the 1 month ended 31 December 2018. The major assumptions and methodology including the list of comparable companies in our additional analysis were consistent with the Valuation Report as at 30 November 2018. Only market data such as the value of the P/E multiples of the comparable companies and adopted exchange rates, and financial figures of the Target Group obtained from the Updated Combined Financial Information were updated due to the change of the Date of Valuation from 30 November 2018 to 31 December 2018 for our additional analysis purpose.

Based on the result of the additional analysis, no significant deviation in the market data nor financial information of the Target Group was observed between 30 November 2018 and 31 December 2018. Therefore, in compliance with the requirement of Rule 11.4, we hereby confirm the current valuation of the 100% equity interest in the Target Group as at 31 December 2018 based on the additional analysis would not be materially different to the valuation report as at 30 November 2018.

As confirmed with the Management, the Company has no intention to sell the 77% equity interest in the Target Group in the next 12 months after the Latest Practicable Date, therefore there is no sufficient evidence suggesting any potential tax liability crystallization as at the Latest Practicable Date and the likelihood of such crystallization (if any) would be minimal.

The valuation report has therefore excluded potential tax liability which might arise if the Target Group were to be sold at the Date of Valuation. The potential tax liability included but not limited to profits tax, capital gain tax and any other relevant taxes prevailing at the Date of Valuation.

Opus Capital Limited
創富融資有限公司

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

13 March 2019

The Board of Directors
Madison Holdings Group Limited
Flat A&B, 10/F
North Point Industrial Building
499 King's Road
North Point
Hong Kong

Dear Sir or Madam,

We refer to the valuation report (the "**Valuation Report**") dated 13 March 2019 prepared by Roma Appraisals Limited ("**Roma**") in respect of the valuation (the "**Valuation**"), as at 30 November 2018, of the entire equity interest in Hackett Enterprises Limited and its subsidiaries (the "**Target Group**") which is principally engaged in the provision of (i) secured financing services; (ii) micro-finance services; (iii) financial consulting services in China; and (iv) loan financing services in Hong Kong. The full text of the Valuation Report is set out in Appendix V to the circular of Madison Holdings Group Limited dated 13 March 2019 (the "**Circular**"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

This letter is issued (i) in compliance with the requirement under Rule 11.1(b) of the Takeovers Code and sets out our assessment and review of the qualifications and experience of Roma; and (ii) for the purpose of confirming our acknowledgment of and compliance with the applicable requirements under the Corporate Finance Adviser Code of Conduct (the "**CFA Code**").

Roma is the principal subsidiary of Roma Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8072). Roma is an independent firm that specialises in the provision of valuation and technical advisory services. In compliance with Rule 11.1(b) of the Takeovers Code, we have reviewed and discussed with the personnel in charge of the Valuation at Roma of their qualifications and experience as regards performing the Valuation. We are of the opinion that (a) Roma and its personnel engaged in the Valuation meet the legal or regulatory requirements applicable to the Valuation; (b) they have sufficient current local knowledge of the particular market; and (c) they have the skills and understanding necessary to undertake the Valuation competently. Accordingly, we are satisfied that reliance could fairly be placed on the Valuation.

We also confirm our acknowledgment of and compliance with the requirements under paragraph 5.3 of the CFA Code. We have reviewed and discussed with the Directors and Roma the qualifications, bases and assumptions adopted by Roma in the course of its work and we are satisfied that the qualifications, bases and assumptions adopted in the Valuation have been made with due care and objectivity, and on a reasonable basis.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Koh Kwai Yim
Executive Director

1. RESPONSIBILITY STATEMENT

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Vendors and parties acting in concert with any of them) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by Mr. Ting and the directors of SRA) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

Mr. Ting, as the sole director of CVP, accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to SRA) and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the directors of SRA) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

The directors of SRA accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group and CVP) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors (including Mr. Ting)) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

2. MARKET PRICES

(a) The table below sets out the closing prices of the Shares quoted on the Stock Exchange on (i) the last trading day of each of the eleven calendar months during the period between 24 April 2018 to the Latest Practicable Date (both days inclusive), being the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date, respectively:

Month	**Closing price per Share** *(HK$)*
April 2018	1.74
May 2018	1.58
June 2018	1.72
July 2018	1.63
August 2018	1.55
September 2018	1.6
October 2018	0.33
19 November 2018 (being the Last Trading Day)	0.65
November 2018	0.99
December 2018	1.03
January 2019	0.87
February 2019	0.86
8 March 2019 (being the Latest Practicable Date)	0.83

(b) The highest and the lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$1.79 on 11 May 2018 and HK$0.29 on 29 October 2018, respectively.

3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

(a) Share Capital

As at the Latest Practicable Date, the authorised and issue share capital of the Company were as follows:

Authorised share capital

Shares		*HK$*
Ordinary shares of HK$0.001 each		
10,000,000,000		10,000,000

Issued and fully paid up (or to be issued and fully paid up) share capital

Shares		*HK$*
Ordinary shares of HK$0.001 each		
4,283,308,717	As at the Latest Practicable Date	4,283,308.72
909,418,181	Consideration Shares to be allotted and issued upon Completion	909,418.18
5,192,726,898	**Total**	5,192,726.90

All the Shares in issue and the Consideration Shares to be issued will (when allotted and fully paid or credited as fully paid) rank *pari passu* in all respects with each other as regards dividends, voting rights and return of capital ex any dividend which may be declared with a record date prior the date of allotment and issue of the Consideration Shares. The holders of the Consideration Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Consideration Shares.

Since 31 March 2018 (being the end of the last financial year of the Company) and up to and including the Latest Practicable Date, the Company issued 283,308,717 Shares.

(b) Share options

As at the Latest Practicable Date, the Company had the following outstanding options:

Holders	**Number of Shares which may fall to be issued upon exercise of the share options**	**Date of grant**	**Exercise period**	**Exercise price** *(HK$ per Share)*
Directors				
Mr. Zhu Qin	2,000,000	3 April 2018	1 January 2019 to 2 April 2028	1.89
Mr. Zhou Francis Bingrong [Note 1]	5,000,000	3 April 2018	1 January 2019 to 2 April 2028	1.89
Ms. Kuo Kwan	5,000,000	3 April 2018	1 January 2019 to 2 April 2028	1.89
Ms. Fan	300,000	3 April 2018	1 January 2019 to 2 April 2028	1.89
Mr. Chu	300,000	3 April 2018	1 January 2019 to 2 April 2028	1.89
Mr. Ip	300,000	3 April 2018	1 January 2019 to 2 April 2028	1.89
Subtotal	12,900,000			

Holders	Number of Shares which may fall to be issued upon exercise of the share options	Date of grant	Exercise period	Exercise price *(HK$ per Share)*
Consultants of the Group	160,000,000	17 December 2015	17 June 2016 to 16 December 2025	0.80
	184,600,000	3 April 2018	1 January 2019 to 2 April 2028	1.89
Subtotal	344,600,000			
Employees of the Group	15,600,000	3 April 2018	1 January 2019 to 2 April 2028	1.89
Subtotal	373,100,000			
Devoss Global	6,000,000	17 December 2015	17 June 2016 to 16 December 2025	0.80
Montrachet	15,000,000	17 December 2015	17 June 2016 to 16 December 2025	0.80
Buttonwood Development Limited	42,000,000	13 December 2018	*Note 2*	1.12
Adachi Hisayuki	6,000,000	13 December 2018	*Note 2*	1.12
Farest Limited	42,000,000	14 December 2018	*Note 3*	1.04
Subtotal	111,000,000			
Total	484,100,000			

Notes:

1. Mr. Zhou Francis Bingrong was granted 5,000,000 share options in the capacity as consultant on 3 April 2018.

2. The exercise period of the options will commence on the later of (a) 1 July 2019; (b) the date of the announcement of the Company of (i) the completion of the CVP Acquisition or (ii) the completion of the Acquisitions (as the case may be); or (c) the date of the announcement of the termination of the Agreements (if the CVP Acquisition is not completed), and end on 12 December 2028.

3. The exercise period of the options will commence on the later of (a) 1 July 2019; (b) the date of the announcement of the Company of (i) the completion of the CVP Acquisition or (ii) the completion of the Acquisitions (as the case may be); or (c) the date of the announcement of the termination of the Agreements (if the CVP Acquisition is not completed), and end on 13 December 2028.

(c) Convertible bonds

Holder	Outstanding principal amount *(HK$)*	Number of Shares which may fall to be issued upon exercise of the convertible bonds	Date of issue	Maturity Date	Conversion period	Conversion price *(HK$ per Share)*
Bartha Holdings	150,000,000	136,363,636	28 July 2017	27 July 2022	28 July 2018 to 24 July 2022	1.1

4. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange or (d) to be disclosed under the Takeovers Code, were as follows:

Long position in the Shares, underlying shares and debentures of the Company

Name of Director	Capacity/Nature of interest	Number of Shares	Number of underlying shares (options)	Number of underlying Shares (convertible bonds)	Aggregate interest	Approximate percentage of interest
Mr. Ting	Interest in controlled corporations	2,486,916,727 *(Notes 1, 2)*	6,000,000 *(Note 3)*	136,363,636	2,629,280,363	61.38%
Mr. Zhu Qin	Beneficial owner	–	2,000,000 *(Note 5)*	–	2,000,000	0.05%
Mr. Zhou Francis Bingrong	Beneficial owner	–	5,000,000 *(Note 5)*	–	5,000,000	0.12%
Ms. Kuo Kwan	Beneficial owner	–	5,000,000 *(Note 5)*	–	5,000,000	0.12%
Ms. Fan	Beneficial owner	–	300,000 *(Note 5)*	–	300,000	0.01%
Mr. Chu	Beneficial owner	–	300,000 *(Note 5)*	–	300,000	0.01%
Mr. Ip	Beneficial owner	–	300,000 *(Note 5)*	–	300,000	0.01%

Notes:

1. Mr. Ting is deemed to be interested in 1,968,000,000 Shares, 12,172,000 Shares and 1,872,000 Shares held by Royal Spectrum, Kaiser Capital and Highgrade, respectively, and 504,872,727 CVP Consideration Shares to be issued to CVP upon Completion given (i) Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global, which, in turn, is legally and beneficially wholly-owned by Mr. Ting, and 3.37% by Montrachet; and (ii) each of CVP, Kaiser Capital and Highgrade is directly legally and beneficially wholly-owned by Mr. Ting.

2. On 27 November 2017, Royal Spectrum pledged 199,600,000 Shares in favour of an Independent Third Party as a security of a loan in the amount of JPY2,000,000,000 (equivalent to approximately HK$139,923,000 (after translated at the exchange rate of JPY100 to HK$6.996)).

3. Mr. Ting is deemed to be interested in 6,000,000 underlying Shares in respect of the Devoss Share Options granted by the Company to Devoss Global under Part XV of the SFO, given Devoss Global is a company wholly-owned by Mr. Ting.

   The 6,000,000 underlying Shares represent new Shares which may be issued to Devoss Global upon the exercise of the Devoss Share Options.

4. Mr. Ting is deemed to be interested in 136,363,636 underlying Shares in respect of the Bartha Convertible Bonds held by Bartha Holdings under Part XV of the SFO, given Bartha Holdings is a company owned as to 87.07% by CVP Holdings, which is in turn wholly-owned by Mr. Ting.

   The 136,363,636 underlying Shares represent new Shares which may be issued to Bartha Holdings upon the conversion of the Bartha Convertible Bonds issued by the Company on 28 July 2017.

5. The underlying Shares held by those Directors represent new Shares which may be issued at the exercise price of HK$1.89 per Share upon the exercise of the share options granted to them on 3 April 2018.

Long position in the shares, underlying shares and debentures of the associated corporations

Name of the associated corporation	Name of Director	Capacity/Nature of interest	Number of shares held in the associated corporation	Approximate percentage of shareholding in the associated corporation
Royal Spectrum *(Note)*	Mr. Ting	Interest in controlled corporation	9,663	96.63%
Devoss Global *(Note)*	Mr. Ting	Beneficial owner	1,000	100%

Note: Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global, which is in turn, legally and beneficially wholly-owned by Mr. Ting, and as to 3.37% by Montrachet, a company wholly-owned by Mr. Zhu Huixin, the father of Mr. Zhu Qin, an executive Director.

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

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

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

Long position in the Shares, underlying Shares and debentures of the Company

Name of Shareholder	Capacity/nature of interest	*Notes*	Number of Shares interested	Number of underlying Shares (options)	Number of underlying Shares (convertible bonds)	Aggregate interest	Approximate percentage of interest
Royal Spectrum	Beneficial owner	*1, 2*	1,968,000,000	–	–	1,968,000,000	45.95%
Devoss Global	Interest in controlled corporation and Beneficial owner	*1, 2, 3*	1,968,000,000	6,000,000	–	1,974,000,000	46.09%
CVP	Beneficial owner	*4*	504,872,727	–	–	504,872,727	11.79%
Ms. Luu Huyen Boi ("**Ms. Luu**")	Interest of spouse	*1, 2, 3, 4, 5*	2,486,916,727	6,000,000	136,363,636	2,629,280,363	61.38%
SRA	Beneficial owner	*6*	447,045,454	–	–	447,045,454	10.44%
SRA Holdings Inc.	Interest in controlled corporation	*6*	447,045,454	–	–	447,045,454	10.44%
Timebase Holdings Limited ("**Timebase**")	Beneficial owner	*7*	213,299,440	40,000,000	–	217,299,440	5.07%
Ms. Lu Mengjia ("**Ms. Lu**")	Interest in controlled corporation	*7, 8*	213,299,440	45,000,000	–	222,299,440	5.19%

Note:

1. Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global and as to 3.37% by Montrachet. Devoss Global is legally and beneficially wholly-owned by Mr. Ting. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum. Mr. Ting is a director of both Royal Spectrum and Devoss Global. Mr. Zhu Qin is a director of Royal Spectrum.

2. On 27 November 2017, Royal Spectrum pledged 199,600,000 Shares in favour of an Independent Third Party as a security of a loan in the amount of JPY2,000,000,000 (equivalent to approximately HK$139,923,000 after translated at the exchange rate of JPY100 to HK$6.996).

3. The underlying Shares represent 6,000,000 new Shares which may be issued upon the exercise of the share options granted to Devoss Global on 17 December 2015. For further details, please see section headed "Effect of the issuance of Consideration Shares on the shareholding structure of the Company".

4. These Shares represent the CVP Consideration Shares to be issued to CVP upon completion of the CVP Acquisition. CVP is directly legally and beneficially wholly-owned by Mr. Ting, and Mr. Ting is also the sole director of CVP.

5. Ms. Luu is the spouse of Mr. Ting. Ms. Luu is deemed to be interested in all the Shares and underlying Shares in which Mr. Ting is interested under Part XV of the SFO. For further details, please see "4. Disclosure of Interest – (a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations" in this Appendix for the interest held or deemed to be held by Mr. Ting.

6. These Shares include the SRA Consideration Shares to be issued to SRA upon completion of the SRA Acquisition. SRA is a wholly-owned subsidiary of SRA Holdings. SRA Holdings is deemed to be interested in all the Shares held by SRA.

7. The underlying Shares represent 40,000,000 new Shares which may be issued upon the exercise of the share options granted to Timebase on 17 December 2015. Timebase is a company legally and beneficially wholly-owned by Ms. Lu. Ms. Lu is deemed to be interested in the Shares and underlying Shares in which Timebase is interested under Part XV of the SFO.

8. In addition to the Shares and underlying shares in which Timebase is interested, Ms. Lu is also deemed to be interested in 5,000,000 underlying Shares held by Sharp Edge Ventures Limited, a company legally and beneficially wholly-owned by Ms. Lu, under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, no person (other than the Directors or chief executives of the Company) had the interests or short positions in the Shares or underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date:

(i) none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which would not expire or was not determinable within one year without payment of compensation, other than statutory compensation;

(ii) except for the service agreements between the Company and each of Mr. Ting, Mr. Zhu Qin, Mr. Zhou Francis Bingrong, and the letter of appointments between the Company and each of Mr. Ip, Ms. Fan and Mr. Chu (details of which are set out in (iv) below, there were no service contracts between any of the Directors and the Company or any of its subsidiaries or associated companies in force which (including both continuous and fixed term contracts) that had been entered into or amended within the Relevant Period;

(iii) there were no service contracts between any of the Directors and the Company or any of its subsidiaries or associated companies in force which are continuous contracts with a notice period of 12 months or more; and

(iv) except for the service contracts set out below, there were no service contracts between any of the Directors and the Company or any of its subsidiaries or associated companies in force which are fixed term contracts with more than 12 months to run irrespective of the notice period.

Name of Director	Commencement date of term of appointment	Expiry Date	Term of appointment	Annual remuneration
Mr. Ting	8 October 2018	7 October 2021	Three years	HK$2,600,000 *(Note)*
Mr. Zhu Qin	8 October 2018	7 October 2021	Three years	HK$1,690,000 *(Note)*
Mr. Zhou Francis Bingrong	7 January 2019	6 January 2022	Three years	HK$2,340,000 *(Note)*
Ms. Kuo Kwan	25 September 2017	24 September 2020	Three years	HK$650,000 *(Note)*
Mr. Ip	7 March 2019	6 March 2022	Three years	HK$180,000
Ms. Fan	8 October 2018	7 October 2021	Three years	HK$180,000
Mr. Chu	8 October 2018	7 October 2021	Three years	HK$180,000

Note: Pursuant to the above service contracts, each of Mr. Ting, Mr. Zhu Qin, Mr. Zhou Francis Bingrong and Ms. Kuo, being executive Directors, may be paid a bonus in respect of each financial year of the Company in an amount to be determined by the Board in its absolute discretion, provided that the total amount of bonuses payable to all the Directors for such financial year shall not exceed 5% of the audited combined/consolidated profit after tax and minority interest of the Company (if any).

6. EXPERTS

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

SHINEWING (HK) CPA Limited	Certified Public Accountants
Opus Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Roma Appraisals Limited	independent valuer

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

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

As at the Latest Practicable Date, each of the above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 March 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. LITIGATION

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

8. MATERIAL ADVERSE CHANGE

The Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited account of the Group were made up to, up to and including the Latest Practicable Date.

9. MATERIAL CONTRACTS OF THE GROUP

During the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the Group and are or may be material:

(a) the subscription agreement dated 9 February 2017 entered into between CVP Financial as the subscriber and CVP Capital as the issuer, pursuant to which CVP Financial conditionally agreed to subscribe for and CVP Capital conditionally agreed to allot and issue new shares of CVP Capital which represent 60% of the entire issued share capital of CVP Capital as enlarged by such subscription at the subscription price of HK$14,000,000;

(b) the deed dated 9 February 2017 entered into between CVP Financial and Star Beauty Holdings Limited, an Independent Third Party, in relation to (i) the grant of right of first refusal by Star Beauty Holdings Limited to CVP Financial; and (ii) the grant by CVP Financial to Star Beauty Holdings Limited of tag along right and the put option in respect of the shares in CVP Capital held by Star Beauty Holdings Limited;

(c) the deed dated 9 February 2017 entered into between CVP Financial and Mr. Samuel Lin Jr., an Independent Third Party, in relation to (i) the grant of right of first refusal by Mr. Samuel Lin Jr. to CVP Financial; and (ii) the grant by CVP Financial to Mr. Samuel Lin Jr. of tag along right and the put option in respect of the shares in CVP Capital held by Mr. Samuel Lin Jr.;

(d) the CVP Asset Management Acquisition Agreement, pursuant to which CVP Financial conditionally agreed to acquire the entire equity interest in CVP Asset Management Limited from CVP Holdings (the "**CVP Asset Management Acquisition Agreement**") for a consideration of HK$14,000,000 to be satisfied by the Company issuing an interest-free promissory note in the sum of HK$14,000,000 to CVP Holdings;

(e) the subscription agreement dated 10 February 2017 entered into between CVP Financial as issuer and China Yinsheng Qiqiao Fund, an Independent Third Party, as subscriber, pursuant to which China Yinsheng Qiqiao Fund conditionally agreed to subscribe for and CVP Financial conditionally agreed to allot and issue 267 new shares of CVP Financial at the subscription price of HK$8,000,000;

(f) the subscription agreement dated 10 February 2017 entered into between CVP Financial as issuer and Gallant Tech (I-Manufacturing) Limited, an Independent Third Party, as subscriber, pursuant to which Gallant Tech (I-Manufacturing) Limited conditionally agreed to subscribe for and CVP Financial conditionally agreed to allot and issue 1,066 new shares of CVP Financial at the subscription price of HK$32,000,000;

(g) the subscription agreement dated 17 February 2017 (as supplemented by the supplemental agreement dated 28 June 2017) entered into between Bartha Holdings as issuer and CVP Financial (formerly known as Perfect Zone Holdings Limited) as subscriber pursuant to which CVP Financial conditionally agreed to subscribe for, and Bartha Holdings conditionally agreed to issue, exchangeable bonds in an aggregate principal amount of HK$150,000,000 (the "**Exchangeable Bonds**"), the consideration for which was satisfied by the issuance of the Bartha Convertible Bonds by the Company to Bartha Holdings;

(h) the subscription agreement dated 29 March 2017 entered into between Bartha International Limited ("**Bartha International**") as issuer and Mr. Ji Zuguang, an ultimate beneficial owner of a substantial shareholder of CVP Financial, as subscriber, pursuant to which Mr. Ji Zuguang agreed to subscribe for, and Bartha International agreed to issue, convertible bonds in the principal amount of HK$5,000,000, which would entitle the holder(s) thereof to convert into 1.25% shareholding of the then issued share capital of Bartha International as enlarged by the conversion of all outstanding convertible equities;

(i) the subscription agreement dated 29 March 2017 entered into between Bartha International as issuer and Mr. Shi Zhi Jun, the brother-in-law of Mr. Ting, as subscriber, pursuant to which Mr. Shi Zhi Jun agreed to subscribe for, and Bartha International agreed to issue, convertible bonds in the principal amount of HK$5,000,000, which would entitle the holder(s) thereof to convert into 1.25% shareholding of the then issued share capital of Bartha International as enlarged by the conversion of all outstanding convertible equities;

(j) the subscription agreement dated 7 April 2017 entered into between Bartha International as issuer and Honda Finance and Investment Limited, an Independent Third Party, as subscriber, pursuant to which Honda Finance and Investment Limited agreed to subscribe for, and Bartha International agreed to issue, convertible bonds in the principal amount of HK$40,000,000, which would entitle the holder(s) thereof to convert into 10% shareholding of the then issued share capital of Bartha International as enlarged by the conversion of all outstanding convertible equities;

(k) the supplemental subscription agreement dated 28 June 2017 entered into between CVP Financial as subscriber and Bartha Holdings as issuer in relation to the amendment of the long stop date and the dealing restrictions of the conversion shares under the subscription agreement relating to the Exchangeable Bonds;

(l) the supplemental acquisition agreement dated 28 June 2017 entered into between CVP Financial as purchaser and CVP Holdings as vendor in relation to the amendment of the long stop date in the CVP Asset Management Acquisition Agreement;

(m) the placing letter dated 4 July 2017 issued by Eternal Pearl Securities Limited (as one of the placing agents on behalf of Zhong An Real Estate Limited) and accepted by Pure Horizon Holdings Limited ("**Pure Horizon**") as subscriber, an indirect wholly-owned subsidiary of the Company, in relation to the subscription of 6,600,000 shares in Zhong An Real Estate Limited at a total of HK$9,900,000;

(n) the placing letter dated 19 July 2017 issued by Eternal Pearl Securities Limited (as one of the placing agents on behalf of China New City Commercial Development Limited) and accepted by Pure Horizon as subscriber in relation to the subscription of a maximum of 260,000,000 shares in China New City Commercial Development Limited at a total of HK$10,060,820.77 (inclusive of transaction costs);

(o) the deed of modification dated 17 November 2017 entered into between CVP Financial as subscriber and Bartha Holdings as issuer in relation to the amendment of the exchange period of the Exchangeable Bonds;

(p) the placing agreement dated 12 April 2018 entered into between the Company as issuer and Eternal Pearl Securities Limited and Shenwan Hongyuan Securities (H.K.) Limited as placing agents in relation to the placing of up to 71,000,000 new Shares;

(q) the BITPoint Agreement, pursuant to which (i) Remixpoint conditionally agreed to sell and the Company conditionally agreed to acquire 20% equity interest in BITPoint for a consideration of JPY5,000,000,000 (equivalent to approximately HK$362,000,000 after translated at the exchange rate of JPY100 to HK$7.24), which shall be satisfied in cash; and (ii) Remixpoint conditionally agreed to grant to the Company an option with a right (but not an obligation) to acquire additional equity interest of up to 40% equity interest in BITPoint;

(r) the amendment agreement dated 13 April 2018 entered into between the parties to the BITPoint Agreement so that no option will be granted under the BITPoint Agreement;

(s) the collaboration agreement dated 13 April 2018 entered into between the Company and BITPoint to establish a strategic collaboration relationship to develop virtual currency trading platform and virtual currency related business;

(t) the acquisition agreement dated 26 April 2018 entered into between Madison Future as purchaser, the Company as issuer of consideration shares, Diginex Global as vendor and Mr. Miles Pelham as vendor's nominee, pursuant to which Madison Future conditionally agreed to acquire, and Diginex Global conditionally agreed to sell, 1,020 shares of Digitas Limited for the total consideration of US$60,000,000 (equivalent to approximately HK$470,862,000) to be satisfied partly in cash and partly by allotment and issue of 213,252,717 new Shares at HK$1.84 per share;

(u) the sale and purchase agreement dated 27 April 2018 entered into between CVP Financial as purchaser and China Yinsheng Qiqiao Fund as vendor, pursuant to which China Yinsheng Qiqiao Fund agreed to sell, and CVP Financial agreed to purchase, 267 shares of CVP Financial at a consideration of HK$8,400,000;

(v) the Madison Software Acquisition Agreement, pursuant to which Madison Software agreed to acquire 10,000 shares of Perfect Elite Investment Holdings Limited from Vision Creation Group Limited, Vision Paragon Limited, Victory Journey Holdings Limited, Link Joy Limited and Cosmo Tide Limited for a total consideration of HK$1,131,400,000 to be satisfied partly by cash and partly by the allotment and issue of 502,844,440 new Shares at HK$1.8 per share;

(w) the supplemental agreement dated 14 May 2018 entered into by the Company as purchaser, Remixpoint as vendor and BITPoint as target company, pursuant to which the completion date for the acquisition under the BITPoint Agreement was extended;

(x) the deed of put option dated 31 May 2018 entered into between CVP Financial and Bartha Holdings, pursuant to which Bartha Holdings granted a put option to CVP Financial to require Bartha Holdings to acquire all of the shares held in Bartha International by CVP Financial at an exercise price equivalent to the aggregate of (i) principal amount of the Exchangeable Bonds being exchanged, and (ii) any further investment made by CVP Financial and its associates after exercise;

(y) the deed of termination dated 19 June 2018 pursuant to which the parties to the Madison Software Acquisition Agreement have agreed to terminate such agreement;

(z) the second supplemental agreement dated 13 July 2018 entered into by the Company as purchaser, Remixpoint as vendor and BITPoint as target company, pursuant to which the completion date for the acquisition under the BITPoint Agreement was further extended;

(aa) the joint venture agreement dated 23 July 2018 entered into between the Company and The Blockhouse Technology Limited ("**Blockhouse**"), pursuant to which the Company and Blockhouse have agreed to form a joint venture to engage in (i) provision of advisory services on the commercial application of Blockchain technology, including online public services, tokenization of transaction data into different forms of cryptocurrencies and integration of Blockchain technology into various business sectors; (ii) development of cryptocurrency banking platform by offering payment and settlement services; (iii) development of a fair exchange platform for trading cryptocurrencies globally; and (iv) creation of a complete ecosystem of public Blockchain by providing the above-mentioned services to the proposed users;

(bb) the termination agreement dated 2 August 2018 entered into by the Company as purchaser, Remixpoint as vendor and BITPoint as target company for the termination of the BITPoint Agreement;

(cc) the memorandum of understanding dated 15 October 2018 entered by the Company with CVP;

(dd) the memorandum of understanding dated 19 October 2018 entered by the Company and SRA;

(ee) the Agreements;

(ff) the agreement dated 20 November 2018 entered into between Madison Lab as purchaser, Mr. Pu, the sole representative director and one of the vendors (in his capacity as the sole representative director of BITOCEAN) and BITOCEAN as target company pursuant to which, among others, Madison Lab or its designated person intended to acquire, and the BITOCEAN Sellers as vendors intended to sell, 67.2% of the entire issued share capital of BITOCEAN;

(gg) the share purchase agreement dated 9 December 2018 entered into between Madison Lab as purchaser and the BITOCEAN Sellers as vendors in relation to the BITOCEAN Acquisition at a total consideration of JPY1,680,000,000 (equivalent to approximately HK$115,852,800 after translated at exchange rate of JPY100 to HK$6.896);

(hh) the memorandum of understanding dated 11 December 2018 entered into between the Company and HDR, pursuant to which, among others, subject to and upon finalisation and signing of definitive agreements, HDR will grant a put option to the Company, and the Company will grant a call option to HDR, for the transfer of 51% of entire issued share capital of Madison Lab from the Group to HDR; and

(ii) the supplemental agreement dated 8 January 2019 entered into between Madison Lab as purchaser and the BITOCEAN Sellers as vendors in relation to the determination of closing date of the BITOCEAN Acquisition.

10. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Ting held approximately 10.7% in Value Convergence as a passive investor. Value Convergence is principally engaged in (i) the provision of financial services, including the brokerage and dealing of securities, futures and options, (ii) the provision of margin financing and money lending, and (iii) the provision of placing and underwriting services, corporate financial advisory services and asset management services mainly in China.

Save as disclosed above, none of the Directors or controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) had any interests in businesses which competed or might compete with the businesses of the Enlarged Group.

11. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2018 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

12. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

(a) As at the Latest Practicable Date, there was no agreement, arrangement or understanding pursuant to which the Consideration Shares to be issued to the Vendors under the Agreements would be transferred, charged or pledged to any other persons.

(b) As at the Latest Practicable Date, the Company did not have any interests in any share or any convertible securities, warrants, options or derivatives in respect of any shares of CVP.

(c) As at the Latest Practicable Date, save as disclosed in the section headed "Share Capital, Share Options and Convertible Bonds" and the section headed "Disclosure of Interests" in this appendix and save for 42,500,000 Shares (representing approximately 0.99% of the voting rights in the Company as at the Latest Practicable Date) held by SRA, none of CVP or parties acting in concert with it (including SRA) had any interest in, owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

(d) As at the Latest Practicable Date, save as disclosed in the section headed "3. Share Capital, Share Options and Convertible Bonds" and the section headed "4. Disclosure of Interests" in this appendix, the sole director of CVP (i.e. Mr. Ting) did not have any interests in any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares.

(e) As at the Latest Practicable Date, save as disclosed in the section headed "3. Share Capital, Share Options and Convertible Bonds" and the section headed "4. Disclosure of Interests" in this appendix, none of the Directors had any interests in any Shares or convertible securities, warrants, options or derivatives in respect of the Shares. Save for Mr. Ting (together with CVP and its associates (as defined in the GEM Listing Rules)) and Mr. Ip who will abstain from voting at the EGM, none of the Directors held any voting rights in the Company as at the Latest Practicable Date, and hence no Director would be entitled to vote for or against the resolutions to be proposed at the EGM to approve the Acquisitions and the Whitewash Waiver as at the Latest Practicable Date.

(f) As at the Latest Practicable Date, save that CVP is wholly-owned by Mr. Ting, none of the Directors had any interests in any share or any convertible securities, warranties, options or derivatives in respect of any shares of CVP.

(g) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Acquisitions and the Whitewash Waiver.

(h) As at the Latest Practicable Date, save for the Agreements, the SRA Loan and the Guarantee Arrangement thereunder, none of CVP and parties acting in concert with it (including SRA) had arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.

(i) As at the Latest Practicable Date, none of CVP and parties acting in concert with it (which include SRA) had borrowed or lent any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares.

(j) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) on one hand, CVP and parties acting in concert with it (which include SRA); and (ii) on the other hand, any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Acquisitions and/or the Whitewash Waiver.

(k) During the Relevant Period, the Company did not deal for value in any share or any convertible securities, warrants, options or derivatives in respect of any shares of CVP.

(l) During the Relevant Period, none of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of any shares of CVP.

(m) Save for the entering into of the Agreements and the transactions contemplated thereunder and the acquisitions of Shares as disclosed below, none of (a) the Directors, (b) CVP and parties acting in concert with it (including SRA) and (c) the sole director of CVP (i.e. Mr. Ting) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period:

Date of acquisition	**Person acquiring the Shares**	*Note*	**Number of Shares involved**	**Highest price**	**Average price**
				(HK$)	
27 June 2018	Kaiser Capital	*1*	1,496,000	1.7700	1.7100
28 June 2018	Kaiser Capital	*1*	2,052,000	1.7600	1.7126
	Highgrade		1,172,000		
29 June 2018	Kaiser Capital	*1*	2,392,000	1.7400	1.6942
3 July 2018	Kaiser Capital	*1*	1,900,000	1.6900	1.6900
4 July 2018	Kaiser Capital	*1*	1,860,000	1.6900	1.6900
9 July 2018	Mr. Teoh	*2*	980,000	1.7000	1.6867
31 August 2018	Highgrade	*1*	700,000	1.4828	1.4828
3 September 2018	Kaiser Capital	*1*	2,472,000	1.6800	1.5606

Notes:

1. Kaiser Capital and Highgrade were wholly-owned by Mr. Ting.

2. It was previously disclosed in the Announcement that Mr. Teoh was presumed to be acting in concert with CVP by virtue of his directorship in the Company. However, as disclosed in the announcement of the Company dated 10 December 2018, Mr. Teoh resigned as an executive Director and Chief Executive Officer of the Company with effect from 11 December 2018, and therefore Mr. Teoh is no longer presumed to be acting in concert with CVP since 11 December 2018.

The above acquisitions of Shares were made prior to the negotiations, discussions or the reaching of understandings or agreements with the Directors (which include informal discussions) in relation to the Acquisitions.

(n) As at the Latest Practicable Date, none of the subsidiaries of the Company, pension fund of the Company or of a subsidiary of the Company or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate in the Takeovers Code but excluding exempt principal traders and exempt fund manager, owned or controlled any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares, and none of the abovementioned persons had dealt for value in any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.

(o) As at the Latest Practicable Date, save for CVP and SRA which entered into the CVP Agreement and the SRA Agreement with the Company respectively, the SRA Loan and the Guarantee Arrangement thereunder, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code, and save for the acquisitions of Shares as disclosed in paragraph (m) above, none of the abovementioned persons had dealt for value in any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.

(p) As at the Latest Practicable Date, there was no Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares which were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, and none of the abovementioned persons had dealt for value in any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.

(q) As at the Latest Practicable Date, neither the Company nor any of the Directors had borrowed or lent any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares.

(r) As at the Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Acquisitions and the Whitewash Waiver.

(s) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Acquisitions and the Whitewash Waiver or otherwise connected with the Acquisitions and the Whitewash Waiver.

(t) Save for the CVP Agreement, as at the Latest Practicable Date, there was no material contract entered into by CVP in which any Director had a material personal interest.

13. AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions in the Corporate Governance Code of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and financial statements, interim reports and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing the accounting principles and practices adopted by the Group and also the auditing, internal control and financial reporting matters.

The audit committee of the Company comprises two independent non-executive Directors, namely, Mr. Chu and Ms. Fan and one non-executive Director, Mr. Ip. Mr. Chu is the chairman of the audit committee of the Company. Set out below are their biographical details:

Mr. Chu

Mr. Chu, aged 54, was appointed as an independent non-executive Director on 21 September 2015. He is also the chairman of the audit committee and a member of each of the remuneration committee and the nomination and corporate governance committee of the Company. Since December 2008, he has been an executive director, responsible for investor relationship, financial management and compliance matters of Chinese People Holdings Company Limited (Stock Code: 0681), a company listed on the Main Board of the Stock Exchange and principally engaged in the sales and distribution of natural gas and liquefied petroleum gas in China. From August 2015 to February 2017, he was a non-executive director of Perfect Group International Holdings Limited (Stock Code: 3326), a company listed on the Main Board of the Stock Exchange. Mr. Chu has/had been an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange or GEM:

- China Huishan Dairy Holdings Company Limited (Stock Code: 6863) from June 2017 to December 2017
- PT International Development Corporation Limited (formerly known as ITC Corporation Limited) (Stock Code: 0372) from March 2017 to September 2017
- Mingfa Group (International) Company Limited (Stock Code: 0846) since November 2016
- National Agricultural Holdings Limited (Stock Code: 1236) from June 2015 to September 2015
- Telecom Service One Holdings Limited (Stock Code: 8145) from April 2013 to December 2017

- China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited) (Stock Code: 1269) since October 2011

- Flyke International Holdings Ltd. (Stock Code: 1998) since February 2010

- Huayu Expressway Group Limited (Stock Code: 1823) since May 2009

- Tianli Holdings Group Limited (Stock Code: 0117) since April 2007

- SuperRobotics Limited (formerly known as EDS Wellness Holdings Limited) (Stock Code: 8176) since March 2012

Mr. Chu is currently acting as an independent non-executive director of seven listed companies in Hong Kong (including the Company). The Board believes that Mr. Chu would still be able to devote sufficient time to the Board for the following reasons:

Mr. Chu has attended all board meetings and audit committee meetings of the Company since his appointment in October 2015 as an independent non-executive Director and the chairman of Audit Committee of the Company, and has made significant contribution to the supervision and oversight of the Company's affairs and has actively participated in various meetings with the auditor and independent financial adviser. As a member of the Nomination and Corporate Governance Committee and the Remuneration Committee of the Company, Mr. Chu has provided valuable input to the review of the structure, size and composition of the board of directors of the Company and the overall remuneration packages for the directors and senior management of the Company.

Mr. Chu has extensive experience in financial reporting matters of listed companies, and has a deep understanding of the Listing Rules and relevant laws and regulations applicable to Hong Kong listed companies. Mr. Chu is a competent professional and good at time management who has sound knowledge and skills to effectively handle seven or more positions.

Mr. Chu graduated from The University of Hong Kong with a master's degree in business administration in December 1998. Mr. Chu is a fellow practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and the Institute of Chartered Secretaries and Administrators.

Ms. Fan

Ms. Fan, aged 63, has been appointed as an independent non-executive Director since September 2015. She is also the chairlady of the remuneration committee and a member of each of the audit committee and the nomination and corporate governance committee of the Company. Since September 2013, Ms. Fan has been the general secretary responsible for arranging charity activities of 深圳市博雅文化研究基金會 (in English, for identification purpose only, as Boya Culture Foundation), which is committed to improving quality of academic researches, popularizing traditional Chinese culture, facilitating the cultural exchange with its foreign counterparts, and funding activities which promote traditional Chinese culture. She served at Dong Yuan (Hong Kong) International Limited, which principally engaged in strategic investments, consulting, financial services, logistics and trading business, and held the position of executive vice president responsible for the operation management of the company from March 2011 to June 2012.

Ms. Fan graduated from Murdoch University in Australia with a master's degree in business administration in March 2001.

Mr. Ip

Mr. Ip, aged 68, was as an independent non-executive Director and a member of remuneration committee of the Company from 1 February 2017 to 6 March 2019, and was re-designated as a non-executive Director on 7 March 2019. He is also a member of the audit committee and nomination and corporate governance committee of the Company. Mr. Ip possesses extensive experience in education. He is a registered teacher, an educational consultant and a teacher development expert. He is also a guest speaker of universities and educational bodies in Hong Kong. Mr. Ip is the Guest Professor of Hong Kong Financial Services Institute from 2014 to 2020, the Project Coordinator of the Education Bureau of the Government of the Hong Kong Special Administrative Region from 2010 to September 2019. He was the Deputy Project Director of the Education Bureau from 2004 to 2010 and the Chief School Development Officer of the Education Bureau from 2002 to 2004. Mr. Ip was a teacher of Pui Kiu Middle School from 1973 to 1997 and became the principal of Pui Kiu Middle School from 1997 to 2002.

Mr. Ip was a member of Appeals Board (Education) from 2000 to 2001, a member of Board of Education from 1998 to 2002, an elected member of Council on Professional Conduct in Education from 1998 to 2002, a member of Quality Education Fund Steering Committee from 1997 to 2001, a Standing Committee member of the Hong Kong Federation of Education Workers from 1993 to 1999. Mr. Ip was an elected member of District Board (Islands) from 1994 to 1999.

Mr. Ip obtained his bachelor's degree in Mathematics at University of Waterloo in Canada in 1972 and a Diploma in Education at the School of Education of The Chinese University of Hong Kong in 1982.

14. MISCELLANEOUS

(a) Mr. Zhu Qin, an executive Director and the deputy chairman, is the compliance officer of the Company.

(b) Ms. Tse Ka Yan is the company secretary. She is an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of Institute of Chartered Secretaries and Administrators.

(c) The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(d) The head office and principal place of business of the Company in Hong Kong is at Flat A & B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong.

(e) The principal share registrar and transfer office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(f) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(g) The registered office and the correspondence address of CVP is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands and 28/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong respectively.

(h) The registered office and the correspondence address of Royal Spectrum is at Vistra Corporate Services Centre, Suite 23, 1st Floor, Eden Plaza, Eden Islands, Mahé, Republic of Seychelles and Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong respectively.

(i) The registered office and the correspondence address of Devoss Global is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands and Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong respectively.

(j) The registered office of the Independent Financial Adviser is at 18th Floor, Fung House, 19-20 Connaught Road Central, Hong Kong.

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

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection (i) during normal business hours at the head office and principal place of business in Hong Kong of the Company at Flat A & B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong; and (ii) on the websites of the Company (http://www.madison-group.com.hk) and the Securities and Futures Commission (www.sfc.hk) from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association and articles of association of the Company;

(b) each of the material contracts referred to in the paragraph headed "Material Contracts of the Group" in this appendix;

(c) the annual reports of the Company for each of the three financial years ended 31 March 2016, 2017 and 2018;

(d) the first quarter report of the Company for the three months ended 30 June 2018;

(e) the interim report of the Company for the six months ended 30 September 2018;

(f) the third quarter report of the Company for the nine months ended 31 December 2018;

(g) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(h) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(i) the letter of advice from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(j) the accountant's report from SHINEWING (HK) CPA Limited in respect of the financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(k) the report from SHINEWING (HK) CPA Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(l) the valuation report from Roma Appraisals Limited and the letter of report on the valuation from Opus Capital Limited on the Target Group, the texts of which are set out in Appendix V to this circular;

(m) the written consents referred to in the paragraph headed "Experts" in this appendix;

(n) the circular of the Company dated 12 July 2018 in respect of the discloseable transaction in relation to the entering into of the acquisition agreement involving issue of consideration shares under specific mandate; and

(o) each of the service contracts referred to in the paragraph headed "Directors' service contracts" in this appendix; and

(p) this circular.

MADISON

GROUP

Madison Holdings Group Limited
麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Madison Holdings Group Limited (the "**Company**") will be held on 29 March 2019 at 10:00 a.m. at Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**, the sale and purchase agreement dated 20 November 2018 (the "**CVP Agreement**", a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purposes of identification), entered into between the Company and CVP Financial Group Limited（遠見金融集團有限公司）("**CVP**") pursuant to which the Company has conditionally agreed to purchase and CVP has conditionally agreed to sell, 52% of the total issued share capital of Hackett Enterprises Limited (the "**Target Company**") and the transactions contemplated thereunder be approved, confirmed and ratified, and that any one director of the Company ("**Director**") be and is hereby authorised to do all such further acts and things, to sign and execute all such documents (including under seal where applicable) and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give full effect to the CVP Agreement and the transactions contemplated thereunder (including the issuance of the CVP Consideration Shares) and/or any matters relating or incidental thereto."

2. "**THAT**, subject to and conditional upon the passing of ordinary resolution numbered 1, the sale and purchase agreement dated 20 November 2018 (the "**SRA Agreement**", a copy of which has been produced to the EGM marked "B" and signed by the chairman of the EGM for the purposes of identification), entered into between the Company and Software Research Associates, Inc., ("**SRA**") pursuant to which the Company has conditionally agreed to purchase and SRA has conditionally agreed to sell, 25% of the total issued share capital of the Target Company) and the transactions contemplated thereunder be approved, confirmed and ratified, and that any one Director be and is hereby authorised to do all such further acts and things, to sign and execute all such documents (including under seal where applicable) and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give full effect to the SRA Agreement and the transactions contemplated thereunder (including the issuance of the SRA Consideration Shares) and/or any matters relating or incidental thereto."

3. "**THAT**, conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in the Consideration Shares, the specific mandate the ("**Specific Mandate**") to allot and issue the Consideration Shares to be sought from the shareholders of the Company other than CVP, its associates (as defined under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and parties acting in concert with CVP (which include SRA) and any other shareholder of the Company who is interested or involved in any of the Acquisitions (including the issuance of Consideration Shares and the Specific Mandate) and/or the Whitewash Waiver to the directors of the Company (the "**Directors**") to exercise all the powers of the Company to allot and issue the Consideration Shares at the issue price of HK$0.55 per Share be and is hereby approved, and any one Director be and is hereby authorised to do all such further acts and things, to sign and execute all such documents (including under seal where applicable) and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give full effect to the Specific Mandate and any matters relating or incidental thereto."

SPECIAL RESOLUTION

1. "**THAT** subject to and conditional upon the passing of ordinary resolutions numbered 1 and 3 above, and subject to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission granting the whitewash waiver pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of any obligation of CVP and parties acting in concert with it (which include SRA) to make a mandatory general offer to the shareholders of the Company in respect of Shares not already owned (or agreed to be acquired) as a result of the issue of the Consideration Shares (the "**Whitewash Waiver**") and the satisfaction of any conditions attached to the Whitewash Waiver granted, the Whitewash Waiver be and is hereby approved, and that any one Director be and is hereby authorised to do all such further acts and things, to sign and execute all such documents (including under seal where applicable) and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give full effect to the Whitewash Waiver and/or any matters relating or incidental thereto."

Yours faithfully,
For and on behalf of the board of Directors
Madison Holdings Group Limited
Ting Pang Wan Raymond
Chairman and executive Director

Hong Kong, 13 March 2019

Registered office:
Cricket Square
Hutchins Drive P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Flat A&B, 10/F
North Point Industrial Building
499 King's Road
North Point, Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint holders of shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at http://madison-group.com.hk and on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page to notify shareholders of the Company of the date, time and place of the rescheduled meeting.

As at the date of this notice, the executive Directors are Mr. Ting Pang Wan Raymond, Mr. Zhu Qin, Mr. Zhou Francis Bingrong and Ms. Kuo Kwan; the Non-executive Director is Mr. Ip Cho Yin, J.P.; and the independent non-executive Directors are Ms. Fan Wei and Mr. Chu Kin Wang Peleus.