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 to be taken, 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 CASH Financial Services Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of CASH Financial Services Group Limited.

時富金融
CFSG

CASH FINANCIAL SERVICES GROUP LIMITED

時富金融服務集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROPOSED INTRA-GROUP TRANSACTION OF 51% INTEREST IN CASH ALGO FINANCE GROUP INTERNATIONAL LIMITED; (2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF SPECIAL GENERAL MEETING

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

VINCO 榮高

Vinco Financial Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder is set out on pages 14 to 15 of this circular. A letter from Vinco Financial containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 44 of this circular.

A notice convening the SGM of CASH Financial Services Group Limited to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 24 May 2023 (Wednesday) at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. If you are unable to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

9 May 2023

* *For identification purpose only*

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

"Agreement"	the agreement entered into between CPL and the Company dated 19 December 2022 in respect of the sale and purchase of the Sale Shares
"Announcement"	the joint announcement made by the Company and CASH on 19 December 2022 in respect of the entering into of the Agreement
"associate(s)"	has the same meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"CASH"	Celestial Asia Securities Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1049), and the holding company of the Company
"CASH Group"	CASH and its subsidiaries, including the Group
"Celestial Securities"	Celestial Securities Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CASH
"Company"	CASH Financial Services Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 510)
"Completion"	completion of the Transaction pursuant to the Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the sale and purchase of the Sale Shares
"Consideration Shares"	120,000,000 new Shares to be issued by the Company to CIGL at Completion as partial settlement of the Consideration
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"CPL"	Confident Profits Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CASH
"Director(s)"	director(s) of the Company

"Dr Kwan"	Dr Kwan Pak Hoo Bankee, the chairman and an executive director of each of the Company and CASH
"Enlarged Group"	the Group as enlarged by the Transaction
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising all independent non-executive Directors, namely Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, established for the purpose of making a recommendation to the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole
"Independent Financial Adviser" or "Vinco Financial"	Vinco Financial Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Transaction
"Independent Shareholder(s)"	the Shareholders other than CIGL, Dr Kwan and Mr Kwan Teng Hin Jeffrey, and their respective associates
"Issue Price"	HK$0.425 per Consideration Share
"Latest Practicable Date"	5 May 2023, being the latest practicable date prior to the printing of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 June 2023, or such other date as CPL and the Company may agree in writing
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
"PRC"	the People's Republic of China
"Sale Shares"	51 shares in the Target Company, representing 51% of the issued shares of the Target Company

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay on 24 May 2023 (Wednesday) at 10:00 a.m. to approve (i) the Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the issue of the Consideration Shares, the notice of which is set out on pages SGM-1 to SGM-2 of this circular
"Share(s)"	ordinary share(s) of HK$0.04 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	the specific mandate sought to be granted by the Independent Shareholders at the SGM for the issue of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the same meanings ascribed to it under the Listing Rules
"Target Company"	CASH Algo Finance Group International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CASH as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries
"Target Restructuring"	the restructuring of the Target Group completed prior to the entering into of the Agreement for the purpose of the Transaction
"Transaction"	the sale and purchase of the Sale Shares pursuant to the Agreement
"Valuation Report"	the valuation report issued by the Valuer in respect of the Target Group as at 30 November 2022, the text of which is set out in Appendix V to this circular
"Valuer"	Peak Vision Appraisals Limited, an independent valuer
"%"	per cent

If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.

時富金融
CFSG

CASH FINANCIAL SERVICES GROUP LIMITED
時富金融服務集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 510)

Board of directors:

Executive Directors:
KWAN Pak Hoo Bankee
KWAN Teng Hin Jeffrey
CHEUNG Wai Lim William
LAW Hin Ong Trevor
WONG Sze Kai Angela

Independent Non-executive Directors:
CHENG Shu Shing Raymond
LO Kwok Hung John
LO Ming Chi Charles

Registered Office:

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Head office and principal place of business:

22/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

9 May 2023

To the Shareholders

Dear Sir/Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROPOSED INTRA-GROUP TRANSACTION OF 51% INTEREST IN CASH ALGO FINANCE GROUP INTERNATIONAL LIMITED; (2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement dated 19 December 2022 in relation to the entering into of the Agreement.

* *For identification purpose only*

On 19 December 2022, CPL (an indirect wholly-owned subsidiary of CASH) as vendor and the Company (an indirect non-wholly-owned subsidiary of CASH) as purchaser entered into the Agreement in respect of the Transaction.

The purpose of this circular is to provide you with (i) details of the Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Transaction; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction; (iv) other information as required under the Listing Rules; and (v) a notice convening the SGM.

THE AGREEMENT

The principal terms of the Agreement are set out below.

Assets to be acquired

The Sale Shares, representing 51% of the issued shares of the Target Company as at the date of the Agreement.

Consideration

The Consideration is HK$61 million, which shall be satisfied in the following manner:

(a) as to HK$10 million shall be paid or caused to be paid to CPL by transfer of immediately available funds (or in such other manner as CPL and the Company may agree) at Completion; and

(b) as to the balance of HK$51 million shall be satisfied by the Company allotting and issuing the Consideration Shares to CIGL at the Issue Price at Completion.

The Consideration was determined with reference to the valuation of the Target Group as at 30 November 2022 of approximately HK$124 million conducted by the Valuer using market approach.

The text of the Valuation Report is set out in Appendix V to this circular. Since the valuation method, being the market approach, and the assumptions adopted by the Valuer are in line with market practice, the Board considered that they were fair and reasonable.

For the purpose of the Transaction, the Target Restructuring, which involved the disposal of certain immaterial non-operating subsidiaries of the Target Company and capitalisation of a shareholder loan in the amount of HK$165 million, was carried out and completed on 12 December 2022 prior to the entering into of the Agreement. The Valuation Report was prepared and the Consideration was determined on the basis that the Target Restructuring had been completed. For further details, please refer to the Valuation Report.

Subsequent to the issue of the Valuation Report, the Valuer conducted a re-assessment of the Price-to-Earning multiple of the Target Group as at 31 March 2023 using the same methodology and comparable companies and noticed that the Price-to-Earning multiple had increased from 10.7 to 12.4, and as a result the valuation of the Target Group had increased to HK$145 million as at 31 March 2023. No adjustment will be made to the Consideration as a result of the aforesaid change.

Conditions precedent

Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

(a) the passing of ordinary resolution(s) by the Independent Shareholders at the SGM to be convened and held to approve (i) the Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the issue of the Consideration Shares;

(b) the obtaining of a valuation report (in form and substance satisfactory to the Company) by an independent valuer showing the value of the Target Group as at 30 November 2022 to be not less than HK$120 million;

(c) the warranties provided by CPL as set out in the Agreement remaining true, accurate and correct in all respects and not misleading in any respect; and

(d) the listing committee of the Stock Exchange having granted the approval for the listing of and permission to deal in the Consideration Shares.

CPL shall use its best endeavours to procure the fulfillment of the conditions precedent set out in conditions (b) and (c) above, whereas the Company shall use its reasonable endeavours to procure the fulfillment of the conditions precedent set out in conditions (a) and (d) above. The Company may at any time by notice in writing to CPL waive in whole or in part and conditionally or unconditionally any of the conditions precedent set out in conditions (b) or (c) above. If the conditions precedent have not been satisfied or waived (as the case may be) on or before the Long Stop Date, the Agreement shall cease and determine immediately, save and except for certain surviving clauses and rights and liabilities accrued prior to termination of the Agreement.

As at the Latest Practicable Date, the condition precedent set out in condition (b) above had been satisfied.

Undertaking

In the event that the consolidated net asset value of the Target Group as at 31 January 2023 is less than HK$1 million, CPL shall pay or cause to be paid to the Company an amount equivalent to such shortfall within seven (7) business days of Completion.

The consolidated net liabilities of the Target Group as at 31 January 2023 was approximately HK$8.0 million. As such, the expected amount of shortfall that would be compensated by CPL to the Company shall be approximately HK$9.0 million and such amount will be set off against the Consideration payable to CPL by transfer of immediately available fund.

Completion

Subject to fulfilment or waiver (as the case may be) of all the conditions precedents above, Completion shall take place on the seventh (7th) business day after the last of the conditions precedent set out in conditions (a) and (d) above have been satisfied, or on such later date as CPL and the Company may agree in writing.

THE CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price of HK$0.425 each, credited as fully paid. The Issue Price of HK$0.425 per Consideration Share represents:

(a) a discount of approximately 7.61% over the closing price of the Shares of HK$0.46 per Share as quoted on the Stock Exchange on the date of the Agreement;

(b) a discount of approximately 7.61% over the average closing price of the Shares of HK$0.46 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately preceding the date of the Agreement;

(c) a premium of approximately 25.00% to the closing price of the Shares of HK$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(d) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 2.40%.

The Issue Price was determined between CPL and the Company with reference to prevailing market price of the Shares. Therefore, the Directors consider that the Issue Price is fair and reasonable.

The Consideration Shares, being 120,000,000 new Shares of par value of HK$0.04 each, represent (i) approximately 45.95% of the issued shares of the Company as at the Latest Practicable Date; and (ii) approximately 31.48% of the issued shares of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion). The aggregate nominal value of the Consideration Shares is HK$4,800,000.

The issue of the Consideration Shares represents a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 2.40% as determined based on the discount of the theoretical diluted price of approximately HK$0.45 to the benchmarked price of HK$0.46 per Share (as determined pursuant to Note 1 to Rule 7.27B of the Listing Rules).

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be granted by the Independent Shareholders at the SGM. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Company has applied to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Following Completion, the shareholding of CASH in the Company will increase from approximately 60.49% to 72.93% and the Group will remain subsidiaries of CASH and the financial results of the Group will continue to be consolidated in the consolidated financial results of CASH.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability. The Target Company was acquired by the CASH Group at a nominal consideration of HK$10.00 on 30 June 2015.

As at the Latest Practicable Date, the Target Company is indirectly wholly-owned by CASH through CPL. Immediately after Completion, CPL and the Company will own 49% and 51% interest in the Target Company respectively. The Target Company will become a subsidiary of the Company and the financial results of the Target Group will be consolidated in the consolidated financial results of the Company.

For the purpose of the Transaction, the Target Restructuring was carried out and completed on 12 December 2022 prior to the entering into of the Agreement, which involved the disposal of certain immaterial non-operating subsidiaries of the Target Company and capitalisation of a shareholder loan in the amount of HK$165 million.

Set out below is (i) the audited financial information of the Target Group (on the basis that the Target Restructuring had been completed before the relevant account date for the year ended 31 December 2021; and (ii) the audited financial information of the Target Group for the year ended 31 December 2022.

	For the year ended 31 December	
	2022	**2021**
	HK$ million	*HK$ million*
Profit/(loss) before taxation	15.9	2.0
Profit/(loss) after taxation	11.8	(2.5)

The audited consolidated deficit in equity of the Target Company as at 31 December 2022 was approximately HK$7.4 million.

For further details of the financial information of the Target Group, please refer to the accountants' report set out in Appendix II to the Circular. The accountants' report has been prepared on the basis that the Target Restructuring had been completed as at 1 January 2020 and thus the financial information of the subsidiaries being disposed of under the Target Restructuring (the "**Disposed Subsidiaries**") have not been consolidated into the historical financial information of the Target Group set out in Appendix II in accordance with HKFRS 10 "Consolidated Financial Statements". For this reason alone, the accountants issued a qualified opinion but took the view that save for the effects of the matter described in the Basis for Qualified Opinion section of the accountants' report, the historical financial information of the Target Group set out in Appendix II gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Target Group as at 31 December 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the relevant period.

The Directors are of the view that the exclusion of the financial information of the Disposed Subsidiaries from the consolidated financial statements of the Target Group would provide a more accurate, fair and clear illustration of the financial information of the Target Group as the Disposed Subsidiaries will not form part of the Target Group to be acquired by the Group under the Transaction, and the Company considers it would not be in the interests of the Company and the Shareholders to allocate additional time and resources to perform audit on any company which is excluded from the Transaction.

As at the Latest Practicable Date, the Target Company owed an amount of approximately HK$140 million to CPL, which was interest-bearing at prime rate per annum as quoted by Hong Kong and Shanghai Banking Corporation, unsecured and repayable on demand. Upon Completion, the Target Company will become a subsidiary of the Company and the provision of the aforesaid loan by CPL to the Target Company will constitute a connected transaction of the Company but will be fully exempt pursuant to Rule 14A.90 of the Listing Rules since it was conducted on normal commercial terms or better and was not secured by the assets of the Enlarged Group.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion); and (iii) immediately after the allotment and issue of the Consideration Shares and the Shares upon exercise of all outstanding share options (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion):

Name of shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion)		Immediately after the allotment and issue of the Consideration Shares and Shares upon exercise of all outstanding share options (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion)	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
(a) CIGL	157,989,563	60.49%	277,989,563	72.93%	277,989,563	70.08%
(b) Directors/directors of CASH						
Dr Kwan	2,472,000	0.95%	2,472,000	0.65%	4,872,000	1.23%
Mr Li Shing Wai Lewis	2,472,000	0.95%	2,472,000	0.65%	4,872,000	1.23%
Mr Kwan Teng Hin Jeffrey	2,472,000	0.95%	2,472,000	0.65%	4,872,000	1.23%
Mr Lo Kwok Hung John	62,775	0.02%	62,775	0.02%	62,775	0.02%
Mr Law Hin Ong Trevor	–	–	–	–	450,000	0.11%
Mr Cheung Wai Lim William	–	–	–	–	675,000	0.17%
(c) Directors of subsidiaries of the Company	–	–	–	–	1,125,000	0.28%
(d) Other Shareholders	95,706,441	36.64%	95,706,441	25.10%	101,766,441	25.65%
	261,174,779	100%	381,174,779	100%	396,684,779	100%

The Transaction will not result in a change of control of the Company.

As at the Latest Practicable Date, there are 15,510,000 outstanding share options granted by the Company, out of which 9,450,000 share options were granted to core connected persons (as defined in the Listing Rules) of the Group and 6,060,000 share options were granted to non-core connected persons of the Group. Assuming such share options have been exercised in full and the Consideration Shares have been issued, the public float of the Company will be approximately 25.65%. Therefore, the issuance of the Consideration Shares should not result in the public float of the Shares falling below the minimum requirement of 25%. In any event, the Company will not issue the Consideration Shares to such an extent as would result in the aggregate number of Shares held by the public shareholders falling below the prescribed minimum percentage required under the Listing Rules.

EFFECT OF THE TRANSACTION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Assets and liabilities

As illustrated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, had the Transaction taken place on 31 December 2022, the total assets of the Enlarged Group would increase from HK$1,053.1 million to approximately HK$1,216.3 million on a pro forma basis, and the total liabilities of the Enlarged Group would increase from HK$714.3 million to approximately HK$887.9 million on a pro forma basis.

Earnings/Loss

As set out in the accountants' report on the Target Group included in Appendix II to this circular, the revenue and profit attributable to owners of the parent of the Target Group were approximately HK$4.4 million and HK$11.8 million for the year ended 31 December 2022, respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Target Group is a pioneer in quantitative finance and algo trading business. It marries expertise in financial markets with innovation in technology, engaging leading edge FinTech to create superior and sustainable value for investors. It launched its first algo trading strategy in 2009, and had since expanded into multiple strategies and tactics covering multiple markets. In 2017, the Target Group also introduced quant funds to provide asset management services to institutional clients, funds and high-net-worth individuals. The Target Group will become subsidiaries of the Group upon Completion. The Target Group and the Group together will create synergy value in developing new financial technology and will benefit from the efficient decision-making process under the streamlined management structure for seizing business opportunities.

The Target Group utilizes mathematical models and historical data to develop momentum, reversion, and arbitrage trading strategies. The development of financial technology from the Target Group enables the algorithms to execute trades automatically with pre-set rules and parameters with minimal human intervention. The Target Group and the Group can deploy quantitative methodology and proprietary tools to manage funds, monitor market conditions, and adjust positions in real-time which will benefit from real-time decision making thus increasing efficiency under the streamlined management structure. Apart from a wider selection of high quality products offered to its clients, the Enlarged Group shall enjoy synergetic benefits such as world-class research capabilities of the Target Group, collaboration and knowledge sharing of best practices as well as the mutual development of strategic initiatives and tactics.

The Company currently has no intention to enter into any memorandum or agreement to dispose of its existing business.

The Directors (including members of the Independent Board Committee) believe that the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES INVOLVED

The Company is a company incorporated in Bermuda with limited liability and the securities of which are listed on the Main Board of the Stock Exchange (stock code: 510). The principal activity of the Company is investment holding. The principal activities of the Group are (i) provision of online and traditional brokerage of securities, futures and options as well as general and life insurance, mutual funds and mandatory provident fund products; (ii) proprietary trading of debt and equity securities and derivatives; (iii) provision of margin financing and money lending services; and (iv) provision of asset management services. For additional information, please visit www.cfsg.com.hk. As at the Latest Practicable Date, the Company was owned as to approximately 60.49% by CIGL.

CASH is a company incorporated in Bermuda with limited liability and the securities of which are listed on the Main Board of the Stock Exchange (stock code: 1049). The principal activity of CASH is investment holding. The principal activities of the CASH Group consist of (i) retail management business including sales of furniture and household items, electrical appliances, food and pets accessories through the chain stores under multi-brand names including “Pricerite Home”, “TMF”, “SECO”, “Pricerite Food” and “Pricerite Pet” in Hong Kong; (ii) provision of asset management services to the fund investors; (iii) provision of financial services through the Group; and (iv) general investment holding. For additional information, please visit www.cash.com.hk.

CIGL is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, CIGL was an indirect wholly-owned subsidiary of CASH.

CPL is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, CPL was indirectly wholly-owned by CASH through CIGL.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Transaction is above 25% but less than 100%, the Transaction constitutes a major transaction for the Company subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, since CPL is a subsidiary of CASH (the controlling shareholder of the Company), it is an associate of the controlling shareholder of the Company and hence a connected person of the Company. Therefore, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Dr Kwan is the controlling shareholder of CASH (the controlling shareholder of the Company), and Mr Kwan Teng Hin Jeffrey is his son, they are deemed to have material interest in the Transaction and have therefore abstained from voting on the resolutions of the Board approving the Agreement and the transactions contemplated thereunder. Save for the aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Directors had material interest in the Transaction and were required to abstain from voting on the relevant resolutions of the Board.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to consider and advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

THE SGM

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong at 10:00 a.m. on 24 May 2023 (Wednesday) at which ordinary resolution will be proposed to be considered and, if thought fit, be passed by the Independent Shareholders for the approval of (1) the Agreement and the transactions contemplated thereunder; and (2) the Specific Mandate for the issue of the Consideration Shares. The resolution will be taken by poll at the SGM.

As at the Latest Practicable Date, (i) CIGL (an indirect wholly-owned subsidiary of CASH and an associate of Dr Kwan) holds approximately 60.49% of the issued shares of the Company; (ii) Dr Kwan (the controlling shareholder of CASH) holds approximately 0.95% of the issued shares of the Company; and (iii) Mr Kwan Teng Hin Jeffrey (the son of Dr Kwan) holds approximately 0.95% of the issued shares of the Company. The aforesaid persons are regarded as having material interest in the Transaction and will be required to abstain from voting on the relevant resolution at the SGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and the transactions contemplated thereunder, and accordingly, no other Shareholder would be required to abstain from voting at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors (including the members of the Independent Board Committee after receiving and considering the advice from the Independent Financial Adviser) are of the opinion that while the Transaction is not in the ordinary and usual course of business of the Group, the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee after receiving and considering the advice from the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

Your attention is also drawn to the letters from the Independent Board Committee and Vinco Financial and their respective recommendations set out on pages 14 to 15 and pages 16 to 44 of this circular, respectively.

ADDITIONAL INFORMATION

Your attention is also drawn to the appendices to this circular.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the conditions precedent set out in the Agreement. Therefore, the Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours faithfully,
On behalf of the Board
Bankee P. Kwan
Chairman and Chief Executive Officer

時富金融
CFSG

CASH FINANCIAL SERVICES GROUP LIMITED
時富金融服務集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 510)

9 May 2023

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROPOSED INTRA-GROUP TRANSACTION OF 51% INTEREST IN CASH ALGO FINANCE GROUP INTERNATIONAL LIMITED; AND (2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular dated 9 May 2023 of the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form an Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Vinco Financial has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 4 to 13 of the Circular which contains, inter alia, information on the Agreement and the transactions contemplated thereunder, and the letter from Vinco Financial set out on pages 16 to 44 of the Circular which contains its advice.

* *For identification purpose only*

Having considered the terms and conditions of the Agreements and the transactions contemplated thereunder and taken into account the advice of Vinco Financial, we consider that while the Transaction is not in the ordinary and usual course of business of the Group, the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve (1) the Agreement and the transactions contemplated thereunder; and (2) the Specific Mandate for the issue of the Consideration Shares.

Yours faithfully
Independent Board Committee

Cheng Shu Shing Raymond **Lo Kwok Hung John** **Lo Ming Chi Charles**

Independent non-executive Directors

The following is the text of a letter of advice from Vinco Financial to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular:

VINCO 榮高

Vinco Financial Limited

9 May 2023

To the Independent Board Committee and the Independent Shareholders of
CASH Financial Services Group Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED INTRA-GROUP TRANSACTION OF 51% INTEREST IN
CASH ALGO FINANCE GROUP INTERNATIONAL LIMITED;
AND
ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement, details of which are set out in the "Letter from the Board" of the circular (the "Circular") issued by the Company to the Shareholders dated 9 May 2023 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made by the Announcement. On 19 December 2022, CPL (an indirect wholly-owned subsidiary of CASH) as vendor and the Company (an indirect non-wholly-owned subsidiary of CASH) as purchaser entered into the Agreement in respect of the Transaction.

Hong Kong Listing Rules Implication

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Transaction is above 25% but less than 100%, the Transaction constitutes a major transaction for the Company subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, since CPL is a subsidiary of CASH (the controlling shareholder of the Company), it is an associate of the controlling shareholder of the Company and hence a connected person of the Company. Therefore, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, (i) CIGL (an indirect wholly-owned subsidiary of CASH and an associate of Dr Kwan) holds approximately 60.49% of the issued shares of the Company; (ii) Dr Kwan (the controlling shareholder of CASH) holds approximately 0.95% of the issued shares of the Company; and (iii) Mr Kwan Teng Hin Jeffrey (the son of Dr Kwan) holds approximately 0.95% of the issued shares of the Company. The aforesaid persons are regarded as having material interest in the Transaction and will be required to abstain from voting on the relevant resolution at the SGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and the transactions contemplated thereunder, and accordingly, no other Shareholder would be required to abstain from voting at the SGM.

Independent Board Committee

The Independent Board Committee comprising Mr. Cheng Shu Shing Raymond, Mr. Lo Kwok Hung John, and Mr. Lo Ming Chi Charles, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Agreement and the transactions contemplated thereunder. We have been appointed and approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Hong Kong Listing Rules, our role is to give you an independent opinion as to whether the Transaction is in the ordinary and usual course of business of the Group on normal commercial terms, and in the interests of the Company and Independent Shareholders as a whole and whether the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

Our Independence

As at the Latest Practicable Date, we were not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Hong Kong Listing Rules to act as the Independence Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. We are eligible to give independent advice and recommendations on the Agreement and the transactions contemplated thereunder. Apart from the normal professional fees payable to us in connection with the present appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

During the past two years, we have been appointed as the independent financial adviser to the Company regarding voluntary cash offers and continuing connected transactions as disclosed in the Company's circular dated 16 September 2022 and 13 March 2023, respectively. The professional fee in connection with the appointment has been fully settled and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Agreement and the transactions contemplated thereunder.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts, the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents particularly, (i) the annual report of the Company for the year ended 31 December 2022 (the "Annual Report 2022"); (ii) the annual report of the Company for the year ended 31 December 2021 (the "Annual Report 2021"); (iii) the Agreement; (iv) the Announcement; and (v) the Valuation Report. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the entering into the Agreement and the transactions contemplated thereunder, as referred to in Rule 13.80 of the Hong Kong Listing Rules (including the notes thereto).

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

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Transaction, we have considered the following principal factors and reasons:

1. Background information of the Group

The principal activity of the Company is investment holding. The principal activities of the Group are (i) provision of online and traditional brokerage of securities, futures and options as well as general and life insurance, mutual funds and mandatory provident fund products; (ii) proprietary trading of debt and equity securities and derivatives; (iii) provision of margin financing and money lending services; and (iv) provision of asset management services. Set out below in the Table A is a summary of the consolidated financial information of the Group for (i) the year ended 31 December 2021 ("FY2021") and the year ended 31 December 2020 ("FY2020") as extracted from the Annual Report 2021; and (ii) the year ended 31 December 2022 ("FY2022") as extracted from the Annual Report 2022:

"Table A"

	FY2022 *HK$'000* (audited)	**FY2021** *HK$'000* (audited)	**FY2020** *HK$'000* (audited)
Revenue	**68,792**	**96,863**	**103,688**
- Fee and commission income	49,926	71,165	78,286
- Interest income	18,866	25,698	25,402
Loss attributable to owners of the Company	(69,798)	(53,470)	(39,178)

	FY2022 *HK$'000* (audited)	**FY2021** *HK$'000* (audited)	**FY2020** *HK$'000* (audited)
Total assets	1,053,133	1,295,577	1,468,468
Total liabilities	714,275	883,209	1,014,588
Net assets	338,858	412,368	453,880
Bank balances and cash	243,571	203,580	208,859

Set out below in the Table B is the breakdown of fee and commission income of the Group for (i) FY2021 and FY2020 as extracted from the Annual Report 2021; and (ii) FY2022 as extracted from the Annual Report 2022:

"Table B"

	FY2022	**FY2021**	**FY2020**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Type of services			
Broking services	25,762	43,031	53,209
Investment banking services	–	384	8,653
Wealth management services	20,225	16,229	7,510
Asset management services	1,028	6,032	3,719
Handling and other services	2,911	5,489	5,195
Total fee and commission income	**49,926**	**71,165**	**78,286**

FY2022 vs FY2021

With reference to the Annual Report 2022, the revenue of the Group decreased by approximately 29.0% from approximately HK$96.9 million in FY2021 to approximately HK$68.8 million in FY2022. The decrease of approximately 40.1% or HK$17.3 million from broking income was due to bearish investing sentiment as reflected by a sizeable decrement of 25.0% in average daily turnover of Hong Kong's securities market (2022: HK$124.9 billion; 2021: HK$166.7 billion). Due to the highly volatile securities market, bearish investing sentiment and lowered risk appetite of market participants, demand for wealth management products and services have increased as a result. The relatively favourable investment yields and asset preservation potential has further hastened and cemented their transformation into a fully-fledged wealth management powerhouse, providing 'one-stop' wealth management services to clients in Hong Kong, Greater Bay Area and beyond. As such, the Group's revenue from wealth management business increased approximately 24.6% or HK$4.0 million to reach approximately HK$20.2 million during the year.

The Group recorded an increase in loss attributable to owners of the Company from approximately HK$53.5 million in FY2021 to approximately HK$69.8 million in FY2022. The Group's increase in loss in FY2022 was mainly attributable to the drop in total revenue as mentioned above. We noted that the Company had not declared any dividend in the past three years.

The Group's audited total assets and total liabilities as at 31 December 2022 amounted to approximately HK$1,053.1 million and HK$714.3 million respectively. The Group's audited consolidated net assets value amounted to approximately HK$338.9 million as at 31 December 2022, representing a decrease of approximately 17.8% as compared to that of approximately HK$412.4 million as at 31 December 2021 mainly due to the reported loss. The gearing ratio as at 31 December 2022, which represents the ratio of interest-bearing borrowings of the Group divided by the total equity, increased to 43.4% from 32.3% as at 31 December 2021. The increase in gearing ratio was mainly due to the increase in bank borrowings for working capital purposes and decline in total equity from the net effect of the reported loss.

FY2021 vs FY2020

With reference to the Annual Report 2021, the revenue of the Group decreased by approximately 6.6% from approximately HK$103.7 million in FY2020 to approximately HK$96.9 million in FY2021. The Directors believe the decrease was mainly attributable to the drop of approximately 19.1% in commission income of the brokerage business as the retail clients chose to flee the highly volatile stock markets to avoid suffering huge trading and investment losses when the Hong Kong stock market continued to languish in negative sentiment of the pandemic, tightening control over internet-related business in China, and fear of tightening monetary policy by the Federal Reserve.

The Group recorded an increase in loss attributable to owners of the Company from approximately HK$39.2 million in FY2020 to approximately HK$53.5 million in FY2021. The Group's increase in loss in FY2021 was mainly attributable to the net losses on financial assets at fair value through profit and loss of approximately HK$14.7 million. The overall net loss in FY2021 was mainly attributable to the downturn of Hong Kong stock market in 2021 and uncertain economic outlook as mentioned above.

The Group's audited total assets and total liabilities as at 31 December 2021 amounted to approximately HK$1,295.6 million and HK$883.2 million respectively. The Group's audited consolidated net assets value amounted to approximately HK$412.4 million as at 31 December 2021, representing a decrease of approximately 9.1% as compared to that of approximately HK$453.9 million as at 31 December 2020 mainly due to the reported loss, being contra with the fair value gain of financial assets at FVTOCI for the year under review and the exercise of share options in the Company. The gearing ratio as at 31 December 2021, which represents the ratio of interest-bearing borrowings of the Group divided by the total equity, increased to 32.3% from 24.4% as at 31 December 2020. The increase in gearing ratio was mainly due to the increase in borrowings.

2. Background information of the Target Group

The Target Company is a company incorporated in the British Virgin Islands with limited liability. The Target Group is a pioneer in quantitative finance and algo trading business. It marries expertise in financial markets with innovation in technology, engaging leading edge FinTech to create superior and sustainable value for investors. It launched its first algo trading strategy in 2009, and had since expanded into multiple strategies and tactics covering multiple markets. In 2017, the Target Group also introduced quant funds to provide asset management services to institutional clients, funds and high-net-worth individuals.

Below is the key financial information of the Target Group extracted from Appendix II to the Circular:

"Table D"

	FY2022	**FY2021**	**FY2020**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	4,447	6,038	3,633
Profit/(loss) for the year	11,810	(2,493)	(8,001)

"Table E"

	FY2022	**FY2021**	**FY2020**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Total assets	166,231	351,072	400,581
Total liabilities	173,620	533,300	581,661
Net liabilities	(7,389)	(182,228)	(181,080)

The Target Company is an investment holding company and its subsidiaries are principally engaged in investment trading and provision of asset management services. The revenue generated by the Target Group in FY2020, FY2021 and FY2022 were approximately HK$3.6 million, HK$6.0 million and HK$4.4 million respectively. In FY2022, the revenue decreased by approximately HK$1.6 million as compared to FY2021. However, it is noted that the Target Company recorded a net profit of approximately HK$11.8 million in FY2022 as compared to a net loss of approximately HK$2.5 million in FY2021. As advised by the management of the Target Group, it was mainly due to the increase in net gain on financial assets, which caused an increase in other gains and losses of approximately HK$23.6 million. In FY2021, the revenue increased by approximately HK$2.4 million as compared to FY2020. Such increase was mainly due to the increase in management fee and performance fee received from fund management. The Target Group recorded a net loss of approximately HK$2.5 million in FY2021, as compared to a net loss of approximately HK$8.0 million in FY2020, mainly due to the increase in revenue and net gain on financial assets at FVTPL.

The Target Group's net liabilities were approximately HK$181.1 million in FY2020, HK$182.2 million in FY2021 and HK$7.4 million in FY2022. According to the financial statements of the Target Group, the fellow subsidiary agreed the Target Group not to repay the loan within twelve months from the end of the year ended 31 December 2020 and hence the loan is classified as non-current liabilities during the year ended 31 December 2020. In FY2022, the Target Group has issued new shares and recorded in its share premium. In order to fulfil the undertaking as stated in the Agreement, the Target Group must maintain net assets of no less than HK$1.0 million on date of Completion. Therefore, CPL is obligated to pay the Company approximately HK$8.4 million based on unaudited pro forma consolidated statement of assets and liabilities upon completion.

3. Reasons for and benefits of the Transaction

The Target Group is a pioneer in quantitative finance and algo trading business. It marries expertise in financial markets with innovation in technology, engaging leading edge FinTech to create superior and sustainable value for investors. It launched its first algo trading strategy in 2009, and had since expanded into multiple strategies and tactics covering multiple markets. In 2017, the Target Group also introduced quant funds to provide asset management services to institutional clients, funds and high-net-worth individuals. The Target Group will become subsidiaries of the Group upon Completion. The Target Group and the Group together will create synergy value in developing new financial technology and will benefit from the efficient decision-making process under the streamlined management structure for seizing business opportunities.

The Target Group utilizes mathematical models and historical data to develop momentum, reversion, and arbitrage trading strategies. The development of financial technology from the Target Group enables the algorithms to execute trades automatically with pre-set rules and parameters with minimal human intervention. The Target Group and the Group can deploy quantitative methodology and proprietary tools to manage funds, monitor market conditions, and adjust positions in real-time which will benefit from real-time decision making thus increasing efficiency under the streamlined management structure. Apart from a wider selection of high quality products offered to its clients, the Enlarged Group shall enjoy synergetic benefits such as world-class research capabilities of the Target Group, collaboration and knowledge sharing of best practices as well as the mutual development of strategic initiatives and tactics.

Overview of asset management industry

According to a report "Asset & Wealth Management Revolution: Embracing Exponential Change" published by PwC, assets under management (AUM) will continue to grow rapidly. PwC estimated that by 2025 AUM will have almost doubled – rising from US$84.9 trillion in 2016 to US$145.4 trillion in 2025. The highest growth rate will be in Asia and Latin America. It is expected to have US$29.6 trillion in 2025 while it was US$12.1 trillion in 2016. In addition, the following four interconnected trends will drive the asset wealth management industry's revolution:

(i) buyers' market: as low-cost products gain market share, and larger players benefit from scale economies, there will be further industry consolidation and new forms of collaboration;

(ii) digital technologies: technology advances will drive quantum change across the value chain – including new client acquisition, customisation of investment advice, research and portfolio management, middle and back office processes, distribution and client engagement;

(iii) funding the future: to generate alpha, their involvement in niche areas such as trade finance, peer-to-peer lending and infrastructure will dramatically increase. Equipping individuals to save for old age, as governments step back, will also support growth in AUM;

(iv) outcomes matter: while active management will continue to play an important role, its growth over the near term will be slower than passive. Firms must either have the scale to create multi-asset solutions or be content as suppliers of building blocks. Managers must deeply understand their investors' needs, tailor solutions and focus on optimising distribution channels.

According to a report "Global Asset Management 2022 – From Tailwinds to Turbulence" (the "BCG report") published by BCG, technological leaps played key roles in the evolution of the asset management industry: (i) launch and scaling of index investing challenged active model and bifurcated industry; (ii) internet age investing and fund supermarkets began to democratise investing for retail; (iii) big data and alternative data sources moved industry "beyond the terminal" for new sources for alpha; (iv) automation and decision-making engines simplified and reduced costs for E2E investing; and (v) rise of fintech and data provider ecosystems enabled partnerships and outsourcing of noncore.

In addition, Hong Kong serves as the gateway for overseas investors to invest in the Mainland and it also serves as the gateway for the Mainland investors to invest in overseas markets at the same time. In Hong Kong, the asset management industry has a steady development in recent years. According to "Hong Kong Monthly Digest of Statistics for September 2022 in relation to The Asset Management Industry in Hong Kong" published by the Census and Statistics Department, the number of establishment has been increasing from 600 in 2016 to 753 in 2020, representing a CAGR of approximately 5.8%. Its business receipts and other income has been increasing from approximately HK$41.6 billion in 2016 to approximately HK$49.9 billion in 2020, representing a CAGR of approximately 6.4%. According to "Asset and Wealth Management Activities Survey 2021" published by the Securities and Futures Commission, Hong Kong's asset and wealth management business had a 2% year-on-year increase in AUM to $35,546 billion in 2021. Net fund inflows of $2,152 billion were recorded for the asset and wealth management business during 2021 (2020: $2,035 billion), representing a 6% year-on-year increase.

Lastly, according to the BCG report, asset management continues to be one of the most profitable industries in the world. In 2021, average AUM grew by 17% while costs increased by 11%. Yet fixed and variable costs didn't rise at the same pace, and with a revenue growth of 15%, asset managers were able to draw upon their operating leverage and achieve an increase in operating profits as a share of net revenue. BCG's Global Asset Management Benchmarking study found that operating margin rose well above the industry average, from 36% in 2020 to 38% in 2021.

Taking into account future development and potential growth prospect of asset management industry, we concur with the Directors' view that the Transaction would be advantageous for the Group to capture this growing market opportunity and is in the interests of the Company and the Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group.

4. Principal terms of the Agreement

Set out below is a summary of the principal terms of the Agreement. Independent Shareholders are advised to read further details of the Agreement set out in the Letter from the Board:

Assets to be acquired/disposed of:	The Sale Shares, representing 51% of the issued shares of the Target Company as at the date of the Agreement
Consideration:	The Consideration is HK$61 million, which shall be satisfied in the following manner: (a) as to HK$10 million shall be paid or caused to be paid to CPL by transfer of immediately available funds (or in such other manner as CPL and the Company may agree) at Completion; and (b) as to the balance of HK$51 million shall be satisfied by the Company allotting and issuing the Consideration Shares to CIGL at the Issue Price at Completion. The Consideration was determined with reference to the valuation of the Target Group as at 30 November 2022 of approximately HK$124 million conducted by the Valuer using market approach. The text of the Valuation Report is set out in Appendix V to this circular. Since the valuation method, being the market approach, and the assumptions adopted by the Valuer are in line with market practice, the Board considered that they were fair and reasonable.

For the purpose of the Transaction, the Target Restructuring, which involved the disposal of certain immaterial non-operating subsidiaries of the Target Company and capitalisation of a shareholder loan in the amount of HK$165 million, was carried out and completed on 12 December 2022 prior to the entering into of the Agreement. The Valuation Report was prepared and the Consideration was determined on the basis that the Target Restructuring had been completed. For further details, please refer to the Valuation Report.

Subsequent to the issue of the Valuation Report, the Valuer conducted a re-assessment of the Price-to-Earning multiple of the Target Group as at 31 March 2023 using the same methodology and comparable companies and noticed that the Price-to-Earning multiple had increased from 10.7 to 12.4, and as a result the valuation of the Target Group had increased to HK$145 million as at 31 March 2023. No adjustment will be made to the Consideration as a result of the aforesaid change.

Condition precedent: Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

(a) the passing of ordinary resolution(s) by the Independent Shareholders at the SGM to be convened and held to approve (i) the Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the issue of the Consideration Shares;

(b) the obtaining of a valuation report (in form and substance satisfactory to the Company) by an independent valuer showing the value of the Target Group as at 30 November 2022 to be not less than HK$120 million;

(c) the warranties provided by CPL as set out in the Agreement remaining true, accurate and correct in all respects and not misleading in any respect; and

(d) the listing committee of the Stock Exchange having granted the approval for the listing of and permission to deal in the Consideration Shares.

CPL shall use its best endeavours to procure the fulfillment of the conditions precedent set out in conditions (b) and (c) above, whereas the Company shall use its reasonable endeavours to procure the fulfillment of the conditions precedent set out in conditions (a) and (d) above. The Company may at any time by notice in writing to CPL waive in whole or in part and conditionally or unconditionally any of the conditions precedent set out in conditions (b) or (c) above. If the conditions precedent have not been satisfied or waived (as the case may be) on or before the Long Stop Date, the Agreement shall cease and determine immediately, save and except for certain surviving clauses and rights and liabilities accrued prior to termination of the Agreement.

As at the Latest Practicable Date, the condition precedent set out in condition (b) above has been satisfied.

Undertaking: In the event that the pro forma consolidated net asset value of the Target Group as at 31 January 2023 is less than HK$1 million, CPL shall pay or cause to be paid to the Company an amount equivalent to such shortfall within seven (7) business days of Completion.

The consolidated net liabilities of the Target Group as at 31 January 2023 was approximately HK$8.0 million. As such, the expected amount of shortfall that would be compensated by CPL to the Company shall be approximately HK$9.0 million and such amount will be set off against the Consideration payable to CPL by transfer of immediately available fund.

Completion: Subject to fulfilment or waiver (as the case may be) of all the conditions precedents above, Completion shall take place on the seventh (7th) business day after the last of the conditions precedent set out in conditions (a) and (d) above have been satisfied, or on such later date as CPL and the Company may agree in writing.

5. Basis of the Consideration

5.1 Valuation report

As disclosed in the Letter from the Board, the Consideration was determined with reference to the valuation of the Target Group as at 30 November 2022 of HK$124 million conducted by the Valuer using market approach.

Valuation of the Target Group

In order to assess the fairness and reasonableness of the Consideration, we have obtained and reviewed the Valuation Report in relation to the valuation of the Target Company and the underlying basis and assumptions prepared by the Valuer. As stated in the Valuation Report, the market value of 100% equity interest of the Target Company as at 30 November 2022 (the "Valuation Date") is estimated to be HK$124 million. Accordingly, the Consideration represents a discount of approximately 3.5% to such value.

Scope of work

We have reviewed the terms of engagement of the Valuer and consider that its scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report. Furthermore, we noted that the Valuation Report is prepared in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors and the International Valuation Standards (Effective 31 January 2022) published by the International Valuation Standards Council, where applicable.

Qualification, experience and independence of the Valuer

We have assessed the qualification, experience and independence of the Independent Valuer in relation to the preparation of the Valuation Report. We understand that Nick Kung and Sung Lee, being the Director of the Valuer respectively, are persons-in-charge of the Valuation Report, who have over 10 years of experience in the valuation and advisory industry respectively. We have also obtained information on the Valuer's track records on other valuations and noted that the Valuer has provided a wide range of valuation services to numerous companies listed on the Stock Exchange in the past. The Valuer has also confirmed that it is independent from the Group, the Target Group and their respective associates. Based on the above, we are satisfied with the qualification and experience of the Independent Valuer in relation to the valuation of the Target Company.

Basis and major assumptions adopted by the Valuer

We have enquired with and were advised by the Valuer that it had performed necessary due diligence works for the preparation of the Valuation Report, which included, among others, review of financial statements of the Target Group and discussion with the management of the Group and/or the Target Group in relation to its development, operations, prospect, and other relevant information.

According to the Valuation Report, the valuation of the Target Company is based on the going concern premise and conducted on a market value basis. Market value is defined as "the estimated amount of 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". We also note that the Valuer has made major assumptions in valuing businesses of similar nature, including but not limited to that (i) there will be no material changes in business strategy of the Target Group and its operating structure; (ii) the Valuation was based on the audited consolidated statement of financial position of the Target Group for the year ended 31 December 2021 and 11 months ended 30 November 2022; (iii) all relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and (iv) there will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Group operates or intends to operate, which would adversely affect the revenue and net profit attributable to the Group.

Selection of valuation methodology

We have further discussed with the Valuer on the selection of valuation methodology. In arriving at the Valuation, the Valuer made reference to three generally accepted approaches, namely the market approach, asset approach and income approach. According to the Valuation Report, the market approach was adopted for the valuation of the Target Company.

As advised by the Valuer, the asset approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The value of the business entity is represented by the fund that has been made available to purchase the business assets needed. From a valuation perspective, the Valuer will restate the value of all types of assets of a business entity from book value. However, the asset approach is not applied as the valuation of the Group is conducted on a going concern basis, and the summation of its assets is inappropriate as such method ignores the future economic benefits of the business as a whole. For the income approach, it focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity. However, the income approach is not adopted as long-term forecasts were not obtained and concrete business plan were not available. Having considered the three general valuation approaches, we consider that the market approach would be appropriate and reasonable in the valuation of the market value of the Target Group. When considering the market approach, the Valuer noted that there is a group of listed companies which engaged in similar business operation as the Target Group. Such comparable companies provided a benchmark of valuation multiples for the assessment of the Target Group. We also understand from the Valuer that the market approach reflects the value obtained from a consensus of market participants over the corresponding industry. It is generally agreed that such an approach involves less subjective assumptions and judgements in a valuation as this is principally based on comparison. We concur with the Valuer that the market approach is the most appropriate approach for the valuation of the Target Group.

Under the market approach, there are two commonly used methods of valuation, namely (i) guideline public company method and (ii) the comparable transaction method. The Valuer has determined that guideline public company method is to be applied as there are certain number of publicly traded companies engaged in the same or similar line of business as the Target Group that can be identified. The application of comparable transaction method is limited as there are insufficient comparable transactions to form a reliable opinion of value. The Valuer attempted to identify companies which (i) are listed on the stock exchanges in Asia Pacific in terms of market capitalisation as at 30 November 2022 of which the latest financial information is publicly available; (ii) profit making; and (iii) more than 50% of revenue derived from asset management and/or proprietary investment. Based on the above criteria, the Valuer has identified comparable companies (the "Comparable Companies"). We have discussed with the Valuer on such selection criteria and reviewed the scope of business of the Comparable Companies. We noted that the Comparable Companies are listed companies whereas the Target Company is a private company. Therefore, the Valuer adopted a lack of marketability discount to adjust the market value of the Target Group in according with Stout Restricted Stock Study Companion Guide (2021 Edition). We consider it a reasonable adjustment for making appropriate comparison. For our due diligence purpose, we have reviewed the result of the Stout Restricted Stock Study Companion Guide (2021 Edition) obtained by the Valuer and noted that the adopted lack of marketability discount of 20.6% is the mean of the transaction discounts of 759 private company transactions globally over since July 1980. The discount was calculated by dividing the difference between the private placement price and the market reference price by the market reference price.

We have also performed our own search on the Comparable Companies selected by the Valuer. We have reviewed the market capitalisation as at 30 November 2022, latest earnings and the principal activities of the Comparable Companies. We are of the view that all of the Comparable Companies fit the selection criteria and are fair and representative for the purpose of valuation multiples analysis by the Valuer.

We noted that the Valuer has considered the price-to-sale ratio ("P/S"), price-to-earnings ratio ("P/E") and price-to-book ratio ("P/B"). Asset-based multiples to reflect the market value owned by a company. However, when a company operates at its normal earnings level, the use of P/S and P/B may not be an effective measure of the earnings capability of the company. They do not account for the profitability of the business, and fail to reflect the true earnings power and value of the business. Furthermore, the Target Group are engaged in provision of asset management services which is asset-light in nature. Based on the above, we concur with the Valuer that P/S and P/B is not appropriate. We understand from the Valuer that they consider P/E to be the most appropriate multiple as earnings is the primary determent of the Target Group's value.

We note that the Comparable Companies are listed in different countries and their size in terms of market capitalisation and net asset value. As advised by the Valuer, the multiples of the Comparable Companies have been adjusted upward or downward by assessing their risks associated with their sizes and listing locations based on "Adjusting Guideline Multiples for Size" and "Damodaran Online".

Control Premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The published market price of the identified comparable companies represents the market transaction of minority interests, therefore adjustment has been made to reflect the degree of control associated with a 100% equity interest in the Group. The Valuer adopted Control Premium of 24.4% based on Mergerstat Control Premium Study. For our due diligence purpose, we have reviewed Mergerstat Control Premium Study obtained by the Valuer and noted that the Control Premium was the median of invested capital control premiums of a list of 106 deals of majority control and/or privatisations globally in 2020 based on Mergerstat Control Premium Study. As confirmed by the Valuer, we note that the latest control premium data in 2022 (the "2022 Data") was 23.2%. Given that the 2022 Data is a subsequent data to the Valuation Date and has no material variance to the Control Premium adopted in the Valuation, the Valuer is of the view that the Control Premium is relevant. Based on the abovementioned, we are of the view that the use of data in 2020 is appropriate and relevant in determining the value of the Target Company.

In arriving at the valuation of the Target Group of HK$124 million, the Valuer derived the market value of 100% equity interest of the Target Company by multiplying the normalised annual net profit of the Target Group for trailing twelve months ended 30 November 2022 by the mean of P/E of the Comparable Companies, and then adjusted for (i) a control premium (the "Control Premium") of 24.4%; and (ii) a discount for lack of marketability of 20.6%.

Below is the summary of the calculation of the Valuation extracted from the Valuation Report and the calculation of illustrative market value of the Target Group based on the net profit for FY2022 (assuming all other parameters remain unchanged):

	Per Valuation Report *(HK$)*	**For illustrative purpose** *(HK$)*
Applied P/E	10.7445x	10.7445x
Multiplication factor (normalised annual net profit)	11,728,318	11,810,000
	126,014,913	126,892,545
Adjustments:		
Add: Control Premium	30,747,639	30,961,781
	156,762,552	157,854,326
Less: Lack of marketability discount	(32,293,086)	(32,517,991)
Market value of 100% equity interest of the Target Group	**124,469,466**	**125,336,335**
Market value of 100% equity interest of the Target Group (rounded)	**124,000,000**	**125,000,000**
Market value of 51% equity interest of the Target Group	63,240,000	63,750,000
Consideration	61,000,000	61,000,000
% discount to the market value (approximately)	3.5%	4.3%

Based on our review on the Valuation Report and our discussion with the Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the valuation of the Target Group.

We note that the Consideration represents premium over the equity value of the Target Group. However, the Target Group operates as an asset-light business which mainly relies on its expertise and technical knowhow to generate revenue. The equity value of the Target Group does not reflect the future economic benefits of the business as a whole and may not be appropriate in determining the Consideration.

On the other hand, for illustration purpose, we compare the market value of the Target Group in the Valuation Report with the market value based on the net profit for FY2022 of approximately HK$11.8 million. We recompute the market value of the Target Group based on the net profit for FY2022, assuming all other parameters remain unchanged (the "Illustrative Market Value") and we note that the Consideration represents a discount of approximately 4.3% to the Illustrative Market Value. As such, we are of the view that the Illustrative Market Value is fair and reasonable.

Based on above, we are of the view that (i) the valuation of the Target Group was arrived at after due and careful consideration while the Consideration is set at a slightly discount to the valuation of the Target Group; (ii) the equity value of the Target Group may not reflect the fair value of the Target Group; and (iii) the Illustrative Market Value is fair and reasonable, we concur with the view of the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

5.2 Alternative analysis for the Transaction

We attempted to identify comparable companies which (i) are principally engaged in the provision of asset management services; (ii) are listed on the Stock Exchange; and (iii) recorded their revenue derived from asset management services more than 60%, where their latest financial information are publicly announced by way of publishing announcements/ annual reports on the website of the Stock Exchange. There are five comparable companies which met our selection criteria and we consider them to be exhaustive samples. As an alternative analysis, we have also compared the P/E of the comparable companies as at 19 December 2022 with the implied P/E of the Target Group. Considering the P/E is commonly accepted benchmarks in the comparison of valuation of companies against their industry peers and we are not aware of any specific circumstances that would make such analyses inappropriate, we have adopted them for the purpose of our analyses.

Set out below is our analysis on the comparable companies:

Comparable companies	Stock code	Principal business	P/E *(times)*
ESR Group Limited	1821	Principally engaged in (i) the development, construction and sale of completed properties; (ii) the management of the underlying assets on behalf of its capital partners via the funds and investment vehicles it managed; and (iii) the investment in completed properties, co-investment in the funds and investment vehicles and the public REITs it managed, and other investments	15.0
Value Partners Group Limited	806	Principally engaged in value-oriented asset management businesses	N/A
China Cinda Asset Management Co., Ltd.	1359	Acquiring and entrusting to manage, invest and dispose of both financial and non-financial institution distressed assets; receivership; foreign investment; securities and futures dealing; financial bond issuance; inter-bank borrowing and lending; commercial financing for other financial institutions; approved asset securitization business; financial institutions custody; closing and liquidation of business; consulting and advisory business on finance, investment, legal and risk management; asset and project evaluation; banking business; fund management; asset management; trust; financial leasing services; real estate and industrial investments and other businesses approved by the CBIRC or other regulatory bodies	4.9
True Partner Capital Holding Ltd	8657	Principally engaged in fund management business and providing consultancy services	N/A
Shanghai Realway Capital Assets Management Co., Ltd.	1835	Fund management; investment management in relation to the establishment and structuring of the relevant funds and the sourcing of investors; financial consulting services to the fund demanding parties	N/A
		Maximum	15.0
		Minimum	4.9
		Average	9.9
		Median	9.9
Target Company			10.5

Source: https://www.hkex.com.hk/

Note:

1. The P/E of the comparable companies are calculated based on the market capitalisation of the comparable companies as at the date of the Agreement divided by the net profit of the corresponding comparable companies for their latest financial year.

As illustrated in the table above, the P/E of the comparable companies range from a minimum of approximately 4.9 times to a maximum of approximately 15.0 times, with an average and median of approximately 9.9 times and 9.9 times, respectively. The implied P/E of the Target Group is slightly higher than the median and average of the P/E ratio of those comparable companies and fall within the range of those of the comparable companies. The table above includes all the comparable companies that we could identify with principal activity equivalent/similar to asset management services. The Independent Shareholders should note that three of the comparable companies recorded net loss for their latest financial year, which do not have P/E. The lack of comparable companies might affect the comparability of the comparable companies to implied P/E of the Target Group. This section should be read for reference purpose only.

6. The Issue Price

(a). The Consideration Shares

Pursuant to the Agreement, the Consideration in the amount of HK$51 million is to be satisfied by the issue and allotment of 120,000,000 Consideration Shares at the Issue Price of HK$0.425 per Consideration Share by the Company to the CPL (the "Vendor") at Completion.

The Issue Price of HK$0.425 per Consideration Share represents:

(i) a discount of approximately 7.61% over the closing price of HK$0.46 per Share as quoted on the Stock Exchange on the date of the Agreement;

(ii) a discount of approximately 7.61% over the closing price of HK$0.46 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately preceding the date of the Agreement;

(iii) a premium of approximately 25.00% to the closing price of the Shares of HK$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(iv) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 2.40%.

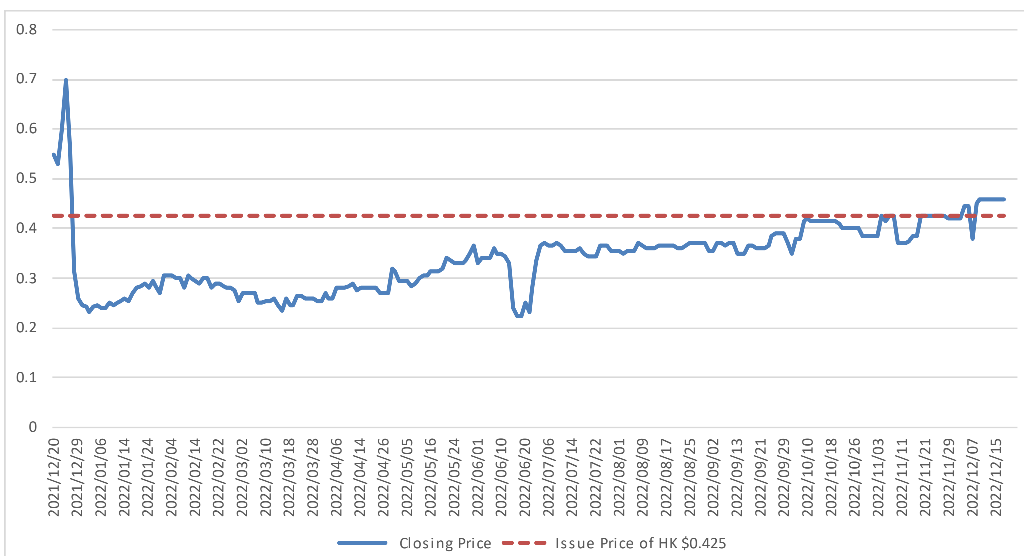
The Issue Price was determined between CPL and the Company with reference to prevailing market price of the Shares. Therefore, the Directors consider that the Issue Price is fair and reasonable.

The Consideration Shares, being 120,000,000 new Shares of par value of HK$0.04 each, represent (i) approximately 45.95% of the issued shares of the Company as at the Latest Practicable Date; and (ii) approximately 31.48% of the issued shares of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion). The aggregate nominal value of the Consideration Shares is HK$4,800,000.

(b). Evaluation of the Consideration Shares

In accessing the fairness and reasonableness of the Issue Price, we have performed a review on the daily closing prices of the Shares as quoted on the Stock Exchange for the period from 20 December 2021 to the date of the Agreement, being approximately one year preceding the date of the Agreement (the "Review Period"). We consider the duration of the Review Period appropriate because a shorter period may not sufficiently illustrate a meaningful historical trend for proper assessment, while a longer period may include outdated data that is less relevant given the dynamic financial markets. Therefore, we consider that the duration of the Review Period of approximately twelve months reasonable so as to reflect the general trend and recent market valuation based on the closing price of the Shares on the Stock Exchange. The graph below illustrates the daily closing price ("Closing Price") versus the Issue Price of HK$0.425 per Share during the Review Period:

Graph A: Closing Price during the Review Period



As illustrated above, during the Review Period, the Share price fluctuated between HK$0.223 (on 16 June 2022) (the "Lowest Closing Price") and HK$0.7 (on 23 December 2021) (the "Highest Closing Price") per Share. The average closing price of the Shares during the Review Period was approximately HK$0.34 per Share (the "Average Closing Price"). The Issue Price of HK$0.425 per Share represents (i) a discount to the Highest Closing Price of approximately 39.3%; (ii) a premium over the Lowest Closing Price of approximately 90.6%; and (iii) a premium over the Average Closing Price of approximately 24.9%.

At the beginning of the Review Period, the Closing Price experienced a drop from HK$0.7 on 23 December 2021 to HK$0.223 on 16 June 2022. Subsequently, the Closing Price fluctuates between HK$0.223 to HK0.46. We note that the announcement of final results for the year ended 31 December 2021 was published on 22 March 2022. As discussed with management of the Group, management were not aware of any reason for the substantial change in Closing Price at the beginning of the Review Period.

(c). Liquidity analysis

Set out below are details of monthly trading volumes and the percentage of the Shares' average daily trading volume relative to the total number of issued Shares as at the end of the month during the Review Period:

Table C

	Total trading volume *(Shares)*	Number of trading days *(days)*	Average daily volume *(Shares)*	Approximately% of average daily trading volume to total number of issued Shares *(%)*
2021				
December	103,860,237	9	11,540,026	4.42
2022				
January	22,644,655	21	1,078,317	0.41
February	2,072,721	17	121,925	0.05
March	3,352,534	23	145,762	0.06
April	2,523,690	18	140,205	0.05
May	9,548,260	20	477,413	0.18
June	15,647,142	16	977,946	0.37
July	4,621,413	20	231,071	0.09
August	1,906,143	22	86,643	0.03
September	6,181,908	21	294,377	0.11
October	12,460,524	20	623,026	0.24
November	662,725	22	30,124	0.01
December	478,771	13	36,829	0.01

Source: Stock Exchange (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which excludes any trading day on which trading in the Shares on the Stock Exchange was suspended for the whole trading day.

2. The calculation is based on the average daily trading volume for the month/period by the total number of Shares in issue at the end of each respective month/period.

As shown in the table above, the average daily volume of the Shares has been generally thin during the Review Period, with average trading volume between approximately 0.01% to approximately 4.42% to the then total number of issued Shares as at the end of their respective month. The highest average daily volume was approximately 11,540,026 Shares in December 2021, representing approximately 4.42% of the number of issued Shares. As confirmed by the Company, one of the substantial shareholders, Ever Billion Group Ltd, held 16.66% of then issued Shares, sold its shares in the market in December 2021. Except for the average daily trading volume in December 2021, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 36,829 shares to approximately 1,078,317 shares, representing approximately 0.01% to approximately 0.41% of total number of issued Shares at the end of their respective month/period.

(d). Analysis of comparable transactions

To further assess the fairness and reasonableness of the Issue Price, we have, on a best effort basis, researched and identified an exhaustive list of transactions in relation to acquisitions involving the issue of consideration shares conducted by companies listed on the Stock Exchange (the "Comparable Transactions") as announced during the period from 20 July 2022 to the date of the Agreement (being approximately five months prior to the date of the Agreement) (the "Comparable Period"). Considering that recent transactions are more relevant and that sufficient sample size is required to assess the fairness and reasonableness of the Issue Price, we are of the view that the Comparable Period of approximately five months is reasonable and that the exhaustive list of 14 identified Comparable Transactions during the Comparable Period is sufficient for such assessment.

Independent Shareholders should note that the principal business, market capitalisation, profitability and prospects of the Company are not the same as, or even substantially vary from, those of the Comparable Transactions and their respective issuers. Notwithstanding the above, the table below demonstrates the pricing of issues of consideration shares for acquisition purposes under recent market sentiment and provides a general reference for assessing the fairness and reasonableness of the Issue Price.

We consider the Comparable Transactions fair and representative given (i) the Comparable Transactions adequately cover the prevailing market conditions and sentiments of the capital market in Hong Kong; (ii) the Comparable Transactions identified during the Comparable Period represent recent structures of consideration shares issued as consideration for acquisitions by companies listed on the Stock Exchange; (iii) the similarity of the nature of the consideration shares; and (iv) the sufficient sample size of the Comparable Transactions identified.

Date of announcement	Company name	Stock code	Premium/(discount) of the issue price over/(to) the closing price per share on/prior to the date of agreement	Premium/(discount) of the issue price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement
25 November 2022	Value Convergence Holdings Limited	821	–0.43%	–0.18%
21 November 2022	Ernest Borel Holdings Limited	1856	18.18%	20.37%
21 November 2022	First Service Holding Limited	2107	7.94%	3.98%
18 November 2022	Anchorstone Holdings Limited	1592	–1.50%	–5.00%
7 November 2022	China Wantian Holdings Limited	1854	–5.88%	–4.00%
25 October 2022	BExcellent Group Holdings Limited	1775	81.80%	81.40%
30 September 2022	EC Healthcare	2138	5.12%	–0.08%
30 September 2022	China CBM Group Company Limited	8270	0.48%	0.00%
27 September 2022	Oriental Payment Group Holdings Limited	8613	–18.18%	–18.18%
27 September 2022	MOS House Group Limited	1653	–16.67%	–16.67%
14 September 2022	Smart Globe Holdings Limited	1481	13.60%	12.60%
25 August 2022	Palinda Group Holdings Limited	8179	0.00%	–9.09%
11 August 2022	Hong Kong Resources Holdings Company Limited	2882	5.09%	0.00%
5 August 2022	Smart Globe Holdings Limited	1481	9.76%	10.02%
		Maximum	81.80%	81.40%
		Minimum	–18.18%	–18.18%
		Average	7.09%	5.37%
		Median	2.79%	–0.04%
		Exclude the Outliner:		
		Maximum	18.18%	20.37%
		Minimum	–18.18%	–18.18%
		Average	1.35%	–0.48%
		Median	0.48%	–0.08%
19 December 2022	The Company		–7.61%	–7.61%

We note that the premium of the issue price over the closing price per share of BExcellent Group Holdings Limited on the date of agreement was approximately 81.80% and premium of the issue price over the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement was approximately 81.40%. We consider it an outliner (the "Outliner") and exclude it from our analysis. By excluding the Outliner, the issue prices of the Comparable Transactions ranged from:

(i) a discount of approximately 18.18% to a premium of approximately 18.18% to/over the closing price per share on/prior to the date of agreement with an average of a premium of approximately 1.35% and a median of a premium of approximately 0.48%; and

(ii) a discount of approximately 18.18% to a premium of approximately 20.37% to/over the average closing price per share for the last five trading days prior to/up to date of agreement with an average of a discount of approximately 0.48% and a median of a discount of approximately 0.08%.

We note that the Issue Price is within the range of the Comparable Transactions in terms of the closing price per share on/prior to the date of agreement and the average closing price per share for the last five trading days prior to/up to date of agreement respectively. Although we note that the recent closing price represent discounts of approximately 7.61% to the closing price per share on/prior to the date of agreement and the average closing price per share for the last five trading days prior to/up to date of agreement respectively, which is slightly lower than the average and median of the issue prices of the Comparable Transactions, the Issue Price of the Consideration Shares is at a premium over the Average Closing Price as illustrated in the section headed "Evaluation of the Consideration Shares" above, we consider the Issue Price fair and reasonable to the Shareholders.

7. Dilution effect

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion) and (iii) immediately after the allotment and issue of the Consideration Shares and the Shares upon exercise of all outstanding share options (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion):

Name of shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion)		Immediately after the allotment and issue of the Consideration Shares and Shares upon exercise of all outstanding share options (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion)	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
(a) CIGL	157,989,563	60.49%	277,989,563	72.93%	277,989,563	70.08%
(b) Directors/directors of CASH						
Dr Kwan	2,472,000	0.95%	2,472,000	0.65%	4,872,000	1.23%
Mr Li Shing Wai Lewis	2,472,000	0.95%	2,472,000	0.65%	4,872,000	1.23%
Mr Kwan Teng Hin Jeffrey	2,472,000	0.95%	2,472,000	0.65%	4,872,000	1.23%
Mr Lo Kwok Hung John	62,775	0.02%	62,775	0.02%	62,775	0.02%
Mr Law Hin Ong Trevor	–	–	–	–	450,000	0.11%
Mr Cheung Wai Lim William	–	–	–	–	675,000	0.17%
(c) Directors of subsidiaries of the Company	–	–	–	–	1,125,000	0.28%
(d) Other Shareholders	95,706,441	36.64%	95,706,441	25.10%	101,766,441	25.65%
	261,174,779	100%	381,174,779	100%	396,684,779	100%

The Transaction will not result in a change of control of the Company.

As at the Latest Practicable Date, there are 15,510,000 outstanding share options granted by the Company, out of which 9,450,000 share options were granted to core connected persons (as defined in the Listing Rules) of the Group and 6,060,000 share options were granted to non-core connected persons of the Group. Assuming such share options have been exercised in full and the Consideration Shares have been issued, the public float of the Company will be approximately 25.65%. Therefore, issuance of the Consideration Shares should not result in the public float of the Shares falling below the minimum requirement of 25%. In any event, the Company will not issue the Consideration Shares to such an extent as would result in the aggregate number of Shares held by the public shareholders falling below the prescribed minimum percentage required under the Listing Rules.

As illustrated in the table relating to the "shareholder structure of the Company" as set out in this letter, the shareholding of existing public Shareholders in the Company will be reduced from approximately 36.64% as at the Latest Practicable Date to approximately 25.10% immediately after the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of Completion). The dilution effect on the shareholding of the Company immediately upon Completion is approximately 11.54%. Although there will be dilutive effects to the shareholding interests of the public Shareholders as a result of the Transaction, having considered (i) the reasons for and benefit of the Transactions as discussed in the section "3. Reasons for and benefits of the Transaction" above; (ii) the terms of the Agreement, including the Consideration and the Issue Price, being fair and reasonable as discussed in the section "5. Basis of the Consideration" and "6. The Issue Price" above; and (iii) the financial effects of the Transaction on the Group as discussed in the section "8. Financial effects of the Transaction on the Group" below, we are of the view that the dilution in the shareholding interests of the public Shareholders resulting from the issue of the Consideration Shares is acceptable.

8. Financial effects of the Transaction on the Group

Upon Completion, the Target Company will become a subsidiary of the Company and accordingly, the financial results and financial position of the Target Group will be consolidated into the consolidated financial statements of the Group.

The analyses on the financial effects below reference the unaudited pro forma financial information of the Enlarged Group in Appendix IV to the Circular, which has been complied by the Directors for illustrative purposes only and is based on a number of assumptions and estimates as set out therein. Because of its hypothetical nature, it may not give a true picture of the financial position and performance of the Group and the Enlarged Group at any future date.

Shareholders should note that the earnings contribution from the Target Group after Completion will depend on the future performance of the Target Group, and the actual effect of the Transaction on the assets, liabilities and earnings of the Group will depend on the financial position and performance of the Target Group as at the date of Completion, which cannot be quantified as at the Latest Practicable Date.

Net asset value

As illustrated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, had the Transaction taken place on 31 December 2022, the total assets of the Enlarged Group would increase from approximately HK$1,053.1 million to approximately HK$1,216.3 million on a pro forma basis, and the total liabilities of the Enlarged Group would increase from approximately HK$714.3 million to approximately HK$887.9 million on a pro forma basis.

Earnings

As set out in the Accountant's Report on the Target Group included in Appendix II to the Circular, the revenue and profit after tax were approximately HK$4.4 million and HK$11.8 million for the year ended 31 December 2022, respectively.

9. Discussion

Having considered in particular:

(i) the Target Group is a pioneer in quantitative finance and algo trading business and it introduced quant funds to provide asset management services to institutional clients, funds and high-net-worth individuals. The Target Group and the Group together will create synergy value in developing new financial technology and will benefit from the efficient decision-making process under the streamlined management structure for seizing business opportunities after the Target Group become subsidiaries of the Group upon Completion.

(ii) based on our research on the asset management industry, we note that the future development and potential growth prospect of asset management industry are favourable to the business of the Target Group and the Transaction would be advantageous for the Group to capture this growing market opportunity;

(iii) the Target Group recorded a net profit of approximately HK$11.8 million in FY2022;

(iv) the Consideration of HK$61 million will be settled in cash of approximately HK$10 million and by issuing the Consideration Shares to CIGL at the Issue Price at Completion in total value of HK$51 million, which was determined based on valuation of the Target Group as at 30 November 2022 of approximately HK$124 million by the Valuer using market approach to acquire 51% of equity interest of the Target Group and we note that the Consideration represents a discount of approximately 3.5% to the market value of 51% equity interest of the Target Group;

(v) based on our review on the Valuation Report and our discussion with the Valuer, we do not cast doubt on the fairness and reasonableness of the valuation methodology and principal basis and assumptions adopted in arriving at the valuation of the Target Group and the valuation of the Target Group was arrived at after due and careful consideration while the Consideration is set at a slightly discount to the valuation of the Target Group which is fair and reasonable;

(vi) the Issue Price of HK$0.425 per Consideration Share represent (i) a discount to the Highest Closing Price of approximately 39.3%; (ii) a premium over the Lowest Closing Price of approximately 90.6%; and (iii) a premium over the Average Closing Price of approximately 24.9% and within the range of the Comparable Transactions in terms of the closing price per share on/prior to the date of agreement and the average closing price per share for the last five trading days prior to/up to date of agreement respectively. Based on the above, we consider that the Issue Price is fair and reasonable to the Shareholders. For further details, please refer to section "6. Issue Price";

(vii) having considered (i) the reasons for and benefit of the Transactions as discussed in the section "3. Reasons for and benefits of the Transaction" above; (ii) the terms of the Agreement, including the Consideration and the Issue Price, being fair and reasonable as discussed in the section "5. Basis of the Consideration" and "6. The Issue Price" above; and (iii) the financial effects of the Transaction on the Group as discussed in the section "8. Financial effects of the Transaction on the Group", the dilution in the shareholding interests of the public Shareholders is acceptable as discussed in the section "7. Dilution effect"; and

(viii) no material adverse effect of the Transaction on the Group's financial position as discussed in the section "8. Financial effects of the Transaction on the Group",

we are of the view that the Transaction is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

D. RECOMMENDATION

Based on the above principal factors and reasons, we are of the view that the Transaction is not in the ordinary and usual course of business of the Group, but the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM approving (i) the Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the issue of the Consideration Shares.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group (including the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of change in equity and consolidated statement of cash flows, set out in as a comparative table) for the each of the three years ended 31 December 2020, 2021 and 2022 were disclosed in the following documents which have been published on the website of the Company (www.cfsg.com.hk) and the website of the Stock Exchange (www.hkexnews.hk).

- Annual report of the Company for the year ended 31 December 2020 (pages 50 to 149)

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0329/2021032900947.pdf

- Annual report of the Company for the year ended 31 December 2021 (pages 61 to 153)

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042200885.pdf

- Annual report of the Company for the year ended 31 December 2022 (pages 65 to 164)

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0420/2023042000511.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following indebtedness:

Borrowings

The Enlarged Group had total outstanding borrowing of approximately HK$146.1 million, comprising (i) secured and guaranteed bank borrowings of approximately HK$80.0 million; and (ii) unsecured and unguaranteed related party loan of HK$66.1 million.

Pledge of assets and guarantee

Bank borrowings of HK$80.0 million in aggregate were secured by marketable securities provided by clients of the Enlarged Group and guaranteed by the Company and a pledged deposit of HK$0.4 million with bank.

Lease obligations

The Enlarged Group had outstanding lease payment in respect of office premises of approximately HK$26.1 million, which are unguaranteed and secured by rental deposits paid by the Enlarged Group.

Contingent liabilities

The Enlarged Group had no material contingent liabilities.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 31 March 2023.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Enlarged Group since 31 March 2023.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources, including banking facilities available to the Enlarged Group and its internally generated funds, and the effect of the Transaction, the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months from the date of publication of this circular.

The Company has received a letter from its auditor, Deloitte Touche Tohmatsu, confirming that (a) the above statement has been made by the Directors after due and careful enquiry; and (b) the persons or institutions providing finance have confirmed in writing that such facilities exist.

4. MATERIAL ADVERSE CHANGE

The Directors has confirmed that, at the Latest Practicable Date, there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group holds four types of SFC licenses including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management). Certain subsidiaries of the Enlarged Group are also licensed money lenders, licensed insurance brokers, and registered principal MPF intermediaries.

Upon completion, the principal activities of the Enlarged Group would be (i) provision of online and traditional brokerage of securities, futures and options as well as general and life insurance, mutual funds and mandatory provident fund products, (ii) proprietary trading of debt and equity securities and derivatives, (iii) provision of margin financing and money lending services, (iv) provision of asset management services and (v) provision of algo trading services and algo proprietary trading.

Upon Completion, the Enlarged Group will continue to provide exceptional financial services to its customers in Hong Kong and further develop its presence in the Greater Bay Area ("**GBA**"). With its existing portfolio of financial services and products, along with the Target Company's expertise in Fintech, innovation and research, the Enlarged Group shall create more synergetic value by developing ground-breaking financial technology and offering more comprehensive and enhanced selections of products and services to create superior and sustainable return for its customers.

The re-opening of China's borders and uplift of COVID-19 restrictions is expected to gradually increase demand for cross-border wealth management solutions under the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area. The Enlarged Group will capitalise on this opportunity by hastening the development of its Family Office Business to cater to the financial needs of high-net-worth clients, especially high value individuals residing in the GBA. Leveraging on the Target Company's extensive expertise in the fields of multi-strategies algo trading as well as its quant funds experience, expedited penetration into the Chinese high-net-worth market segment is to be expected.

Apart from an enlarged portfolio of high quality products and services, the Enlarged Group's Asset Management Business and public open-ended fund is also expected to exponentially benefit from the Target Company's world-class research capabilities and proven big-data driven trading strategies through synergetic collaboration and knowledge sharing of best practices. Combined with aggressive marketing campaigns, assets under management for the funds are expected to increase along with corresponding management and performance fee income.

Under the National 14th Five-Year Plan, Hong Kong will maintain its status as an international financial centre, global offshore Renminbi business hub, and international asset and wealth management centre. Coupled with the Hong Kong Government's aggressive push in repositioning the region into becoming a Fintech and Virtual Asset powerhouse, the Directors are optimistic on the local development of a vibrant ecosystem encompassing family offices and wealth & asset management powered by Fintech and innovation.

With the recent roll-out of pilot projects such as licensing for Virtual Asset service providers, tokenization of government-issued green bonds and the debut of two cryptocurrency exchange-traded funds on the main board, the Enlarged Group, being pioneers in Fintech and innovation, will actively seek participation in new projects concerning Web 3.0, Blockchain, Non-fungible token and the Metaverse.

The following is the text of a report set out on pages II-1 to II-42, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, for the purpose of incorporation in this circular.

Deloitte.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CASH ALGO FINANCE GROUP INTERNATIONAL LIMITED TO THE DIRECTORS OF CASH FINANCIAL SERVICES GROUP LIMITED

Introduction

We report on the historical financial information of Cash Algo Finance Group International Limited (the "Target Company") and its subsidiaries (not including the Disposed Subsidiaries as defined in Note 2) (together, the "Target Group") set out on pages II-4 to II-42, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2020, 2021 and 2022, 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 of the Target Group for each of the three years ended 31 December 2022 (the "Relevant Period") 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-4 to II-42 forms an integral part of this report, which has been prepared for inclusion in the circular of CASH Financial Services Group Limited (the "Company") dated 9 May 2023 (the "Circular") in connection with the proposed intra-group acquisition of 51% interest in the Target Group by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

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 ("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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 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 the 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 qualified opinion.

Basis for Qualified Opinion

As set out in Note 2 to the Historical Financial Information, the Target Company has not consolidated the financial information of the Disposed Subsidiaries (as defined in Note 2), in accordance with Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" issued by the HKICPA for the Relevant Period. The directors of the Company consider not consolidating the financial information of the Disposed Subsidiaries would illustrate clearly the financial information of the Target Group for the Relevant Period to the shareholders of the Company.

As a result of not consolidating the Disposed Subsidiaries, (i) accounts and other receivables as at 31 December 2020 and 2021 have been understated by approximately HK$1,824,000 and HK$313,000 respectively; (ii) bank balances and cash as at 31 December 2020 and 2021 have been understated by approximately HK$2,101,000 and HK$2,016,000 respectively; (iii) accrued liabilities and other payables as at 31 December 2020 and 2021 have been understated by approximately HK$12,877,000 and HK$13,089,000 respectively; (iv) amounts due to fellow subsidiaries as at 31 December 2020 and 2021 have been understated by approximately HK$11,358,000 and HK$10,384,000 respectively; (v) accumulated losses as at 31 December 2020 and 2021 have been understated by approximately HK$20,310,000 and HK$21,144,000 respectively; (vi) other gains and losses for the year ended 31 December 2020 have been overstated by approximately HK$3,686,000; (vii) other operating and administrative expenses for the years ended 31 December 2020, 2021 and 2022 have been understated by approximately HK$244,000, HK$666,000 and HK$160,000 respectively; (viii) income tax expense for the years ended 31 December 2020 and 2021 have been understated by approximately HK$126,000 and HK$168,000 respectively.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Target Group as at 31 December 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Relevant Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

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

Dividends

No dividend was declared or paid by the Target Company in respect of the Relevant Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

9 May 2023

I. 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 Period, on which the Historical Financial Information is based, have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, except that the Disposed Subsidiaries (as defined in Note 2) have not been consolidated by the Target Group in accordance with HKFRS 10 "Consolidated Financial Statements", and were audited by Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2020	**2021**	**2022**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	6	3,633	6,038	4,447
Other income	7	401	819	419
Other gains and losses	7	3,045	13,222	36,779
Salaries, allowances and related benefits	8	(6,087)	(6,283)	(13,722)
Commission expenses and handling charges		(4,168)	(6,775)	(7,400)
Other operating and administrative expenses		(4,511)	(3,211)	(3,172)
Depreciation of property and equipment		(259)	(81)	(12)
Depreciation of right-of-use assets		(1,109)	(1,644)	(1,280)
Finance costs	9	(1,807)	(49)	(114)
(Loss) profit before taxation		(10,862)	2,036	15,945
Income tax credit (expense)	10	2,861	(4,529)	(4,135)
(Loss) profit for the year	11	(8,001)	(2,493)	11,810
Other comprehensive income (expense) for the year				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operation		2,438	1,345	(1,971)
Total comprehensive (expense) income for the year		(5,563)	(1,148)	9,839

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2020	**2021**	**2022**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property and equipment	13	100	51	215
Right-of-use assets	14	1,689	2,733	4,208
Rental deposits		556	148	402
		2,345	2,932	4,825
Current assets				
Accounts and other receivables	15	109,673	97,887	146,331
Financial assets at fair value through profit or loss ("FVTPL")	16	11,495	8,283	10,655
Amounts due from fellow subsidiaries	17	272,850	236,236	–
Bank balances and cash	18	4,218	5,734	4,420
		398,236	348,140	161,406
Current liabilities				
Financial liabilities arising from consolidated investment funds	19	29,918	5,551	5,757
Accrued liabilities and other payables	20	3,051	4,403	15,162
Amounts due to fellow subsidiaries	17	506,535	515,650	139,179
Lease liabilities	21	1,574	2,824	3,128
		541,078	528,428	163,226
Net current liabilities		(142,842)	(180,288)	(1,820)
Total assets less current liabilities		(140,497)	(177,356)	3,005
Capital and reserves				
Share capital	22	–#	–#	–#
Reserves		(181,080)	(182,228)	(7,389)
		(181,080)	(182,228)	(7,389)
Non-current liabilities				
Amount due to a fellow subsidiary	17	39,940	–	–
Deferred tax liabilities	23	176	4,658	8,793
Lease liabilities	21	467	214	1,601
		40,583	4,872	10,394
		(140,497)	(177,356)	3,005

Less than HK$1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	–#	–	779	(176,296)	(175,517)
Loss for the year	–	–	–	(8,001)	(8,001)
Other comprehensive income for the year	–	–	2,438	–	2,438
Total comprehensive expense for the year	–	–	2,438	(8,001)	(5,563)
At 31 December 2020	–#	–	3,217	(184,297)	(181,080)
Loss for the year	–	–	–	(2,493)	(2,493)
Other comprehensive income for the year	–	–	1,345	–	1,345
Total comprehensive expense for the year	–	–	1,345	(2,493)	(1,148)
At 31 December 2021	–#	–	4,562	(186,790)	(182,228)
Profit for the year	–	–	–	11,810	11,810
Other comprehensive expense for the year	–	–	(1,971)	–	(1,971)
Total comprehensive income for the year	–	–	(1,971)	11,810	9,839
Allotment of shares *(Note 22)*	–#	165,000	–	–	165,000
At 31 December 2022	–#	165,000	2,591	(174,980)	(7,389)

Less than HK$1,000

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
(Loss) profit before taxation	(10,862)	2,036	15,945
Adjustments for:			
Depreciation of property and equipment	259	81	12
Depreciation of right-of-use assets	1,109	1,644	1,280
Interest income	(274)	(510)	(419)
Interest expense	1,807	49	114
Operating cash flows before movement in working capital	(7,961)	3,300	16,932
(Increase) decrease in accounts and other receivables	(9,664)	13,479	(48,930)
(Increase) decrease in financial assets at FVTPL	(10,683)	3,212	(2,372)
Increase (decrease) in financial liabilities arising from consolidated investment funds	31,097	(24,367)	206
(Decrease) increase in accrued liabilities and other payables	(12,097)	1,352	10,759
Net cash (used in) generated from operations	(9,308)	(3,024)	(23,405)
Income taxes paid	(268)	(47)	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(9,576)	(3,071)	(23,405)
INVESTING ACTIVITIES			
Interest received	204	168	651
Purchases of property and equipment	–	(36)	(178)
Repayment from fellow subsidiaries	–	36,614	3,403
Advance to fellow subsidiaries	(66,624)	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(66,420)	36,746	3,876
FINANCING ACTIVITIES			
Interest paid on amount due to a fellow subsidiary	(1,729)	–	–
Repayment of lease liabilities	(926)	(1,654)	(1,946)
Interest paid on lease liabilities	(78)	(49)	(114)
Advance from fellow subsidiaries	71,763	–	–
Repayment to fellow subsidiaries	–	(30,825)	20,369
NET CASH FROM (USED IN) FINANCING ACTIVITIES	69,030	(32,528)	18,309
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,966)	1,147	(1,220)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	347	369	(94)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,837	4,218	5,734
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	4,218	5,734	4,420

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company is a private limited company incorporated in the British Virgin Islands ("BVI") on 9 November 2007 with limited liability. Its ultimate holding company is Celestial Asia Securities Holdings Limited, a company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the BVI and the principal place of business is 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

The Target Company is an investment holding company and its subsidiaries are principally engaged in investment trading and provision of asset management services.

The Historical Financial Information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Target Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, except that the Disposed Subsidiaries as set out below have not been consolidated by the Target Group in accordance with HKFRS 10 "Consolidated Financial Statements". For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Target Company have, at the time of approving the Historical Financial Information, a reasonable expectation that the Target Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Historical Financial Information.

On 12 December 2022, the Target Company has carried out a group restructuring which involved the disposal of certain non-operating subsidiaries which are considered by the directors of the Company as immaterial and would not be acquired by the Company in the Transaction (the "Disposed Subsidiaries") and capitalisation of a shareholder loan in the amount of HK$165 million. The Target Company has not consolidated the financial information of the Disposed Subsidiaries in accordance with HKFRS 10 "Consolidated Financial Statements" for the Relevant Period. The directors of the Company consider not consolidating the financial information of the Disposed Subsidiaries would illustrate clearly the financial information of the Target Group for the Relevant Period to the shareholders of the Company.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Period, the Target Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2022 throughout the Relevant Period.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except the amendments to HKFRSs mentioned below, the directors of the Target Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Target Group but may affect the disclosures of the Target Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Target Group's future financial information.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in Historical Financial Information that are subject to measurement uncertainty". An accounting policy may require items in Historical Financial Information to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Target Group's future financial information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and 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 at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, 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. Fair value for measurement and/or disclosure purposes in these Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Historical Financial Information incorporate the financial information of the Target Company and entities controlled by the Target Company and its subsidiaries, except for the Disposed Subsidiaries as defined in Note 2. Control is achieved when the Target Company:

- has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power over the investee to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Target Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Group considers all relevant facts and circumstances in assessing whether or not the Target Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Target Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Target Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Target Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Target Group is an investor of a fund in which the Target Group also acts as a fund manager, the Target Group will determine whether it is a principal or an agent for the purpose of assessing whether the Target Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Target Group is an agent to the fund, the Target Group would assess:

- the scope of its decision-making authority over the investee;

- the rights held by other parties;

- the remuneration to which it is entitled in accordance with the remuneration agreements; and

- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year 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 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.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

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

The investments in the Disposed Subsidiaries are carried at cost less impairment losses.

Revenue from contracts with customers

The Target Group recognises 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 the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the 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 or enhances an asset that the customer controls as the Target Group performs; 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 good or service.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method - asset management services

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Target Group's performance in transferring control of services.

As a practical expedient, if the Target Group has a right to consideration in an amount that corresponds directly with the value of the Target Group's performance completed to date, the Target Group recognises revenue in the amount to which the Target Group has the right to invoice.

Variable consideration

For contracts that contain variable consideration, such as management fee from asset management services, the Target Group estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Target Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstances during each reporting period.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or transaction date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Target Group as a lessee

Allocation of consideration to components to a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

The Target Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Group; and
- an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Target Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option if the Target Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Target Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Target Group applied the practical expedient, the Target Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Target Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Target Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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 recognised at the rates of exchanges prevailing on 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 arising 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 Historical Financial Information, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group (i.e. Hong Kong dollars) at the rates of exchanges prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

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 Relevant Period. Taxable profit differs from (loss) profit before taxation because it excludes items of income or expense that are taxable or deductible in other years and 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 each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 probable 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 asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each 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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

Property and equipment held for use in supply of goods or services, or for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property 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 property 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 the disposal or retirement of an item of property 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.

Impairment losses on property and equipment and right-of-use assets

At the end of the reporting period, the Target Group reviews the carrying amounts of its property and equipment and right-of-use assets with finite useful lives to determine whether there is any 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.

The recoverable amount of property and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash- generating unit or group of CGUs.

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.

Cash and cash equivalents

Bank balances and cash presented on the consolidated statements of financial position and consolidated statements of cash flows include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the transaction or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL 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 transaction of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (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 financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Target Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Target Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 from the next reporting period. If 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 from the beginning of each reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. 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 "other gains and losses" line item.

Impairment of financial assets

The Target Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts and other receivables, rental deposits, amounts due from fellow subsidiaries and bank balances) which are subject to impairment assessment under HKFRS 9. The assessment of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Group'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.

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

(i) Significant increase in credit risk

In assessing whether the credit risk 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.

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

- 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, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

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

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

- 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 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.

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.

(ii) Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when 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).

Irrespective of the above, 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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; and

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over one year past due, whichever occurs sooner. 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL 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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Derecognition of financial assets

The Target Group derecognises a financial asset 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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.

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

(i) Financial liabilities at FVTPL arising from consolidated investment funds

A financial instrument that gives the holder the right to put it back to the Target Group for cash or another financial asset (a "puttable instrument") is a financial liability. The financial instrument is a financial liability even when the amount of cash or other financial assets is determined on the basis that has the potential to increase or decrease.

Net assets attributable to holders of consolidated investment funds are determined based on the attributable shares or units of the residual assets of the consolidated investment funds after deducting the consolidated investment fund's other liabilities. The holders have the right to put their attributable shares to the fund for cash with no cause.

Financial liabilities at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "other gains and losses" line item.

As at the end of the reporting period, such financial liability of net assets attributable to holders of non-controlling interests in consolidated investment funds is presented as "financial liabilities arising from consolidated investment funds" in the consolidated statements of financial position.

(ii) Financial liabilities at amortised cost

Financial liabilities (including other payables and amounts due to fellow subsidiaries) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Retirement benefits costs

Payments to 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

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 4, 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 ongoing 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 judgments in applying accounting policies

The following are the critical judgments, 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 in the Historical Financial Information.

Determination of consolidation of investment funds

The Target Group set up certain investment funds in which the Target Group is an investor and also the fund manager. The relevant activities are directed by means of contractual arrangements and the Target Group, acting as the fund manager, has the power and authority to make decisions.

All facts and circumstances are taken into consideration in the assessment of whether the Target Group, as an investor, controls the investment funds. The principle of control sets out the following three elements of control: (a) power over the investment funds; (b) exposure, or rights, to variable returns from involvement with the investment funds; and (c) the ability to use power over the investment funds to affect the amount of the investor's returns.

The Target Group's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent.

For these investment funds, the Target Group assesses whether (i) there are any other holders in these investment funds which have practical ability to remove the Target Group, and prevent the Target Group to direct the relevant activities of the investment funds; and (ii) the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates the Target Group is a principal.

As at 31 December 2020, 2021 and 2022, the directors of the Target Company concluded that the Target Group had control over two, two and one of the investment funds and acted as agent for the remaining investment funds. Details of these investment funds are disclosed in notes 16 and 19.

6. REVENUE

	Year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Management fee from asset management services	3,633	6,038	4,447

Asset management services are recognised over time as the Target Group provides asset management services in The People's Republic of China (the "PRC"). Management fee from asset management services is charged at (1) a fixed percentage per annum of the asset value under management of the Target Group on a daily basis; and (2) a variable consideration when pre-set performance target for the relevant performance period is met. The variable consideration is recognised when it is highly probable that a significant reversal in the revenue recognised will not occur when the performance target is evaluated on a quarterly basis for each of the funds. Fixed management fee is normally due monthly or quarterly while the variable consideration is normally due quarterly.

Segment Information

Information reported to the directors of the Target Company, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by type of services. No other discrete financial information is provided other than the Target Group's results and financial position as a whole. Accordingly, only entity-wide disclosures are presented.

7. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Other income			
Interest income from banks and loan receivables	274	510	419
Sundry income	127	309	–
	401	819	419

	Year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Other gains and losses			
Net gain on financial assets at FVTPL	6,545	13,655	36,082
Net loss on remeasurement of liabilities arising from investment funds	(3,500)	(153)	–
Net foreign exchange (loss) gain	–	(280)	697
	3,045	13,222	36,779

8. SALARIES, ALLOWANCES AND RELATED BENEFITS

	Year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and related benefits represent the amounts paid and payable to the directors of the Target Company and employees of the Target Group comprises of:			
Salaries and allowances	5,921	6,069	13,528
Contributions to retirement benefits schemes	166	214	194
	6,087	6,283	13,722

9. FINANCE COSTS

	Year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
– amount due to a fellow subsidiary	1,729	–	–
– leases liabilities	78	49	114
	1,807	49	114

10. INCOME TAX (CREDIT) EXPENSE

	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Current tax:			
PRC Enterprise Income Tax	269	47	–
Deferred tax (credit) charge *(Note 23)*	(3,130)	4,482	4,135
	(2,861)	4,529	4,135

No provision for Hong Kong Profits Tax has been made in the Historical Financial Information as the Target Group has no assessable profits for the Relevant Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Relevant Period.

The income tax (credit) expense for the Relevant Period can be reconciled to the (loss) profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit before taxation	(10,862)	2,036	15,945
Tax (credit) charge at Hong Kong Profits Tax rate of 16.5%	(1,792)	336	2,631
Tax effect of income not taxable for tax purpose	(2,314)	(135)	(3,388)
Tax effect of expenses not deductible for tax purpose	1,157	2,788	3,426
Tax effect of estimated tax losses not recognised	–	–	60
Effect of different tax rates of subsidiaries operating in another jurisdiction	88	1,540	1,406
Income tax (credit) expense	(2,861)	4,529	4,135

11. (LOSS) PROFIT FOR THE YEAR

	Year ended 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit for the year has been arrived at after charging:			
Auditor's remuneration *(Note)*	–	–	–
Depreciation of property and equipment	259	81	12
Depreciation of right-of-use assets	1,109	1,644	1,280

Note: Auditor's remuneration was borne by a fellow subsidiary for the Relevant Period.

12. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Target Group for the Relevant Period.

13. PROPERTY AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
COST			
At 1 January 2020	3,756	3,478	7,234
Exchange adjustments	13	7	20
At 31 December 2020	3,769	3,485	7,254
Additions	–	36	36
Exchange adjustments	–	6	6
At 31 December 2021	3,769	3,527	7,296
Additions	–	178	178
Exchange adjustments	–	(4)	(4)
At 31 December 2022	3,769	3,701	7,470
ACCUMULATED DEPRECIATION			
At 1 January 2020	3,542	3,339	6,881
Provide for the year	163	96	259
Exchange adjustments	10	4	14
At 31 December 2020	3,715	3,439	7,154
Provide for the year	49	32	81
Exchange adjustments	5	5	10
At 31 December 2021	3,769	3,476	7,245
Provide for the year	–	12	12
Exchange adjustments	–	(2)	(2)
At 31 December 2022	3,769	3,486	7,255
CARRYING AMOUNTS			
At 31 December 2022	–	215	215
At 31 December 2021	–	51	51
At 31 December 2020	54	46	100

The above property and equipment are depreciated on a straight-line basis over the following years:

Leasehold improvements	Shorter of the lease terms or 5 years
Furniture, fixtures and equipment	3 to 7 years

14. RIGHT-OF-USE ASSETS

	Leased properties *HK$'000*
COST	
At 1 January 2020	6,127
Additions	1,337
Written off upon end of leases	(1,321)
Exchange adjustments	121
At 31 December 2020	6,264
Additions	2,625
Exchange adjustments	148
At 31 December 2021	9,037
Additions	2,832
Exchange adjustments	(183)
At 31 December 2022	11,686
ACCUMULATED DEPRECIATION	
At 1 January 2020	4,702
Provided for the year	1,109
Written off upon end of leases	(1,321)
Exchange adjustments	85
At 31 December 2020	4,575
Provided for the year	1,644
Exchange adjustments	85
At 31 December 2021	6,304
Provided for the year	1,280
Exchange adjustments	(106)
At 31 December 2022	7,478
CARRYING VALUES	
At 31 December 2022	4,208
At 31 December 2021	2,733
At 31 December 2020	1,689

The Target Group has the following expenses and cash outflow in relation to leases:

	Year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Total cash outflow of the leases	1,004	1,703	2,060

15. ACCOUNTS AND OTHER RECEIVABLES

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Receivables from securities brokers	101,643	89,188	145,186
Loan receivables (Note (1))	7,578	7,984	–
Rental deposits	–	556	402
Other deposits (Note (2))	15	15	15
Other receivables (Note (2))	437	144	728
	109,673	97,887	146,331

Notes:

(1) The loan receivables are unsecured, repayable on demand and bear variable-rate interest of Hong Kong Prime Rate plus a spread. The effective interest rate is 2.0% and 2.0% as at 31 December 2020 and 2021.

The Target Group has policy for assessing the impairment of loan receivables that are unsecured, those are secured but without sufficient collateral and those with default or delinquency in interest or principal payment, on an individual basis. The assessment is based on a close monitoring and evaluation of collectability and on management's judgement, including the ageing analysis of receivables and the current creditworthiness, collateral value (if any), the past collection history of each client and supportive forward-looking information.

At the end of the reporting period, the Target Group's loan receivables were individually assessed for impairment. In determining the recoverability of the loan receivables, the Target Company considers any change in the credit quality of the loan receivables from the date credit was initially granted up to the reporting date. As at 31 December 2020 and 2021, the directors of the Target Company considered no impairment allowance is necessary. The loan receivables are neither past due nor impaired at end of the reporting period, which the Target Group believes is recoverable after taking into account the current creditworthiness of the borrowers and the past collection history of each individual borrower. There is no recent history of default from the borrower.

The Target Group has concentration of credit risk from two third party borrowers of HK$7,578,000 and HK$7,984,000 as at 31 December 2020 and 2021 respectively.

(2) Other deposits and other receivables are non-interest bearing and repayable on demand or within one year.

16. FINANCIAL ASSETS AT FVTPL

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Equity securities listed in Hong Kong *(Note (1))*	3,805	–	–
Equity securities listed in the PRC *(Note (1))*	2,240	280	–
Unlisted investment funds *(Note (2))*	5,450	8,003	10,655
	11,495	8,283	10,655

Notes:

(1) The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchange.

(2) The amount represented the investment in certain unconsolidated investment funds ("Unconsolidated Investment Funds") with primary objectives for capital appreciation, investment income and selling in the near future for profit. These Unconsolidated Investment Funds are set up and managed by a wholly-owned subsidiary acting as fund manager who has the power and authority to manage and make decisions for these Unconsolidated Investment Funds.

Among those Unconsolidated Investment Funds held by the Target Group where the Target Group directly involves as fund manager, the Target Group assesses and determines whether:

- the Target Group is acting as an agent or a principal in these Unconsolidated Investment Funds;
- substantive removal rights held by other parties may remove the Target Group as a fund manager; and
- the investment interests held together with its remuneration from servicing and managing these Unconsolidated Investment Funds create significant exposure to variability of returns in these Unconsolidated Investment Funds.

In the opinion of the directors of the Target Company, the combination of remuneration from the asset management services and variable returns the Target Group is exposed to the Target Group's investments, if any, are not significant, the Target Group therefore considers such decision-making rights are acting as an agent and hence did not consolidate these Unconsolidated Investment Funds.

As at 31 December 2020, 2021 and 2022, the total assets of Unconsolidated Investment Funds managed by the Target Group amounted to HK$83,259,000, HK$310,912,000 and HK$290,011,000 respectively, and the total liabilities of Unconsolidated Investment Funds amounted to HK$1,193,000, HK$4,694,000 and HK$3,540,000, respectively. The funding of these Unconsolidated Investment Funds is mainly from the holders of these funds.

As at 31 December 2020, 2021 and 2022, the Target Group has HK$2,476,000, HK$2,580,000 and HK$4,966,000, respectively, of interests in the Unconsolidated Investment Funds and the Target Group's maximum exposure to loss from its interests is the carrying amount of such investments of HK$5,450,000, HK$8,003,000 and HK$10,655,000 as at 31 December 2020, 2021 and 2022. Other than the investments as stated above, the Target Group did not have other assets or liabilities recognised relating to the interests in the Unconsolidated Investment Funds.

During the years ended 31 December 2020, 2021 and 2022, the Target Group has fair value gains of HK$1,547,000, HK$2,265,000 and HK$1,020,000, respectively, of interests in these Unconsolidated Investment Funds, which is included in "other gains or losses" line item and management fee income of HK$3,633,000, HK$6,038,000 and HK$4,447,000 during the years ended 31 December 2020, 2021 and 2022 from these Unconsolidated Investment Funds.

The Target Group has no contractual obligation nor current intention to provide financial support to the Unconsolidated Investment Funds.

17. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

As at 31 December 2020, except for an amount due to a fellow subsidiary of HK$39,940,000 which carries interest at 5% per annum, unsecured and repayable after one year, the remaining balances of amounts due from/to fellow subsidiaries are interest-free, unsecured and repayable on demand.

The fellow subsidiary agreed with the Target Group not to demand repayment of the amount due to it of HK$39,940,000 within twelve months from the end of the year ended 31 December 2020 and hence the amount was classified as non-current liabilities as at 31 December 2020.

As at 31 December 2021 and 2022, the amounts due from/to fellow subsidiaries are interest-free, unsecured and repayable on demand.

18. BANK BALANCES AND CASH

Bank balances and cash comprises cash and short-term bank deposits, with original maturity date less than three months and carry variable interest rates range from 0.13% to 0.57%, 0.04% to 0.50% and 0.01% to 0.5% per annum for the years ended 31 December 2020, 2021 and 2022.

19. FINANCIAL LIABILITIES ARISING FROM CONSOLIDATED INVESTMENT FUNDS

Other than Unconsolidated Investment Funds as disclosed in note 16, certain investment funds ("Investment Funds") were set up by the Target Group with primary objectives for capital appreciation, investment income and selling in the near future for profit. These Investment Funds are managed by a wholly-owned subsidiary active as general partner who has the power and authority to manage and make decisions for the Investment Funds.

The Target Group consolidated these Investment Funds in accordance with the criteria set out in the Target Group's accounting policies.

In the opinion of the directors of the Target Group, the variable returns for these Investment Funds that the Target Group is exposed to are significant and/or the Target Group is primarily acting as a principal and not subject to substantive removal rights held by other parties who may remove the Target Group as an investment manager. Therefore, the Target Group consolidated these Investment Funds.

The total assets and total liabilities (excluding the third-party interests as stated below) of the consolidated Investment Funds, were disclosed as follows:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Receivables from securities brokers	55,568	48,110	50,366
Financial assets at FVTPL	2,240	280	–
Bank balances and cash	238	184	277
Other payables	(916)	(47)	(22)
	57,130	48,527	50,621

Financial liabilities arising from consolidated investment funds consist of third-party unit holders' interests in consolidated Investment Funds which are reflected as a liability since they can be put back to the Target Group for cash.

As at 31 December 2020, 2021 and 2022, the interests held by third-party unit holders amounted to HK$29,918,000 HK$5,551,000 and HK$5,757,000 respectively were recognised as financial liabilities arising from consolidated investment funds in the consolidated statements of financial position.

For the years ended 31 December 2020, 2021 and 2022, the fair value of the consolidated Investment Funds increased and the related interests held by third-party unit/shareholders were re-measured. A net loss of HK$3,500,000 and HK$153,000 were recognised in the consolidated statements of profit or loss and included in "other gains and losses" line item during the years ended 31 December 2020 and 2021.

20. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Accrued liabilities			
– Salaries and commission payables	23	61	18
– Other accrued liabilities	81	–	7,538
Other payables	2,947	4,342	7,606
	3,051	4,403	15,162

21. LEASE LIABILITIES

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Lease liabilities payable:			
Within one year	1,574	2,824	3,128
More than one year but not more than two years	467	214	1,134
More than two years but less than five years	–	–	467
	2,041	3,038	4,729
Less: Amount due for settlement within 12 months shown under current liabilities	(1,574)	(2,824)	(3,128)
Amount due for settlement after 12 months shown under non-current liabilities	467	214	1,601

The weighted average incremental borrowing rate applied to lease liabilities at 4% for the Relevant Period.

22. SHARE CAPITAL

	Number of shares	**Amount**
Ordinary shares of US$1 each		
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	1	–#
Share allotment *(Note)*	99	–#
At 31 December 2022	100	–#

Less than HK$1,000

Note: On 12 December 2022, the Target Company issued and allotted 99 ordinary shares to its subscribers at a consideration of HK$165,000,000.

23. DEFERRED TAX LIABILITIES

The following is the analysis of the deferred tax liabilities for financial reporting purposes:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities	176	4,658	8,793

The following are the major deferred tax liabilities recognised and the movements thereon during the Relevant Period.

	Unrealised gain on financial assets at FVTPL
	HK$'000
At 1 January 2020	(3,306)
Credit to profit or loss	3,130
At 31 December 2020	(176)
Charge to profit or loss	(4,482)
At 31 December 2021	(4,658)
Charge to profit or loss	(4,135)
At 31 December 2022	(8,793)

24. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance.

The capital structure of the Target Group consists of debts, which include the amounts due to fellow subsidiaries (including current and non-current portion) and lease liabilities disclosed in notes 17, and 21, respectively and equity attributable to owners of the Target Company, comprising the share capital disclosed in note 22, accumulated losses and other reserves as disclosed in the consolidated statements of changes in equity.

The management of the Target Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Target Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt. The Target Group's overall strategy remains unchanged throughout the Relevant Period.

25. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Financial assets at FVTPL	11,495	8,283	10,655
Amortised cost	387,297	340,005	151,153
Financial liabilities			
Financial liabilities at FVTPL	29,918	5,551	5,757
Amortised cost	509,482	519,992	146,785

Financial risk management objectives and policies

The Target Group's major financial instruments include accounts and other receivables, rental deposits, amounts due from/ to fellow subsidiaries, financial assets at FVTPL, bank balances and cash, other payables, financial liabilities arising from consolidated investment funds and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Target Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Price risk

The Target Group is exposed to price risk arising from equity securities, unlisted investment funds and financial liabilities arising from consolidated investment funds. The Target Group's equity securities are listed on the Stock Exchange while the unlisted investment funds are traded in the over-the-counter markets. During the Relevant Period, the directors of the Target Company manage the exposure by closely monitoring the portfolio of investments and imposing trading limits on individual trades.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the Relevant Period. The analysis is prepared assuming the listed equity investments outstanding at the Relevant Period were outstanding for the whole year.

As at 31 December 2020 and 2021, if the quoted prices of the Target Group's listed equity investments had been 15 percent higher/lower, the Target Group's loss after taxation for the years ended 31 December 2020 and 2021 would decrease/ increase by HK$757,000 and HK$35,000. This is attributable to the changes in fair values of the listed equity investments.

The fair value of unlisted investment funds and financial liabilities arising from consolidated investment funds depend on the valuation of the underlying investments. If the unit price increased/decreased by 5 percent, loss after taxation for the years ended 31 December 2020, 2021 and 2022 would have an estimated HK$1,022,000, HK$102,000 and HK$204,000 increase/decrease. This is attributable to the changes in fair values of the underlying investments funds.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the Relevant Period.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Target Group is exposed to fair value interest rate risk in relation to fixed rate amount due to a fellow subsidiary and lease liabilities. The Target Group is also exposed to cash flow interest rate risk in relation to variable-rate loan receivables and bank balances. Management considered that the Target Group's exposure to future cash flow interest rate risk in relation to variable-rate bank balances as a result of the change of market interest rate is insignificant.

The Target Group currently does not have a cash flow interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Currency risk

The entities within the Target Group have financial assets denominated in currencies other than their respective functional currencies. Consequently, the Target Group is exposed to risks that the exchange rate of functional currencies relative to other currencies may change in a manner that has an adverse effect on the value of the position of the Target Group's assets and liabilities denominated in foreign currencies.

The Target Group has foreign exposures arising mainly from the exchange movement of United States dollars ("USD") and Renminbi ("RMB") in relation to receivables from securities brokers and bank balances which expose the Target Group to foreign currency risk.

The carrying amounts of the Target Group's foreign currency denominated monetary assets at the end of the reporting periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
RMB	12,535	9,429	622
USD	47,364	41,122	44,488

The Target Group currently does not have a foreign currency hedging policy. However, the directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The Target Group mainly exposed foreign currency risk to RMB as HK$ is pegged to USD.

The sensitivity analysis sets out the Target Group's sensitivity to a 5% increase and decrease in HK$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. An decrease/increase in pre-tax profit/loss for the years ended 31 December 2020, 2021 and 2022 of HK$627,000, HK$471,000 and HK$31,000 would be resulted where HK$ strengthen 5% against RMB.

Credit risk and impairment assessment

The Target Group's credit risk is primarily attributable to accounts and other receivables, amounts due from fellow subsidiaries and bank balances and cash. The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with these financial assets.

The Target Group performed impairment assessment for financial assets and other items under ECL model.

Information about the Target Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Amounts due from fellow subsidiaries

The directors of the Target Company continuously monitor the credit quality and financial positions of the counterparties and the level of exposure to ensure that the follow-up action is taken to recover the debts. In addition, the Target Group performs impairment assessment under ECL model on balances individually. In this regard, the directors of the Target Group consider that the Target Group's credit risk is significantly reduced.

Receivables from securities brokers and bank balances

The management of the Target Group considers that the credit risks on receivables from securities brokers and bank balances are limited because the banks and securities brokers are financial institutions with high credit ratings assigned by international credit-rating agencies. The Target Group assessed 12-month ECL by reference to probability of default, loss given default by the relevant credit rating grades published by international credit rating agencies. Based on assessment by the management of the Target Group, the ECL for these balances is insignificant.

Loan receivables

In order to minimise the credit risk, the Target Group has delegated teams at respective subsidiaries responsible for determination of credit limits and interest rate offered to customers. Monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group performs impairment assessment under ECL model on balances individually based on historical observed default rates over the expected life of the debtors, and forward looking information that is available undue cost or effort. Based on assessment by the directors of the Target Company, the directors of the Target Company considers the ECL is insignificant.

Other receivables and deposits

For other receivables and deposits, the directors of the Target Company make periodic individual assessment on the recoverability of significant balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The directors of the Target Company believe that there is no material credit risk inherent in the Target Group's outstanding balance of other receivables and deposits. Based on assessment by the management of the Target Group, the ECL for these balances is insignificant.

The Target Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	**Description**	**Accounts receivables**	**Other financial assets**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Target Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Target Group's financial assets which are subject to ECL assessment:

Financial assets	Notes	External credit rating	12-month or lifetime ECL	2020 Gross carrying amounts		2021 Gross carrying amounts		2022 Gross carrying amounts	
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amortised cost									
Other receivables and deposits	15	N/A	12-month ECL	1,008	1,008	863	863	1,547	1,547
Loan receivables	15	N/A	12-month ECL	7,578	7,578	7,984	7,984	–	–
Receivables from securities brokers	15	A3 – A1	12-month ECL	42,739		41,434		42,789	
		B1 – Baa1	12-month ECL	58,904	101,643	47,754	89,188	102,397	145,186
Amounts due from fellow subsidiaries	17	N/A	12-month ECL	272,850	272,850	236,236	236,236	–	–
Bank balances and cash	18	A3 – A1	12-month ECL	4,218	4,218	5,734	5,734	4,420	4,420

During the years ended 31 December 2020, 2021 and 2022, the impairment allowance for the Target Group's financial assets are insignificant and there was no movement in lifetime ECL and 12-month ECL.

The Target Group has no significant concentration of credit risk as the exposure is spread over a number of counterparties and customers, except for the liquid funds which are receivables from two securities brokers in a total amount of HK$101,643,000, HK$89,188,000 and HK$145,186,000 as at 31 December 2020, 2021 and 2022. Concentration of credit risk for loan receivables is disclosed in note 15.

Liquidity risk

The Target Group has net current liabilities of HK$142,842,000, HK$180,288,000 and HK$1,820,000 as at 31 December 2020, 2021 and 2022 and net liabilities of HK$181,080,000, HK$182,228,000 and HK$7,389,000 as at 31 December 2020, 2021 and 2022. This has exposed the Target Group to liquidity risk. The Target Group has mitigated this risk by obtaining the commitment from its ultimate holding company to provide adequate funds for the Target Group to meet in full its financial obligations as they fall due for the foreseeable future.

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

The directors of the Target Group consider that liquidity risk is limited after considering the future cash flows of the Target Group in the foreseeable future as the Target Group has mainly short-term liabilities which are required to be repaid within one year from the end of the reporting period, except for amount due to a fellow subsidiary of HK$39,940,000 as at 31 December 2020 and lease liabilities of HK$467,000, HK$214,000 and HK$1,601,000 as at 31 December 2020, 2021 and 2022 respectively, which were repayable after one year from the end of the reporting period.

Fair value measurements of financial instruments

This note provides information about how the Target Group determines fair values of various financial assets.

Fair value of the Target Group's financial assets that are measured at fair value on a recurring basis

Some of the Target Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

	Fair value as at				
	31 December 2020 *HK$'000*	**31 December 2021** *HK$'000*	**31 December 2022** *HK$'000*	**Fair value hierarchy**	**Valuation technique(s)**
Financial assets					
Financial assets at FVTPL					
Investments held for trading					
– Equity securities listed in Hong Kong/the PRC	6,045	280	–	Level 1	Quoted prices in an active market
Other investments					
– Unlisted investment funds	5,450	8,003	10,655	Level 2	Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted prices of underlying investment portfolio in active markets and fair value of the remaining assets, as provided by a broker

There were no transfers between Levels 1 and 2 during the Relevant Period.

The directors of the Target Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statements of cash flows as cash flows from financing activities.

	Amounts due to fellow subsidiaries	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2020	474,712	1,610	476,322
Financing cash flows	70,034	(1,004)	69,030
New lease entered *(Note 31)*	–	1,248	1,248
Interest expense	1,729	78	1,807
Exchange adjustments	–	109	109
At 31 December 2020	546,475	2,041	548,516
Financing cash flows	(30,825)	(1,703)	(32,528)
New lease entered *(Note 31)*	–	2,562	2,562
Interest expense	–	49	49
Exchange adjustments	–	89	89
At 31 December 2021	515,650	3,038	518,688
Financing cash flows	20,369	(2,060)	18,309
Offsetting with amounts due from fellow subsidiaries	(396,840)	–	(396,840)
New lease entered *(Note 31)*	–	3,565	3,565
Interest expense	–	114	114
Exchange adjustments	–	72	72
At 31 December 2022	139,179	4,729	143,908

27. RETIREMENT BENEFITS SCHEMES

(a) The Target Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Target Group, in funds under the control of trustees. Both the Target Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The cap of contribution amount is HK$1,500 per employee per month. Where there are employees who have leave the Target Group prior to vesting fully in the voluntary contributions, the contributions was payable by the Target Group are reduced by the amount of forfeited voluntary contributions. None of the forfeited contributions utilised in this manner for the Relevant Period.

Certain subsidiaries of the Target Company participate in various benefits schemes operated by the relevant municipal and provincial governments for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Target Group contributes 7%, 12%, 22%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

The employer's contribution to the MPF Scheme and various benefits schemes in the PRC are disclosed in note 8.

(b) Pursuant to the Employment Ordinance, Chapter 57, the Target Group has the obligation to pay Long Service Payment ("LSP") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula: Last monthly wages (before termination of employment) × 2/3 × Years of service.

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Target Group to utilise the Target Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement').

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the Hong Kong SAR Government, which is expected to be in 2025 (the "Transition Date"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date.

The Target Group's LSP obligation, taking into consideration of the Offsetting Arrangement, is considered to be insignificant and no provision has been recognised as at 31 December 2020, 2021 and 2022.

28. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Target Group entered into the following transactions with related parties:

	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Interest expense to a fellow subsidiary	1,729	–	–

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE TARGET COMPANY

Name	Place of incorporation/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital held by the Target Company			Principal activities
			2020	2021	2022	
			%	%	%	
CASH Quant-Finance Lab Limited	Hong Kong	Ordinary HK$1	100	100	100	Investment trading
CASH Quant-Finance Trading Limited	Hong Kong	Ordinary HK$1	100	100	100	Inactive
Sino Brilliance Limited	BVI	Ordinary USD1	100	100	100	Investment holding
上海群博資產有限公司	PRC	Registered capital RMB20,000,000	100	100	100	Provision of asset management services
群博量化指數增強私募證券投資基金	PRC	Paid up capital 6,911,659.49 units	22.8 *(Note)*	58.84 *(Note)*	N/A *(Note)*	Fund investment
群博多策略對沖私募證券投資基金	PRC	Paid up capital 17,801,259.51 units	75.9 *(Note)*	96.93 *(Note)*	99.80 *(Note)*	Fund investment

Note: For these investment funds, the directors of the Target Company concluded that the variable returns the Target Group exposed to are significant, the Target Group is primarily acting as a principal and not subject to substantive removal rights held by other parties who may remove the Target Group as an investment manager. Therefore, the Target Group consolidated these investment funds throughout the reporting period. Details of the determination of consolidation of investment funds are disclosed in note 4.

30. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

	As at 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Investments in subsidiaries	–	–	–
Current assets			
Receivables from securities brokers	46,996	40,861	42,789
Financial assets at FVTPL	3,804	–	–
Amounts due from subsidiaries	176,899	171,253	1,200
Bank balances and cash	873	2,450	378
	228,572	214,564	44,367
Current liabilities			
Accrued liabilities and other payables	553	6	8,131
Amounts due to subsidiaries	157,318	157,318	–
Amounts due to fellow subsidiaries	204,762	201,913	11,356
	362,633	359,237	19,487
Net current (liabilities) assets	(134,061)	(144,673)	24,880
Net (liabilities) assets	(134,061)	(144,673)	24,880
Capital and reserves			
Share capital	–#	–#	–#
Reserves	(134,061)	(144,673)	24,880
	(134,061)	(144,673)	24,880

Reserves of the Target Company:

	Share capital	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	–#	–	(135,960)	(135,960)
Profit and total comprehensive income for the year	–	–	1,899	1,899
At 31 December 2020	–#	–	(134,061)	(134,061)
Loss and total comprehensive expense for the year	–	–	(10,612)	(10,612)
At 31 December 2021	–#	–	(144,673)	(144,673)
Profit and total comprehensive income for the year	–	–	4,553	4,553
Allotment of shares *(Note 22)*	–#	165,000	–	165,000
At 31 December 2022	–#	165,000	(140,120)	24,880

Less than HK$1,000

31. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the Target Company had arranged netting arrangements with certain fellow subsidiaries of the Target Company agreed to net off the amounts from/to fellow subsidiaries amounted to HK$396,840,000.

During the year ended 31 December 2022, the allotment of shares of HK$165,000,000 of the Target Company has been settled through amounts due from fellow subsidiaries.

In addition, the Target Group entered into new lease contracts and modified certain lease contracts for the use of retail stores for 1 to 6 years. On the lease commencement/modification date, the Target Group recognised in aggregate of HK$1,337,000, HK$2,625,000 and HK$2,832,000 of right-of-use assets and HK$1,248,000, HK$2,562,000 and HK$3,565,0000 of lease liabilities during the years ended 31 December 2020, 2021 and 2022.

During the year ended 31 December 2021, loan from a fellow subsidiary of HK$39,940,000 has been transferred to amount due to a fellow subsidiary in view of termination of loan arrangement.

32. DIVIDEND

No dividend was declared or paid by the Target Company in respect of the Relevant Period.

33. SUBSEQUENT EVENTS

No subsequent events took place subsequent to the end of the Relevant Period.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2022.

The following discussion and analysis should be read in conjunction with the financial information of the Target Group for the three years ended 31 December 2020, 2021 and 2022 (the "**Relevant Period**"), as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Company is a company incorporated in the British Virgin Islands with limited liability. The Target Group is a pioneer in quantitative finance and algo trading business. It marries expertise in financial markets with innovation in technology, engaging leading edge FinTech to create superior and sustainable value for investors. It launched its first algo trading strategy in 2009, and had since expanded into multiple strategies and tactics covering multiple markets. In 2017, the Target Group also introduced quant funds to provide asset management services to institutional clients, funds and high-net-worth individuals.

FINANCIAL REVIEW

(1) For the year ended 31 December 2020

Revenue

For the year ended 31 December 2020, the Target Group recorded a revenue of HK$3.6 million derived from management fee and performance fee received from fund management services.

Loss for the year

For the year ended 31 December 2020, the Target Group recorded a net loss of HK$10.9 million, mainly due to operating loss.

Segmental information

The Target Group had only one reportable segment during the year ended 31 December 2020.

Liquidity and financial resources

The Target Group had a total deficit in equity of HK$181.1 million as at 31 December 2020.

The Target Group had no outstanding bank borrowing as at 31 December 2020.

As at 31 December 2020, the Target Group had cash and bank balances amounting to HK$4.2 million and a deposit with broker amounting to HK$101.6 million.

The Target Group derived its revenue mainly in RMB and maintained bank balances in its bank accounts mainly in Hong Kong dollars.

The liquidity ratio as at 31 December 2020 was 0.7 times. As there was no outstanding borrowing in the Target Group, gearing ratio, which represents the ratio of interest bearing borrowings of the Target Group divided by the total equity, was not applicable as at 31 December 2020.

The Target Group's treasury policies were to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings were maintained at healthy levels to meet its business needs.

Significant investment

The Target Group had HK$11.5 million investment, composing of (i) HK$3.8 million mainly invested in Hong Kong securities and (ii) HK$7.7 million, denominated in RMB, invested in private funds in Shanghai as at 31 December 2020. The Target Group invested in two private funds in Shanghai which performed high frequently trading in futures. As at 31 December 2020, the Target Group held (i) 2.1 million units of Qunbo Multi-Strategy Hybrid Private Equity Fund* (群博多策略混合私募基金), and (ii) 4.1 million units of Qunbo Quantitative Index Enhanced Private Securities Investment Fund* (群博量化指數增強私募證券投資基金), representing approximately 15.6% and 22.8% interest respectively in the investments. The fair value of the aforesaid investment in the funds was RMB4.6 million, and RMB5.5 million respectively and the cost of investment was RMB2.1 million, and RMB5.0 million respectively as at 31 December 2020. The return of the aforesaid investment of the funds, during the period, was 2.0%, and -19.8% respectively. The Target Group aimed to hold the investment for long term for value appreciation.

Material acquisition or disposal of subsidiaries, associates or joint ventures

The Target Group did not make any material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2020.

Contingent liabilities

The Target Group did not have any material contingent liabilities as at 31 December 2020.

Charge on assets

The Target Group did not have any charge on its assets as at 31 December 2020.

Foreign exchange exposure

The Target Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches as at 31 December 2020.

Future plans for material investments or capital assets

The Target Group had no future plan for material investments or capital assets as at 31 December 2020.

Employees and remuneration policy

As at 31 December 2020, the total number of employees of the Target Group was 20. For the year ended 31 December 2020, the employee salary and benefit expenses of the Target Group amounted to HK$6.1 million.

(2) For the year ended 31 December 2021

Revenue

For the year ended 31 December 2021, the Target Group recorded revenue of HK$6.0 million, representing an increase of 66.7% as compared with HK$3.6 million for the same period in 2020, mainly due to the increase in management fee and performance fee received from fund management and income in net gain on financial asset at FVTPL.

Profit for the year

The Target Group recorded a net profit of HK$2.0 million for the year ended 31 December 2021, as compared to a net loss of HK$10.9 million for the same period in 2020, mainly due to the increase in revenue.

Segmental information

The Target Group had only one reportable segment during the year ended 31 December 2021.

Liquidity and financial resources

The Target Group had a total deficit in equity of HK$182.2 million as at 31 December 2021 as compared to HK$181.1 million as at 31 December 2020. The decrease in total equity was mainly due to exchange difference on translation of foreign operation for the year ended 31 December 2021.

The Target Group had no outstanding bank borrowing as at 31 December 2021.

As at 31 December 2021, the Target Group's cash and bank balances increased to HK$5.7 million from HK$4.2 million as at 31 December 2020 and the deposit with broker decreased to HK$93.6 million from HK$101.6 million as at 31 December 2020.

The Target Group derived its revenue mainly in RMB and maintained bank balances in its bank accounts mainly in Hong Kong dollars.

The liquidity ratio as at 31 December 2021 remained unchanged. As there was no outstanding borrowing in the Target Group, gearing ratio, which represents the ratio of interest bearing borrowings of the Target Group divided by the total equity, was not applicable as at 31 December 2021.

The Target Group's treasury policies were to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings were maintained at healthy levels to meet its business needs.

Significant investment

The Target Group had HK$8.3 million investment, denominated in RMB, invested in private funds in Shanghai as at 31 December 2021. The Target Group invested in one private fund in Shanghai which performed high frequently trading in futures. As at 31 December 2021, the Target Group held 2.1 million units of Qunbo Multi-Strategy Hybrid Private Equity Fund* (群博多策略混合私募基金), representing approximately 21.4% interest in the investments. The fair value of the aforesaid investment in the funds was RMB6.5 million and the cost of investment was RMB2.1 million, as at 31 December 2021. The return of the aforesaid investment of the funds, during the period, was 40.9%. The Target Group aimed to hold the investment for long term for value appreciation.

Material acquisitions or disposal of subsidiaries, associates or joint ventures

The Target Group did not make any material acquisitions or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2021.

Contingent liabilities

The Target Group did not have any material contingent liabilities as at 31 December 2021.

Charge on assets

The Target Group did not have any charge on its assets as at 31 December 2021.

Foreign exchange exposure

The Target Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches during the year ended 31 December 2021.

Future plans for material investments or capital assets

As at 31 December 2021, the Target Group had no future plan for material investments or capital assets.

Employees and remuneration policy

As at 31 December 2021, the total number of employees of the Target Group was 16. For the year ended 31 December 2021, the employee salary and benefit expenses of the Target Group amounted to HK$6.3 million.

(3) For the year ended 31 December 2022

Revenue

For the year ended 31 December 2022, the Target Group recorded revenue of HK$4.4 million, representing a decrease of 26.7% as compared with HK$6.0 million for the same period in 2021, mainly due to decrease in management fee received.

Profit/(Loss) for the year

The Target Group recorded a net profit of HK$15.9 million for the year ended 31 December 2022 as compared to a net profit of HK$2.0 million for the same period in 2021, mainly due to net gain on financial asset at FVTPL.

Segmental information

The Target Group had only one reportable segment during the year ended 31 December 2022.

Liquidity and financial resources

The Target Group's total deficit in equity amounted to HK$7.4 million as at 31 December 2022 as compared to a deficit in equity of HK$182.2 million as at 31 December 2021. The increase in total equity was mainly due to the recognition of a shareholder loan for the year ended 31 December 2022.

The Target Group had no outstanding bank borrowing as at 31 December 2022.

As at 31 December 2022, the Target Group's cash and bank balances decreased to HK$4.4 million from HK$5.7 million as at 31 December 2021 and the deposit with broker increased to HK$145.9 million from HK$93.6 million as at 31 December 2021.

During the year ended 31 December 2022, the Target Group derived its revenue mainly in RMB and maintains bank balances in its bank accounts mainly in Hong Kong dollars.

The liquidity ratio as at 31 December 2022 increased to 1.0 times from 0.7 times as at 31 December 2021. As there is no outstanding borrowing in the Target Group, gearing ratio, which represents the ratio of interest bearing borrowings of the Target Group divided by the total equity, was not applicable as at 31 December 2021.

The Target Group's treasury policies were to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings were maintained at healthy levels to meet its business needs.

Significant investment

The Target Group had HK$10.6 million investment, denominated in RMB, invested in private funds in Shanghai as at 31 December 2022. The Target Group invested in two private funds in Shanghai which performed high frequently trading in futures. As at 31 December 2022, the Target Group held (i) 2.9 million units of Qunbo Multi-Strategy Hybrid Private Equity Fund* (群博多策略混合私募基金), and (ii) 0.5 million units of Qunbo Quantitative Index Enhanced Private Securities Investment Fund* (群博多策略精選私募證券投資基金), representing approximately 29.9%, and 0.4% interest respectively in the investments. The fair value of the aforesaid investment in the funds was RMB9.9 million, and RMB0.7 million respectively and the cost of investment was RMB4.6 million, and RMB0.7 million respectively as at 31 December 2022. The return of the aforesaid investment of the funds, during the period, was 10.5% and 0.1% respectively. The Target Group aimed to hold the investment for long term for value appreciation.

Material acquisition or disposal of subsidiaries, associates or joint ventures

During the year ended 31 December 2022, the Target Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures.

Contingent liabilities

The Target Group did not have any material contingent liabilities during the year ended 31 December 2022.

Charge on assets

The Target Group did not have any charge on its assets as at 31 December 2022.

Foreign exchange exposure

The Target Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches as at 31 December 2022.

Future plans for material investments or capital assets

As at 31 December 2022, the Target Group had no future plan for material investments or capital assets.

Employees and remuneration policy

As at 31 December 2022, the total number of employees of the Target Group was 17. For the year ended 31 December 2022, the employee salary and benefit expenses of the Target Group amounted to HK$13.7 million.

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of the Enlarged Group ("**Unaudited Pro Forma Financial Information**") is prepared by the Directors to illustrate the effect of the Transaction, as if the Transaction had been completed on 31 December 2022. Details of the Transaction are set out in the section headed "Letter from the Board" contained in this circular.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules, for the purpose of illustrating the effect of the Transaction pursuant to the terms of the Agreement.

The unaudited pro forma statement of assets and liabilities is prepared based on the information on audited consolidated statement of financial position of the Group as at 31 December 2022, which has been extracted from the published annual report of the Company for the year ended 31 December 2022 and after making pro forma adjustments relating to the Transaction that are (i) directly attributable to the Transaction and (ii) factually supportable, as if the Transaction had been completed on 31 December 2022. The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Transaction been completed as at 31 December 2022 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group and the Target Group, as set out in the annual report of the Company for the year ended 31 December 2022 and the accountants' report on the Target Group as set out in Appendix II to this circular, and other financial information included elsewhere in the circular.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group

	The Group as of 31 December 2022	The Target Group as of 31 December 2022	Pro forma Adjustments		Unaudited pro forma total for the Enlarged Group as at 31 December 2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)			(unaudited)
	Note 1	Note 2	Note 3	Note 4	
ASSETS					
Non-current assets					
Property and equipment	27,875	4,423			32,298
Intangible assets	9,092	–			9,092
Club debentures	660	–			660
Other assets	5,353	–			5,353
Rental and utility deposits	1,219	402			1,621
Financial assets at fair value through other comprehensive income	24,328	–			24,328
Loans receivable	859	–			859
Financial assets at fair value through profit or loss	4,812	–			4,812
Total non-current assets	**74,198**	**4,825**			**79,023**
Current assets					
Accounts receivable	188,418	146,331			334,749
Contract assets	2,755	–			2,755
Loans receivable	10,135	–			10,135
Prepayments, deposits and other receivables	29,093	–			29,093
Financial assets at fair value through profit or loss	22,767	10,655			33,422
Bank balances - trust and segregated accounts	482,196	–			482,196
Bank balances (general accounts) and cash	243,571	4,420	(1,600)	(1,500)	244,891
Total current assets	**978,935**	**161,406**	**(1,600)**	**(1,500)**	**1,137,241**
Total assets	**1,053,133**	**166,231**	**(1,600)**	**(1,500)**	**1,216,264**

	The Group as of 31 December 2022	The Target Group as of 31 December 2022	Pro forma Adjustments		Unaudited pro forma total for the Enlarged Group as at 31 December 2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)			(unaudited)
	Note 1	Note 2	Note 3	Note 4	
LIABILITIES					
Current liabilities					
Accounts payable	510,925	–			510,925
Accrued liabilities and other payables	26,714	15,162			41,876
Financial liabilities arising from consolidated investment funds	–	5,757			5,757
Taxation payable	3,000	–			3,000
Lease liabilities	10,493	3,128			13,621
Bank borrowings	80,064				80,064
Amount due to CASH Group		139,179			139,179
Loan from a related party	66,861	–			66,861
Total current liabilities	**698,057**	**163,226**			**861,283**
Net current assets (liabilities)	**280,878**	**(1,820)**	**(1,600)**	**(1,500)**	**278,958**
Non-current liabilities					
Lease liabilities	14,376	1,601			15,977
Deferred tax liabilities	–	8,793			8,793
Provision of restoration	1,842	–			1,842
Total non-current liabilities	**16,218**	**10,394**			**26,612**
Total liabilities	**714,275**	**173,620**			**887,895**
Net assets (liabilities)	338,858	**(7,389)**	(1,600)	(1,500)	328,369

Notes

(1) The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2022 as set out in the published annual report of the Company for the year ended 31 December 2022.

(2) The balances are extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2022 as set out in Appendix II to the Circular.

(3) The consideration for the sale land purchase of 51% equity interest in the Target Company under the Agreement amounting to HK$61 million to be settled by HK$10 million in cash and HK$51 million by the issue of the new shares of the Company. For the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities, the Transaction is assumed to have taken place on 31 December 2022 and accounted for as a business combination under common control since the Group and the Target Company are both controlled by CASH before and after the Transaction, and that control is not transitory. Assets and liabilities of the Target Group will be consolidated at their respective carrying amounts. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

Pursuant to the Agreement, in the event that the consolidated net asset value of the Target Group as at 31 January 2023 is less than HK$1 million, CPL shall pay or cause to be paid to the Company an amount equivalent to such shortfall within seven (7) business days of Completion. However, the Target Group reported a net liabilities of HK$7.4 million as of 31 December 2022. Assuming completion had taken place on 31 December 2022, the amount of shortfall (from the HK$1 million of net asset value) would be HK$8.4 million, and such amount would have been compensated by CPL to the Company at completion. Such amount would have been set off against the HK$10 million cash consideration payable by the Company to CPL, such that the net cash outflow of the Enlarged Group at completion would be HK$1.6 million.

(4) The adjustment represents the payment of estimated transaction costs of approximately HK$1,500,000 that are directly attributable to the Transaction would have been charged to profit or loss.

(5) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte.

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

To the Directors of CASH Financial Services Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CASH Financial Services Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2022 and related notes as set out on pages IV-1 to IV-4 of the circular issued by the Company dated 9 May 2023 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-4 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 51% interest in CASH Algo Finance Group International Limited (the "**Proposed Acquisition**") on the Group's financial position as at 31 December 2022 as if the Proposed Acquisition had taken place at 31 December 2022. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2022, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements 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.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including 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 4.29(7) of the 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 have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 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 an investment is solely to illustrate the impact of the Proposed Acquisition on the unadjusted financial information of the Group as if the Proposed Acquisition had occurred or had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2022 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 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 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 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 9 May 2023

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, the Valuer, in connected with its valuation of the Target Group as at 30 November 2022.

30 November 2022

The Board of Directors
CASH Financial Services Group Limited
22nd Floor, Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

Dear Sirs,

Re : Valuation of 100% equity interest in CASH Algo Finance Group International Limited and its subsidiaries

In accordance with your instruction, we have conducted a valuation of the market value of 100% equity interest in CASH Algo Finance Group International Limited (the "**Business Enterprise**") and its subsidiaries (collectively, the "**Group**"). It is our understanding that the Group is principally engaged in the provision of asset management service and conducting proprietary investment business in the People's Republic of China (the "**PRC**" or "**China**") and Hong Kong. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of 100% equity interest in the Group as at 30 November 2022 (the "**Valuation Date**").

This report states the purpose of valuation and basis of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF VALUATION

This report is being prepared solely for the use of the directors and management (together, the "**Management**") of Confident Profits Limited (the "**Company**"), which is a wholly owned subsidiary of CASH Financial Services Group Limited (the "**ListCo**"), for internal reference and incorporation into the circular of the ListCo. The ListCo is listed on the Main Board of The Stock Exchange of Hong Kong Limited. According to our understanding, the ListCo intends to acquire 51% equity interest of the Group.

Peak Vision Appraisals Limited ("**Peak Vision Appraisals**") acknowledges that this report may be used by the ListCo as one of the sources of information for the proposed acquisition of the Group and may also be made available to the auditor of the ListCo for auditing reference only. The proposed acquisition, if materialised, and the corresponding transaction price would be the result of negotiations between the transacting parties. The Management should be solely responsible for determining the consideration of the proposed acquisition, in which Peak Vision Appraisals is not involved in the negotiation and has no comment on the agreed consideration. Peak Vision Appraisals assumes no responsibility whatsoever to any person other than the Management 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 on their own risk.

2.0 BASIS OF VALUE

Our valuation has been prepared in accordance with the HKIS Valuation Standards 2020 (the "**HKIS Valuation Standards**") published by the Hong Kong Institute of Surveyors and the International Valuation Standards (Effective 31 January 2022) (the "**IVS**") published by the International Valuation Standards Council, where applicable.

Our valuation of the Group is based on the going concern premise and conducted on market value basis. **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".

3.0 SOURCES OF INFORMATION

In the course of our valuation, we have conducted company visit of the Group in December 2022 and had discussion with the Management on the development of the Group and the prospect of the asset management and proprietary investment industries in the PRC and Hong Kong. We have also relied on the following major documents and information in the valuation analysis. Some of the information and materials are furnished by the Management. Other information is extracted from public sources such as government sources, Refinitiv, Kroll Cost of Capital Navigator*, etc.

* *Kroll Cost of Capital Navigator is a global cost of capital tool and data delivery platform developed by Kroll Inc. (rebranded from Duff & Phelps LLC in 2022), which is a leading independent corporate investigation, risk consulting and financial advisory solutions provider established in 1972.*

The major documents and information include the following:

- Copies of certificate(s) or license(s) and other relevant information of the Group provided by the Management or extracted from public sources;
- Business registration details of the Group;
- Historical financial information such as income statements and balance sheets of the Group provided by the Management;
- Operational information of the Group as discussed with the Management; and
- Industry and economic data.

We consider that we have obtained adequate information from the sources described above to provide a reliable opinion of market value.

4.0 LIMITATIONS AND RELIANCE ON INFORMATION

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.

This report is based upon business, financial and other information provided by the Management. We have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

Preparation of this report does not imply that Peak Vision Appraisals has audited in any way the financial information or other records of the Group. It is understood that the financial information provided is prepared in accordance with generally accepted accounting principles and has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Group as at the respective financial statement dates.

5.0 BACKGROUND INFORMATION

5.1 Business Enterprise

CASH Algo Finance Group International Limited (the Business Enterprise) is a BVI company established in the British Virgin Islands on 9 November 2007 under the BVI company number 1442772. The registered address of the Business Enterprise is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the British Virgin Islands. As advised by the Management, the Business Enterprise is an investment holding company and indirectly wholly owns 上海群博資產管理有限公司(the "**Operating Company**"), the principal operating company of the Group.

5.2 上海群博資產管理有限公司(Operating Company)

上海群博資產管理有限公司(the Operating Company) is a limited liability company established in the PRC on 22 April 2014 with a registered capital of RMB20,000,000. The following table summarizes the business registration details of the Operating Company according to National Enterprise Credit Information Publicity System (國家企業信用信息公示系統):

Unified social credit code	:	9131011530156730XR
Company name	:	上海群博資產管理有限公司(the Operating Company)
Incorporation type	:	有限責任公司(自然人投資或控股) (Limited liability company (invested or controlled by natural person))
Incorporation date	:	22 April 2014
Registered capital	:	RMB20,000,000
Registered address	:	中華人民共和國上海市中國(上海)自由貿易試驗區加楓路26號108室(Room 108, No. 26 Jiafeng Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC)
Confined business scope	:	Asset management, investment management (Activities requiring approval by law, require approval from relevant departments before carrying out business activities)

Table 1: Business registration details of the Operating Company
Source: National Enterprise Credit Information Publicity System

5.3 Shareholding Structure

As advised by the Management, the shareholding structure of the Group as at the Valuation Date is shown as follows:

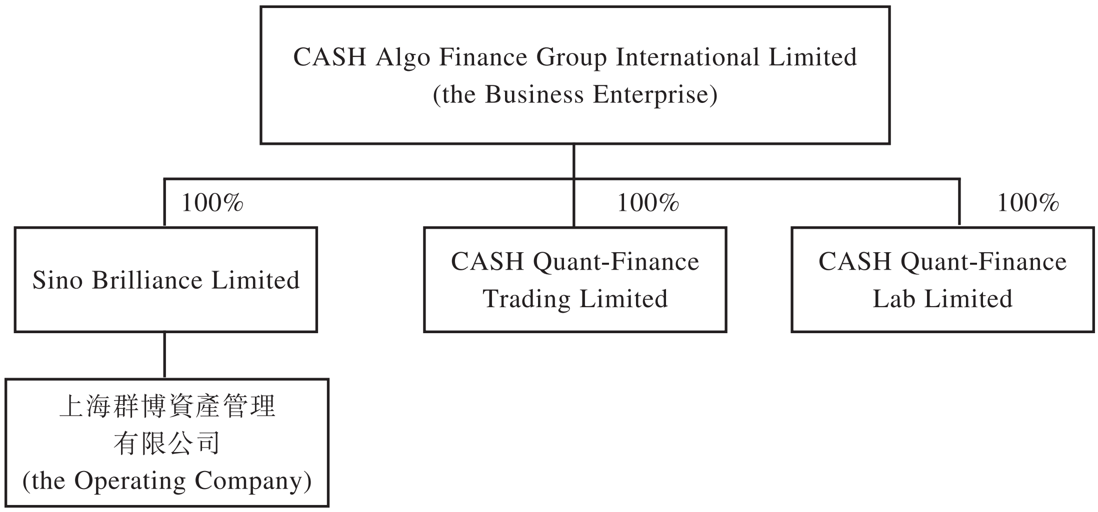


Figure 1: Shareholding structure of the Group
Source: Management

6.0 BUSINESS OVERVIEW

The Group is principally engaged in the provision of asset management service and conducting proprietary investment business in the PRC and Hong Kong. Leveraging on the Group's experienced professional team and utilizing cutting-edge financial technology ("**Fintech**"), the Group strives to create superior and sustainable value for investors.

6.1 Investment Features

The Group launched its first algo trading strategy in 2009, and had since then expanded into multiple strategies and tactics covering multiple industries. As advised by the Management, some of the investment features of the Group are shown as follows:

Strategy

Macro economic data is employed as the basis for its in-house model building, and a programmatic trading model is built with price and volume data. The Group combines arbitrage, trend following, and mean regression to build a comprehensive commodity trading advisor ("**CTA**") strategy for multi-asset classes trading.

Correlation

The Group seeks return opportunities by using the price and volume statistics with low correlation with traditional asset classes, which would effectively reduce the volatility of the asset portfolio and create long-term stable value.

Transaction type

The Group trades 24 hours a day and employs multi-strategies and transacts multi-asset classes with day trading and holds positions for an average of 3-4 hours.

Risk Management

The Group employs stop loss mechanism and position limit as its major risk management systems. Stop loss mechanism includes single trade stop loss, strategic level stop loss and combined dynamic stop loss; whereas position limit includes strategic level position limit, trading position limit, strategic early warning mechanisms.

6.2 Portfolios Managed by the Group

In 2017, the Group introduced its first quant funds to provide asset management services to institutional clients, funds and high-net-worth individuals. As at the Valuation Date, the Group was managing 7 funds with different investment objectives with a total asset under management ("**AUM**") of approximately HK$465 million. A summary for the details of the funds is shown on the following table:

Fund name	Investment objective	Investment Strategy	Major invested asset class	Invested Market	Invested industry	Average holding period	Margin level (%)	Management fee (%)	Performance fee (%)/ High water marks	Lock-up period
量化指數	Short term speculation	CTA	Futures	The PRC	Energy/Metal/Agriculture/ Financial future	3-4 hours	30	0	20/1.3397	No
混合	Short term speculation	CTA	Futures	The PRC	Energy/Metal/Agriculture/ Financial future	3-4 hours	30	1.5	20	No
對沖	Short term speculation	CTA	Futures	The PRC	Energy/Metal/Agriculture/ Financial future	3-4 hours	30	1.5	20	No
精選	Short term speculation	CTA	Futures	The PRC	Energy/Metal/Agriculture/ Financial future	3-4 hours	30	1.5	20/1.4360	No
國標一號	Short term speculation	CTA	Futures	The PRC	Energy/Metal/Agriculture/ Financial future	3-4 hours	30	1.5	20	No
宏觀靈活	Capital appreciation	Value investment	Listed equities	The PRC and Hong Kong	Multi-industry	6 months	70	1	20/1.7660	No
科創	Capital appreciation	Value investment	Listed equities	The PRC and Hong Kong	Multi-industry	6 months	95	1.5	20	No

Table 2: Summary of the funds managed by the Group
Source: Management

As a pioneer in quantitative finance and algo trading in Asia, the Group recognizes the importance of a low-latency platform integrated with a robust real-time risk management system. With the proprietary and scalable platform, the Group serves existing strategies in multiple markets and is continuously expanding into new markets, and is using the cutting-edge algorithmic technologies to optimize risk-adjusted returns across a broad range of asset classes.

The Group also provides an algo incubation service to assist algo traders, quant strategists, and academia who are dedicated to researching, developing, testing and launching their trading ideas. The Group has also established a proprietary one-stop platform for the entire investment lifecycle, supporting data analytics, strategy deployment, smart execution and robust risk management.

6.3 Key Management of the Group

Key management of the Group are as follows:

Ms. Angela Sze-kai Wong is the deputy chief executive officer of the Group. Ms. Wong, aged 55, joined the Group in February 2004. She is in charge of the overall operations of the Group. She has extensive experience in financial services and wealth management in North America, Hong Kong and China. Ms. Wong is an Executive MBA of Tsinghua University, Beijing and a CFA charterholder.

Dr. Alfred Ka-chun Ma is the managing director of the Group. Dr. Ma, aged 43, joined the Group in December 2021. He is in charge of research and development for algorithmic trading and data analytics. He has extensive experience in the field of financial engineering and algorithmic trading. Dr. Ma received a Doctor of Philosophy Degree in Operations Research from the Columbia University, the United States, a Master of Philosophy Degree in Mathematics and a Bachelor of Science Degree in Mathematics from The Chinese University of Hong Kong. He is a holder of Certificate in Investment Performance Measurement from the CFA Institute, the United States, an associate of the Society of Actuaries, the United States and a Professional Risk Manager of The Professional Risk Managers' International Association, the United States.

As at the Valuation Date, including the above key management, the Group had a total of 17 staff.

6.4 Historical Financial Performance and Position

According to the financial information of the Group, for the 11 months ended 30 November 2022, the Group recognized revenue of approximately HK$5,747,000, other income of approximately HK$37,400,000 and profit after tax of approximately HK$9,172,000. As at the Valuation Date, the Group had a net liability position of approximately HK$174 million.

As advised by the Management, shareholder loan in the sum of approximately HK$165 million (the "Shareholder loan") will be capitalized and become share capital of the Group before completion of the proposed acquisition.

7.0 INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to the asset management and proprietary investment industries in the PRC and Hong Kong, and the development, operations and other relevant information of the Group. In addition, we have made relevant inquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to the financial information and other pertinent data concerning the Group provided to us by the Management.

The valuation of the Group requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Group;
- Historical information of the Group;
- Financial performances and positions of the Group;
- Proposed business development of the Group;
- Regulations and rules of the asset management and proprietary investment industries in the PRC and Hong Kong;
- Economic and industry data affecting the asset management and proprietary investment industries and other dependent industries;
- Market-derived investment return(s) of similar business; and
- Industry and economic data.

8.0 GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to obtain the market value of the business subject, namely the Market Approach, the Asset Approach and the Income Approach. Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

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 specific characteristics of the subject of the valuation. It is also common practice to employ a number of valuation methods under each approach. Therefore, no single business valuation approach or method is definitive.

8.1 Market Approach

The Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests 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 pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value 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.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to derive an indication of value.

8.2 Asset Approach

The Asset 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 the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the fund that has been made available to purchase the business assets needed.

This fund comes from investors who buy stocks of the business entity (equity) and investors who lend fund to the business entity (debt). After collecting the total amounts of fund from equity and debt, and converted into various types of assets of the business entity for its operation, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the value of all types of assets of a business entity from book value, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

8.3 Income Approach

The Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this 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.

9.0 VALUATION ANALYSIS

9.1 Valuation Approaches

In the process of valuing the business subject, we have considered the nature of the Group, specialty of its operations, its current condition, and the industries it is participating. Having considered the three general valuation approaches, we consider that the Market Approach would be appropriate and reasonable in the valuation of the market value of the Group.

In this valuation, the Income Approach is not adopted as long-term forecasts are unavailable. The Asset Approach is not applied as the valuation of the Group is conducted on a going concern basis, and the summation of its assets is inappropriate as such method ignores the future economic benefits of the business as a whole. We have therefore solely relied on the Market Approach in determining our opinion of value.

Under the Market Approach, we have considered two commonly used methods of valuation, the Guideline Public Company Method and the Comparable Transaction Method. The Guideline Public Company Method is applied as there are a certain number of public traded companies engaged in the same or similar line of business as the Group that can be identified. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to permit meaningful comparison. The application of Comparable Transaction Method is limited as there are insufficient comparable transactions to form a reliable opinion of value.

For the valuation of the Group, we have employed the price to earnings ("**P/E**") ratio. We consider P/E ratio to be the most appropriate multiple in valuing the Group when compared to other commonly adopted price multiples such as price to sales ("**P/S**") and price to book ("**P/B**") ratios in valuing financial institutions due for the following reasons:

- Earnings is the primary determinant of value;
- Price to sales (P/S) and price to book (P/B) ratios do not account for the profitability of the business, and fail to reflect the true earnings power and value of the business; and
- The Group had a net liability position as at the Valuation Date. As such, price to book (P/B) ratio cannot be used in our valuation analysis.

9.2 Comparable Companies

In the course of our valuation, we have identified a total of 11 guideline public companies for our analysis. Since the Group is principally engaged in asset management and proprietary investment businesses, there are no perfect match of comparable companies with exactly the same financial performance, business operations and risk profile as the business subject. However, the comparable companies we identified are also engaged in the asset management and proprietary investment industries and therefore we consider they are subject to similar business, industry and economic risks and rewards as the Group. Selection criteria of comparable companies are listed as follows:

a. Companies that are actively traded and publicly listed in developed financial markets in the Asia Pacific region (including China, Hong Kong, Japan, Singapore and South Korea)[(1)];

b. Over 50% of the revenue is derived from asset management and/or proprietary investment; and

c. Profit making.

(1) Given that only very limited comparable companies were listed in Hong Kong and China with similar operations as the Group (i.e. income mainly derived from asset management and/or proprietary investment) which were profit making, we have expanded our comparable companies selection criteria to include asset management and/or proprietary investment companies listed in the financial markets in the Asia Pacific region. We consider asset management and/or proprietary investment companies in these active, free, well developed financial markets in the Asia Pacific region would offer similar products, having similar income structure, and also facing similar industry risk and rewards as the Group, thus, we selected companies listed on these financial markets as our comparable companies.

Based on our exhaustive search of the Refinitiv database using the criteria above, the 11 guideline public companies are set out below:

Refinitiv Ticker	Company Name
000567.SZ	Hainan Haide Capital Management Co., Ltd.
1359.HK	China Cinda Asset Management Co., Ltd.
1821.HK	ESR Group Ltd.
2497.T	United Inc.
3266.T	Fund Creation Group Co., Ltd.
4765.T	SBI Global Asset Management Co., Ltd.
7176.T	Simplex Financial Holdings Co., Ltd.
HOTU.SI	Hotung Investment Holdings Ltd.
246690.KQ	TS Investment Corp
293580.KQ	Nau IB Capital
298870.KQ	Daol Investment Co., Ltd.

Table 3: Comparable guideline public companies
Source: Refinitiv, Peak Vision Appraisals

The above comparable companies, together with the Group, are subject to similar fluctuations in the economy and performance of the asset management and proprietary investment industries, among other factors. Thus, we consider they are confronted with similar risks and rewards and are therefore good and relevant comparables to the Group.

9.3 Multiple Ratios

In order to form a meaningful and fair valuation, we have adjusted the differences in characteristics between the Group and the comparable companies.

Different companies are exposed to different levels of risk, in terms of industry risk, size premium, country risk and other relevant specific risk, etc. Therefore, the multiples of comparable companies should be adjusted so that they reflect the risk of the Group. In the course of our valuation, we have assessed the risk relative to the comparable companies by making reference to their sizes and listing locations, and accordingly adjusted the multiples upward or downward where appropriate based on the differences.

A number of studies[(1)] were conducted in the United States which concludes that the risk premium associated with a small company is over and above the amount that would be warranted. An investor would demand more in order to compensate for the additional risk over that of the entire stock market when investing in a small size company. Thus, in this appraisal, the comparable company multiples are size-adjusted with reference to "Adjusting Guideline Multiples for Size" by Michael Mattson, Don Shannon and Don M. Drysdale published in September/October 2001 Valuation Strategies[(2)], which is an independent research commonly adopted by practitioners, with the following formula adopted in deriving the size adjustment:

$$\text{Adjusted Multiple} = \frac{1}{\dfrac{1}{\text{Multiple}} + \text{Size differentials*}}$$

In the course of our valuation, we have made reference to Cost of Capital by Kroll Cost of Capital Navigator as at 31 December 2021, which is an independent research commonly adopted by practitioners, for the size differentials.

Based on the above formula, we have further added the differentials of country risk premiums, determined with reference to the data published on Damodaran Online[(3)] (http://pages.stern.nyu.edu/~adamodar/), updated in 2022.

(1) These studies include "Risk Premium Report 2013" published by Duff & Phelps LLC, a leading global independent financial advisory solutions provider specializing in valuation services; and "Volatility and Premiums in US Equity Returns" published by Eugene F. Fama and Kenneth R. French, in which Eugene F. Fama shared the Nobel Memorial Prize in Economic Sciences for his empirical analysis of asset prices.

(2) The lead author, Michael Mattson, is a self-employed valuation professional. He received his MBA from the University of Chicago and previously worked with Ibbotson & Associates, PricewaterhouseCoopers, Lasalle Consulting Group, and McGraw-Hill/DRI before going out on his own. He wrote the chapter on guideline public company analysis for Jim Hitchner's book, Financial Valuation: Applications and Models.

(3) Damodaran Online is prepared by Aswath Damodaran, who is currently a Professor of Finance at the Stern School of Business at New York University. Mr. Damodaran has published several books, including four books on equity valuation and two on corporate finance. He has also published papers in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies.

The unadjusted and adjusted multiples are presented as follows:

Refinitiv Ticker	Name	Trailing twelve months ended[3]	Multiple Ratio P/E	Adjusted P/E[1]
000567.SZ	Hainan Haide Capital Management Co., Ltd.	30/9/2022	18.22	13.72
1359.HK	China Cinda Asset Management Co., Ltd.	30/6/2022	7.76	6.47
1821.HK	ESR Group Ltd.	30/6/2022	19.41	12.95
2497.T	United Inc.	30/9/2022	8.35	8.35
3266.T	Fund Creation Group Co., Ltd.	31/8/2022	15.18	15.18
4765.T	SBI Global Asset Management Co., Ltd.	30/9/2022	25.77	25.77
7176.T	Simplex Financial Holdings Co., Ltd.	31/3/2022	1.63	1.63
HOTU.SI	Hotung Investment Holdings Ltd.	30/6/2022	11.50	10.33
246690.KQ	TS Investment Corp	30/9/2022	6.76	6.63
293580.KQ	Nau IB Capital	30/9/2022	6.54	6.42
298870.KQ	Daol Investment Co., Ltd.	30/9/2022	53.77	46.39[2]
			Mean	13.99
			Standard deviation	12.48
			Mean excluding outliers[2]	10.74
			Applied ratio	10.74

Notes:

(1) Adjusted for size premium and country risk premium

(2) Sample values outside one standard deviation of the mean are determined as outliers.

(3) Based on latest available trailing twelve months income available to common shareholder excluding extraordinary item according to Refinitiv

* *Data extracted from Refinitiv*

** *Figures above are subject to rounding*

Based on the above table, the adjusted P/E ratios of the comparable companies ranged from the minimum of 1.63x to the maximum of 46.39x, resulting in a mean of approximately 13.99x and mean excluding outliers of approximately 10.74x.

We have adopted the mean excluding outliers as our multiple due to the following reasons: (1) mean is commonly adopted and takes into account of all the values of the comparable companies; and (2) mean excluding outliers are not influenced by extreme values. We then applied the multiple to the corresponding measurement base, which is based on the normalized financial information of the Group provided by the Management.

Based on the financial information provided by the Management, the normalized net profit of the Group for the trailing twelve months ended 30 November 2022 was approximately HK$11,728,000.

9.4 Control Premium

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The published market price of the identified comparable companies represents the market transaction of minority interests, therefore adjustment has been made to reflect the degree of control associated with controlling interest in the Group. Based on research published by Mergerstat Control Premium Study[(1)], the overall control premium as at the Valuation Date is estimated to be approximately 24.4%.

Note:

(1) *Mergerstat Control Premium Study is a study examining transactions whereby 50.01% or more of a company was acquired. Mergerstat Control Premium Study is published by Factset, a multinational financial data and Software Company founded in 1978, went public in 1996 and currently dual listed on the New York Stock Exchange and the NASDAQ. Factset provides financial information and analytic software for investment professionals. According to Factset website, data of Factset was used by AP Associated Press, Barrons's, CNNMoney.com, The Wall Street Journal, MarketWatch from DowJones, etc.*

9.5 Lack of Marketability Discount

We have adopted a lack of marketability discount of approximately 20.6% as ownership interest in closely held companies are typically not readily marketable compared to similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The discount of 20.6% was determined with reference to Stout Restricted Stock Study Companion Guide (2021 Edition) published by Stout Risius Ross, LLC., which is a global investment bank and advisory firm specializing in corporate finance, transaction advisory, valuation, financial disputes, claims, and investigations. The study is an independent research commonly adopted by practitioners.

9.6 Valuation Summary

Based on our analysis, the mean excluding outliers of the adjusted P/E ratio of the comparable companies was approximately 10.74x. By applying the normalized trailing twelve months net profit of approximately HK$11,728,000 of the Group, and adjusting for control premium (in accordance with Section 9.4) and lack of marketability discount (in accordance with Section 9.5), we are of the opinion that the market value of 100% equity interest in the Group as at the Valuation Date was in the sum of **HK$124,000,000 (HONG KONG DOLLARS ONE HUNDRED AND TWENTY FOUR MILLION ONLY).** Our calculation is tabulated as follows:

	(HK$)
Applied P/E ratio	10.7445x
Multiplication factor (normalized trailing twelve months net profit)	11,728,318
	126,014,913
Adjustments:	
Add: Control premium	30,747,639
	156,762,552
Less: Lack of marketability discount	(32,293,086)
Market Value of 100% Equity Interest of the Group	124,469,466
Market Value of 100% Equity Interest of the Group (Rounded)	**124,000,000**

* *Figures above are subject to rounding*

10.0 VALUATION ASSUMPTIONS

- As instructed by the Management, we have performed our valuation based on the assumption assuming that the capitalization of the Shareholder Loan in the sum of HK$165,000,000 had been completed prior to the Valuation Date;

- For the Group to continue as a going concern, the Group will successfully carry out all necessary activities for the development of its business;

- Key management, competent personnel, professional and technical staff will all be retained to support the ongoing operations of the Group;

- The availability of finance will not be a constraint on the forecast growth of the Group's operations in accordance with the business plans;

- Market trends and conditions where the Group operates will not deviate significantly from the economic forecasts in general;

- The financial information of the Group as supplied to us has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Group as at the respective financial statement dates;

- There will be no material changes in the business strategy of the Group and its operating structure;

- Interest rates and exchange rates in the localities for the operations of the Group will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Group.

11.0 LIMITING CONDITIONS

Our conclusion of the market value is 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. This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for the accuracies.

We have relied to a considerable extent on the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to 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 responsibility for operational and financial information that has not been provided to us is accepted.

Certain facts, information, statistics and data relating to the economic and industry overview that are presented in this report are derived from publicly available official government sources as well as industry reports prepared by external independent market researchers. We are of the view that the sources of this information are appropriate sources for such information and have exercised reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, and thus no representation is given as to its accuracy or correctness, and accordingly, it should not be unduly relied on.

We have not investigated the title to or any legal liabilities against the Group and have assumed no responsibility for the title to or any legal liabilities against the Group. In forming our opinion, we have assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.

To the extent that there are legal issues relating to financial instruments, assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Peak Vision Appraisals assumes no responsibility and offers no legal opinion or interpretation on any issue.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

Our valuation has been prepared based on the economic, market and other conditions as they existed on, and information made available to us as of the Valuation Date only. It has come to our attention that the outbreak of Coronavirus Disease (COVID-19) has caused significant disruption to economic activities around the world. It is uncertain how long the disruption will last and to what extent it will affect the economy and it may cause volatility and uncertainty such that the input parameters and assumptions adopted in our valuation may change significantly and unexpectedly over a short period of time. It should therefore be noted that any market volatility, policy, geopolitical and social changes or other circumstances after the Valuation Date may affect the market value of the Group after the Valuation Date.

12.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HK$).

The Management has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

We hereby confirm that we have no material connection or involvement with the Group, the Company, the ListCo and its subsidiaries and associated companies, or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

13.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed and key assumptions appended above, we are of the opinion that the market value of 100% equity interest in the Group as at the Valuation Date was in the sum of **HK$124,000,000 (HONG KONG DOLLARS ONE HUNDRED AND TWENTY FOUR MILLION ONLY).**

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited

Nick C. L. Kung MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer, MCIREA
Director
Corporate Valuations

Note:

Mr. Nick C. L. Kung is a member of the Royal Institution of Chartered Surveyors and member of the Hong Kong Institute of Surveyors, Registered Professional Surveyor, RICS Registered Valuer and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) and has more than 10 years of experience in the valuation of business assets and business enterprises in Hong Kong and overseas.

APPENDIX I INDUSTRY OVERVIEW

According to "Asset and Wealth Management Activities Survey 2021" released by Securities and Exchange Commission (SFC), amidst the fast-changing, challenging environment facing many markets, Hong Kong's asset and wealth management business remained resilient, with a 2% year-on-year increase in asset under management ("**AUM**") to $35,546 billion (US$4,558 billion).

As at 31 December 2021, the AUM of the asset management and fund advisory business conducted by licensed corporations and registered institutions increased year-on-year by 8% to $25,888 billion (US$3,320 billion).

A main component of Hong Kong's asset and wealth management business, the asset management and fund advisory business recorded a year-on-year increase of 8% to $25,888 billion as at 31 December 2021

The asset management and fund advisory business recorded net fund inflows of $1,514 billion for 2021 (2020: $1,379 billion), representing a 10% year-on-year increase.

Figure 2: Asset management and fund advisory business
Source: SFC

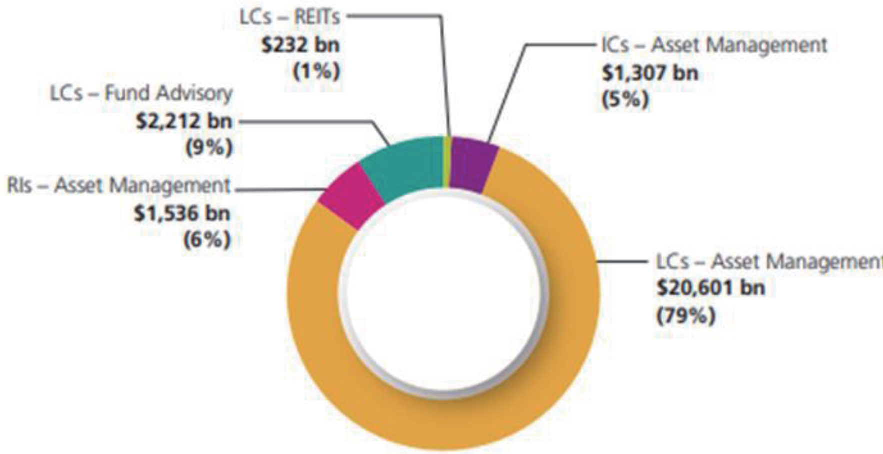


Figure 3: Asset management and fund advisory business ($25,888 billion) – by Market Player
Source: SFC

The aggregate asset management and fund advisory business conducted by licensed corporations saw a year-on-year increase of 8% to $23,045 billion in 2021.

The number of licensed corporations licensed to carry out asset management activities (i.e. Type 9 regulated activity) increased by 5% to 1,979 as at 31 December 2021 from 1,878 a year earlier. During 2021, the number of individuals licensed for asset management also grew 5% year-on-year from 13,074 to 13,786.

Hong Kong remained a preferred market for fund managers, with investments amounting to $2,987 billion, representing 23% of all assets managed locally in 2021. Investment allocation to Mainland China remained steady, accounting for 21% of all assets managed in Hong Kong.

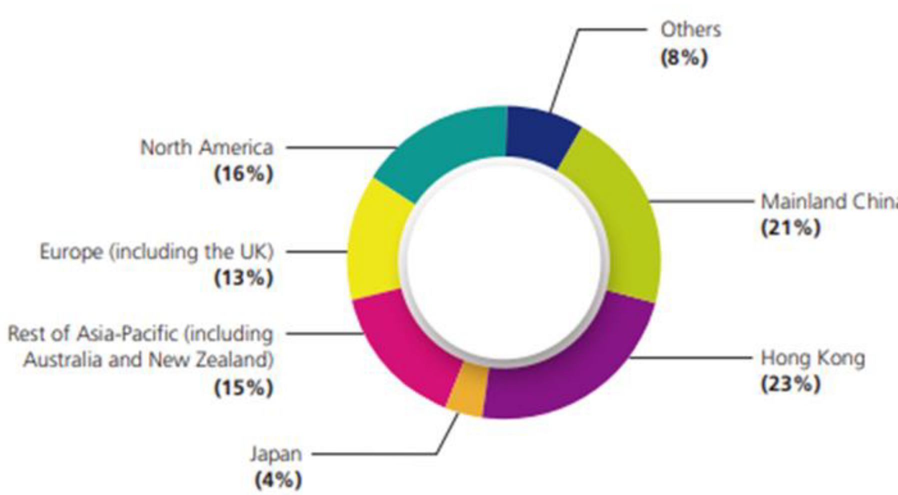


Figure 4: Assets managed in Hong Kong ($13,085 billion) – by Geographical Distribution of Investments
Source: SFC

As at 31 December 2021, the majority of the assets managed in Hong Kong were invested in equities, accounting for 49% of the total, followed by bonds, which accounted for 29%.

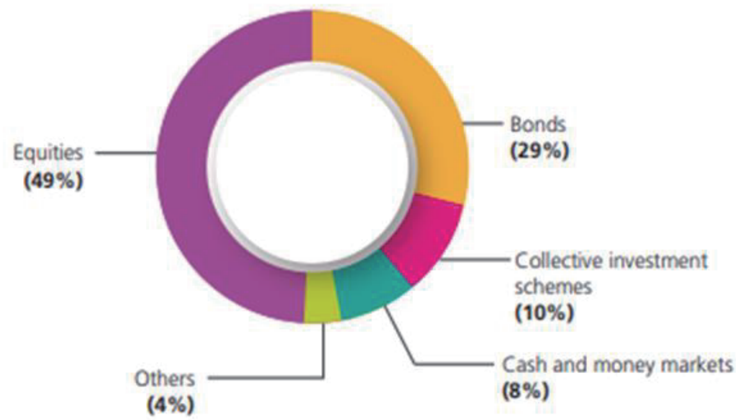


Figure 5: Assets managed in Hong Kong ($13,085 billion) – by Asset Class
Source: SFC

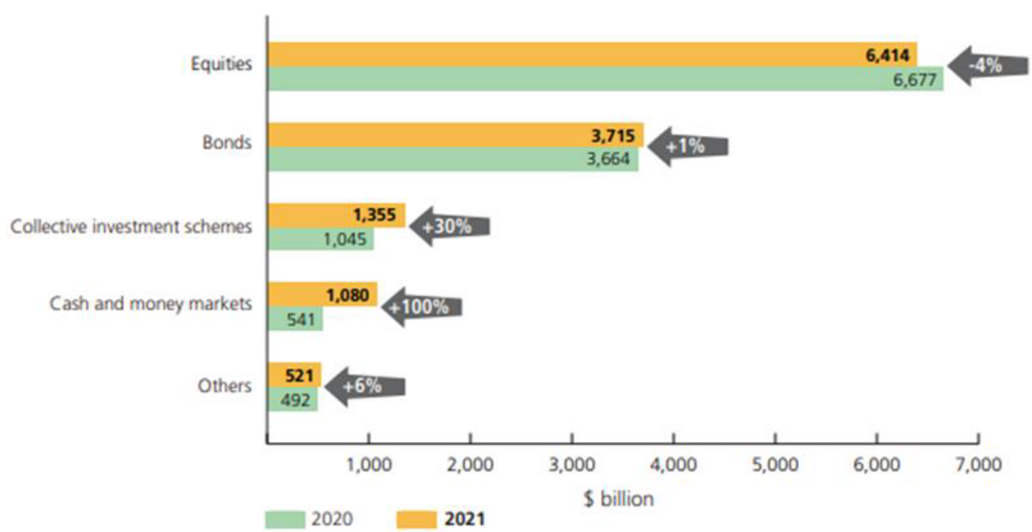


Figure 6: Assets managed in Hong Kong ($13,085 billion) – by Asset Class (2021 vs 2020)
Source: SFC

APPENDIX II ECONOMIC OVERVIEW

China Economic Overview

According to the research conducted by Hong Kong Trade Development Council ("**HKTDC**"), in the third quarter of 2022, China's real GDP grew by 3.9% (year-on-year). Added-value industrial output increased by 6.3% in September 2022, up from 4.2% in August 2022 (year-on-year). Fixed assets investment increased by 5.9% (year-on-year) Jan-Sep 2022, up from 5.8% (year-on-year) Jan-Aug 2022. In September 2022, retail sales increased by 2.5% (year-on-year). Inflation increased by 2.8% in September 2022, with food prices up by 8.8% and non-food prices up by 1.5%. In September 2022, exports (in terms of US$) increased by 5.7%, while imports (in terms of US$) increased by 0.3%, resulting in a trade surplus of US$84.7 billion. The Manufacturing Purchasing Managers' Index up from 49.4 in August 2022 to 50.1 in September 2022.

According to the World Bank, China is the second-largest economy in the world, behind the United States, ahead of Japan. According to United Nations Conference on Trade and Development ("**UNCTAD**") World Investment Report, China was the second-largest recipients of foreign direct investment ("**FDI**") inflows (US$181 billion) in the world in 2021 (China ranked 2nd in 2008), behind the United States (US$367 billion). According to UNCTAD World Investment Report, China was the 4th largest source of outward FDI flows (US$145 billion) in the world in 2021 (up from the 11th in 2008). According to the World Trade Organisation ("**WTO**"), China was the world's largest exporter of merchandise trade in 2021 (up from the 11th in 1995), reaching US$3,364 billion. According to WTO, China was the world's 3rd largest exporter of commercial services in 2021 (up from the 16th in 1995), reaching US$393 billion. According to International Monetary Fund, China has the largest foreign currency reserves as of December 2021, reaching US$3,250.2 billion. According to HKSAR Marine Department, Shanghai's container throughput surpassed Singapore and ranked the first in the world since 2010. According to Hong Kong Securities and Futures Commission, as at end December 2021, the market capitalisation of Shanghai Stock Exchange is the largest in Asia and the third largest in the world.

In March 2021, the National People's Congress ("**NPC**") adopted the 14th Five-Year Plan (2021-2025) (the "**Plan**"). The Plan focuses on high-quality growth, transforming and upgrading the economy through innovation (spending on research and development by more than 7% annually) and adopting new development model of dual circulation. During the period, China will build an all-round well-off society and aim to raise its urbanisation rate to 65%. In September 2021, the Central Committee of the CPC and the State Council issued the "Comprehensive Deepening of the Reform and Opening-up Plan for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" ("**Qianhai Plan**") and the "Overall Plan for the Construction of the Hengqin Guangdong-Macao Intensive Cooperation Zone" ("**Hengqin Plan**"). According to the Qianhai Plan, the cooperation zone will expand from 14.92 sq.km. to 120.56 sq.km., which stresses the promotion of high-level opening up in Qianhai. According to the Hengqin Plan, the cooperation zone will be 106 sq.km., with the goal of diversifying Macao's economy by 2035.

The Government Work Report 2022 stated that the government will increase the efficiency of utilising resources through a proactive fiscal policy; the government will help enterprises overcome the difficult period, stabilise employment, ensure the provision of basic needs, stimulate consumption and expand demand. The government will prioritise employment and aim at adding 11 million urban jobs.

In June 2022, the State Council issued the Hengqin Plan to promote comprehensive cooperation among Guangdong, Hong Kong and Macao by further deepening opening-up in Nansha district of South China's Guangdong province. As stated by the plan, the implementation area is 803 sq.km., while launching areas in the first phase are 23 sq.km. Nansha aims to build a mature regional innovation and industrial transformation system, a door for high-level opening-up, and deepen economic and trade cooperation with Hong Kong and Macao.

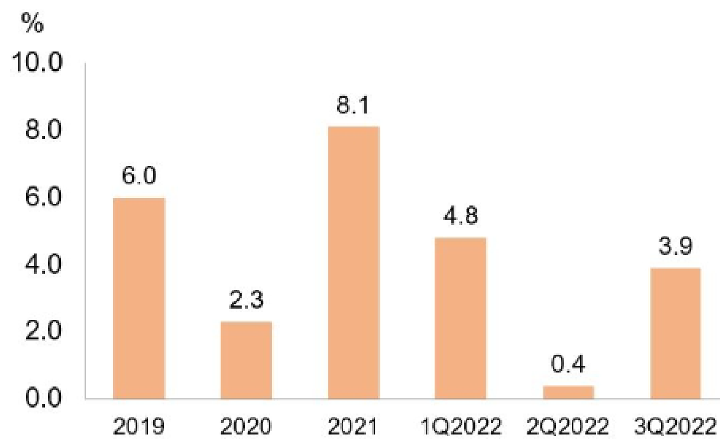


Figure 7: Real GDP growth (Year-on-year% change)
Source: HKTDC

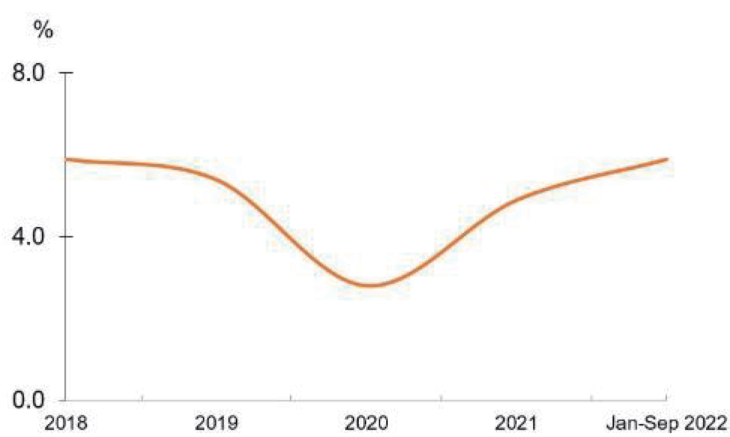


Figure 8: China fixed assets investment growth, 2018 – Jan-Sep 2022
Source: HKTDC

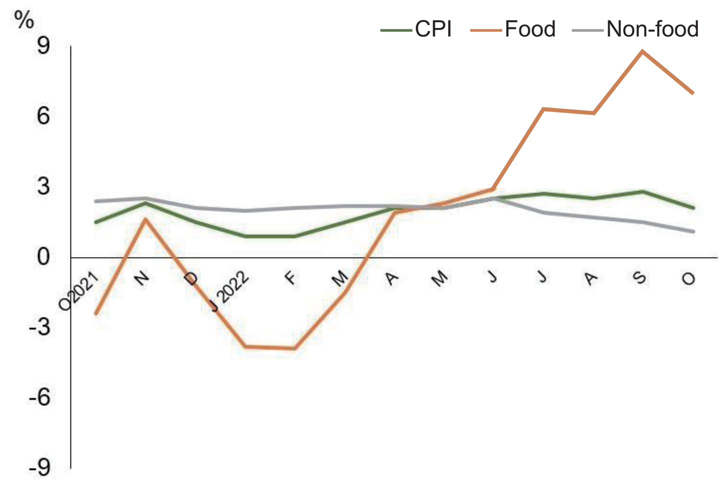


Figure 9: China monthly inflation rate, 2021 – Jan-Oct 2022
Source: HKTDC

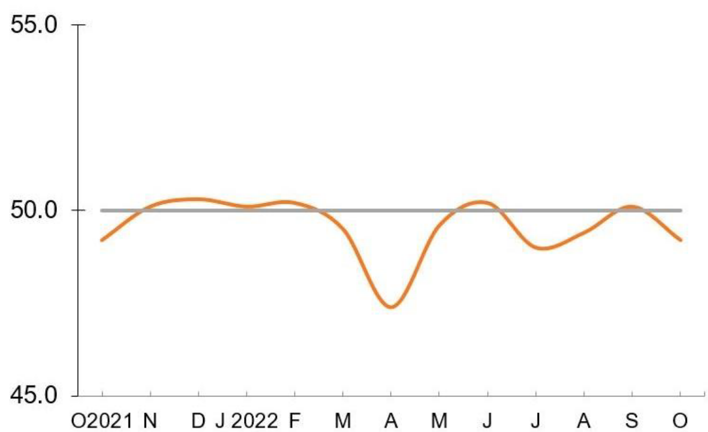


Figure 10: China's manufacturing PMI, 2021 – Jan-Oct 2022
Source: HKTDC

Hong Kong Economic Overview

According to the Hong Kong Trade Development Council (HKTDC), Hong Kong's economy further contracted by 4.5% year-on-year in real terms in the third quarter of 2022, after a decrease of 1.3% in the second quarter of 2022. Considering the worse-than-expected economic performance in the first three quarters and the sharp deterioration of global economic prospects, the Government adjusts Hong Kong's real GDP growth for 2022 to contract 3.2%. Overall consumer prices rose by 1.8% in October 2022 over the same month a year earlier, higher than the average rate of increase in September 2022 (4.4%). Considering inflation is likely to remain relatively contained, the Government forecasts Hong Kong's underlying consumer price inflation at 1.8% for 2022.

The value of retail sales, in nominal terms, slightly increased by 0.2% year-on-year in September 2022 over the same month a year earlier. For the first nine months of 2022 taken together, it was provisionally estimated that the value of total retail sales decreased by 1.3% compared with the same period in 2021. The labour market improved between August and October amid as domestic economic activities continued to revive. The seasonally adjusted unemployment rate dropped by 0.1 percentage points to 3.8% for the period between August and October compared to the period from July and September (3.9%). Merchandise exports decreased by 10.4% in October 2022 over a year earlier, after a year-on-year decrease of 9.1% in September 2022.

Hong Kong is one of the most services-oriented economy in the world, with services sectors accounting for 93.4% of the GDP in 2020. According to World Trade Organization ("**WTO**"), Hong Kong is the world's 6th largest exporter of merchandise trade in 2021, same as that in 2020. According to the United Nations Conference on Trade and Development ("**UNCTAD**") World Investment Report 2022, global foreign direct investment ("**FDI"**) inflows to Hong Kong amounted to US$140.7 billion in 2021, ranked 3rd globally, behind the United States (US$367.4 billion) and Mainland China (US$181.0 billion). In terms of FDI outflows, Hong Kong ranked 7th globally with US$87.5 billion. The top 3 were the United States (US$403.1 billion), Germany (US$151.7 billion) and Japan (US$146.8 billion). In terms of FDI stock, Hong Kong was the world's 5th largest host with US$2,022.2 billion, after the United States, the United Kingdom, the Netherlands and the Mainland China, and the world's 7th largest investor with US$2,082.3 billion in 2021. According to a triennial survey conducted by the Bank for International Settlements, Hong Kong is the 2nd largest foreign exchange market in Asia and the 4th largest in the world in 2019, with the average daily turnover of forex transactions increasing by 44.8% from US$436.6 billion in April 2016 to US$632.1 billion in April 2019. Hong Kong is a global offshore RMB business hub. According to Society for Worldwide Interbank Financial Telecommunication ("**SWIFT**"), Hong Kong is the largest offshore RMB clearing centre in 2021, sharing about 76% of the world's RMB payments. As at the end of 2021, Hong Kong's stock market ranked the 4th largest in Asia and the 7th largest in the world, with the total market capitalization reaching US$5.4 trillion. Hong Kong is also the 4th largest IPO fundraising market in the world, with US$42.3 billion raised through IPO in 2021.

Hong Kong is an important banking and financial centre in the Asia Pacific. Hong Kong is the 4th leading global financial centre, according to the Global Financial Centre Index. The Hong Kong International Airport was the world's busiest airport for international air cargo in 2021. Hong Kong is also one of the world's busiest container ports. In 2021, Hong Kong ranked 9th in the world in terms of container throughput. Supported by excellent connectivity with Mainland China and the rest of the world, strong research and development capability, world-class universities, Hong Kong is fast becoming an innovation and technology hub. According to the Global Innovation Index, Hong Kong ranked 14th globally in 2021.

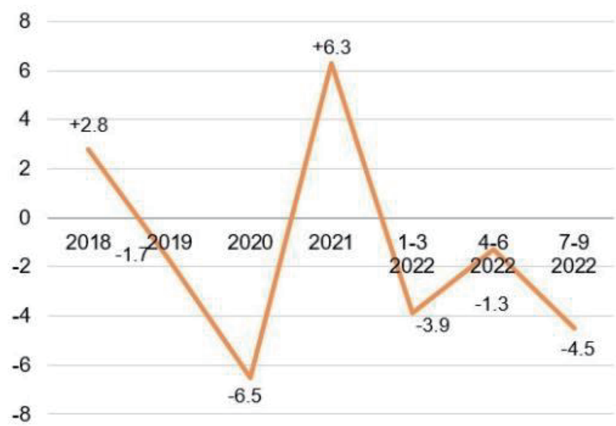


Figure 11: Real GDP growth (Year-on-year% change)
Source: HKTDC

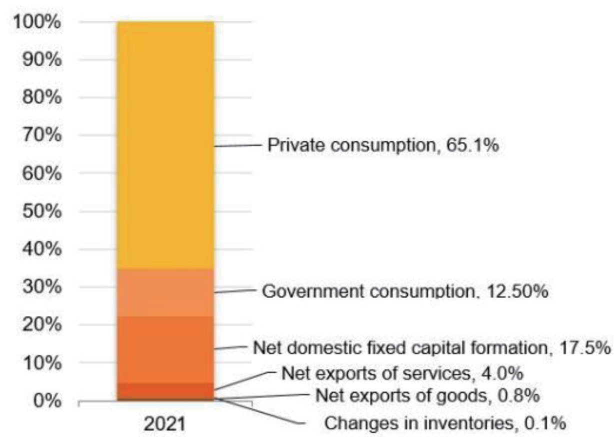


Figure 12: GDP composition (% share of GDP)
Source: HKTDC

	2020	2021	Latest
Population, Year-end (mn)	7.43	7.40	7.29
Gross Domestic Product (US$ bn)	343.0	367.9	208.9[a]
GDP Per Capita (US$)	45,843	49,613	–
Real GDP Growth (%)	-6.5	+6.3	-4.5[b]
Inflation (% Change in Composite CPI)	+0.3	+1.6	+1.9[e]
Unemployment Rate (%)	5.8	5.2	3.8[c]
Retail Sales Growth (%)	-24.3	+8.1	-1.3[d]
Number of Visitors (thousand)	3,600	91	249.7[a]
Visitor Arrivals Growth (%)	-93.6	-97.4	+295.7[d]

[a] January- September 2022; [b] year-on-year change, July-September 2022; [c] seasonally adjusted, August-October 2022; [d] year-on-year change, January-September 2022; [e] year-on-year change, January-October 2022

Table 4: Major economic indicators
Source: HKTDC

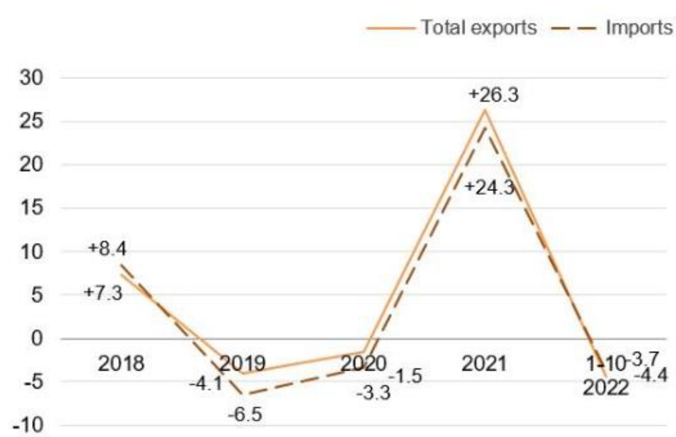


Figure 13: Merchandise trade growth (Year-on-year% change)
Source: HKTDC

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 herein or this circular misleading.

2. SHARE CAPITAL

Authorised and issued share capital of the Company as at the Latest Practicable Date:

		HK$
Authorised:		
750,000,000 Shares		30,000,000
Issued and fully paid:		
261,174,779 Shares		10,446,991

Authorised and issued share capital of the Company upon issue of the Consideration Shares:

		HK$
Authorised:		
750,000,000 Shares		30,000,000
Issued and fully paid:		
261,174,779 Shares	Shares in issue as at the Latest Practicable Date	10,446,991
120,000,000 Shares	Consideration Shares to be issued at Completion	4,800,000
381,174,779 Shares	Total issued Shares	15,246,991

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) The Company

(i) Long positions in the Shares

Name	Capacity	Personal	Corporate Interest	Shareholding
		(Number of Shares)	*(Number of Shares)*	*(%)*
Dr Kwan *(Note)*	Beneficial owner and interest in a controlled corporation	2,472,000	157,989,563*	61.44
Kwan Teng Hin Jeffrey *(Note)*	Beneficial owner	2,472,000	–	0.95
Lo Kwok Hung John	Beneficial owner	62,775	–	0.02

* The Shares were held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH). CASH was beneficially owned as to approximately 49.79% by Dr Kwan as at the Latest Practicable Date. Pursuant to the SFO, Dr Kwan was deemed to be interested in all the Shares held by CIGL as a result of his interest in CASH.

(ii) Long positions in the underlying shares of the Company

Name	Date of grant	Exercise period	Exercise price per Share	Number of options outstanding	Percentage to issued Shares
			(HK$)		*(%)*
Dr Kwan *(Note)*	29/07/2021	01/08/2021-31/07/2023	0.572	2,400,000	0.92
Kwan Teng Hin Jeffrey *(Note)*	29/07/2021	01/08/2021-31/07/2023	0.572	2,400,000	0.92
Cheung Wai Lim William	29/07/2021	01/08/2021-31/07/2025	0.572	675,000	0.26
Law Hin Ong Trevor	29/07/2021	01/08/2021-31/07/2025	0.572	450,000	0.17

Note: They are directors of both the Company and CASH (the controlling shareholder of the Company).

(B) Associated corporation (within the meaning of Part XV of the SFO) - CASH

(i) Long positions in shares of CASH

Name	Capacity	Personal *(Number of shares)*	Corporate Interest *(Number of shares)*	Shareholding *(%)*
Dr Kwan	Beneficial owner and interest in a controlled corporation	598,501	39,599,098*	49.79

* The shares in CASH were held by Cash Guardian Limited (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan). Dr Kwan and Hobart Assets Limited were deemed to be interested in such shares in CASH held by Cash Guardian Limited.

(ii) Long positions in the underlying shares of CASH

Name	Date of grant	Exercise period	Exercise price per share *(HK$)*	Number of options outstanding	Percentage to issued shares *(%)*
Dr Kwan *(Note)*	16/07/2021	01/08/2021-31/07/2023	1.450	800,000	0.99
Kwan Teng Hin Jeffrey *(Note)*	16/07/2021	01/08/2021-31/07/2023	1.450	800,000	0.99

Note: They are directors of both the Company and CASH (the controlling shareholder of the Company).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and 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 or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	**Capacity**	**Number of Shares**	**Shareholding** *(%)*
Hobart Assets Limited *(Note)*	Interest in a controlled corporation	157,989,563	60.49
Cash Guardian Limited *(Note)*	Interest in a controlled corporation	157,989,563	60.49
CASH *(Note)*	Interest in a controlled corporation	157,989,563	60.49
Praise Joy Limited *(Note)*	Interest in a controlled corporation	157,989,563	60.49
CIGL *(Note)*	Beneficial owner	157,989,563	60.49

Note:

This refers to the same number of 157,989,563 Shares held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the controlling Shareholder)). CASH was owned as to a total of approximately 49.79% by Dr Kwan, approximately 49.05% by Cash Guardian Limited (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan) and approximately 0.74% by Dr Kwan in his personal name. Pursuant to the SFO, Dr Kwan, Hobart Assets Limited and Cash Guardian Limited were deemed to be interested in all the Shares held by CIGL through CASH. The above interest has already been disclosed as corporate interest of Dr Kwan in paragraph 3 above.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

6. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

7. INTEREST OF DIRECTORS IN THE ENLARGED GROUP'S ASSETS

Since 31 December 2022, the date to which the latest published audited accounts of the Group have been made up, save for the indirect controlling interest of Dr Kwan in the Target Group as disclosed in this circular, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group.

8. INTERESTS OF DIRECTORS IN CONTRACTS

The following sets out the contracts or arrangement subsisting as at the Latest Practicable Date in which a Director is materially interested and which is significant in relation to the business of the Enlarged Group:

(1) the margin financing agreement dated 1 November 2021 entered into between Celestial Securities with Mr Cheung Wai Lim William in relation to the grant of margin financing facility for a sum of up to HK$30 million for each of the three financial years ending 31 December 2024 at a rate of up to 8% over HSBC's Hong Kong Dollar Prime Lending Rate per annum (details of which are set out in the circular of the Company dated 22 November 2021);

(2) the margin financing agreements dated 20 February 2023 entered into between Celestial Securities with each of Dr Kwan, Mr Kwan Teng Hin Jeffrey, Mr Law Hin Ong Trevor, Ms Wong Sze Kai Angela, Cash Guardian Limited and Cashflow Credit Limited, in relation to the grant of margin financing facility for a sum of each up to HK$40 million for each of the two financial years ending 31 December 2024 at a rate of up to 8% over HSBC's Hong Kong Dollar Best Lending Rate per annum (details of which are set out in the circular of the Company dated 13 March 2023); and

(3) the brokerage services agreement dated 20 February 2023 entered into between Celestial Securities, Celestial Commodities Limited (both being wholly-owned subsidiaries of the Company) and the Target Company in relation to the provision of brokerage services to the Target Group for a fee of up to HK$40 million for each of the two financial years ending 31 December 2024 (details of which are set out in the circular of the Company dated 13 March 2023).

Save as disclosed above, the Directors confirm that there is no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested which was significant in relation to the business of the Group.

9. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into during the ordinary course of business, and have been entered into by the Enlarged Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

(1) the renewal offer letter dated 13 May 2022 entered into Celestial Asia Investment Limited (a wholly-owned subsidiary of the Company, as tenant) with Manhattan Development Limited (as agent of the landlord) in respect of the renewal offer of the premises for use as office premises of the Group for a fixed term of three (3) years commencing on 15 December 2022 and expiring on 14 December 2025 (both dates inclusive) at the aggregate value of consideration payable of approximately HK$18.7 million;

(2) the provisional agreement dated 21 April 2021 entered into between Think Right Investments Limited (a wholly-owned subsidiary of the Company) as vendor (signing by Dr Kwan, a Director, in capacity as trustee) and Ms Jin Su (an independent third party and not being a Shareholder) as purchaser in relation to the sale and purchase of the property situated at Room 1607 (also known as 19A), Residence 8, No.8 Jinan Road, Luwan District (now known as Huangpu District), Shanghai, the People's Republic of China at the consideration of RMB17,600,000 (equivalent to approximately HK$20,768,000); and

(3) the Agreement.

10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other company in the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against either the Company or any other company in the Enlarged Group.

11. EXPERTS, QUALIFICATIONS AND CONSENTS

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

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Vinco Financial	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Peak Vision Appraisals Limited	independent valuer

As at the Latest Practicable Date, each of the experts above was not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, each of the experts above did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Group or are proposed to be acquired or disposed of by or leased to the Group since 31 December 2022, being the date up to which the latest published audited consolidated accounts of the Company were made up.

As at the Latest Practicable Date, each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and reference to its name and statements in the form and context in which it appears.

12. MISCELLANEOUS

(a) The head office and principal place of business of the Company in Hong Kong are at 22/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The company secretary of the Company is Ms Cheung Suet Ping Ada, a member of both The Chartered Governance Institute, United Kingdom and The Hong Kong Chartered Governance Institute. She is also a member of The Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants.

(c) The English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cfsg.com.hk) from the period of 14 days commencing from the date of this circular:

(a) the Agreement;

(b) the letter of consent from each of Deloitte Touche Tohmatsu, Vinco Financial and the Valuer as referred to in paragraph headed “Experts, qualifications and consents” in this appendix;

(c) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 44 of this circular;

(d) the accountants’ report of the Target Group, the text of which is set out in Appendix II to this circular;

(e) the letter on the unaudited pro forma financial information of the Enlarged Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IV to this circular; and

(f) the Valuation Report, the text of which is set out in Appendix V to this circular.

時富金融
CFSG

CASH FINANCIAL SERVICES GROUP LIMITED

時 富 金 融 服 務 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of CASH Financial Services Group Limited (the "**Company**") will be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 24 May 2023 (Wednesday) at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement dated 19 December 2022 (the "**Agreement**") entered into between Confident Profits Limited as vendor and the Company as purchaser (a copy of which marked "A" has been produced to the SGM and initialed by the chairman of the SGM for the purpose of identification) in relation to, among other matters, the proposed sale and purchase of fifty-one (51) shares of US$1.00 each in the share capital of CASH Algo Finance Group International Limited, representing 51% of the issued shares thereof, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) subject to and conditional upon the fulfilment or waiver of the conditions precedent set out in the Agreement, the directors of the Company (the "**Directors**") be and are hereby granted a specific mandate to exercise the powers to allot and issue 120,000,000 new ordinary shares of HK$0.04 each of the Company (the "**Consideration Shares**") at the issue price of HK$0.425 to Celestial Investment Group Limited in accordance with the terms and conditions of the Agreement; and

* *For identification purpose only*

(c) subject to and conditional upon the fulfilment or waiver of the conditions precedent set out in the Agreement, any one or more Directors be and is/are hereby authorised, for and on behalf of the Company, to execute all such documents, instruments and agreements, and take such action, do all such acts or things, as he/she/they may, in his/her/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implement of or giving effect or completion of any matters relating to the Agreement and the transactions contemplated thereunder, the issue and allotment of the Consideration Shares, and all matters incidental thereto."

By order of the Board
Ada S P Cheung
Company Secretary

Hong Kong, 9 May 2023

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
22/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or, if he is a holder of two or more shares, more than one proxy to attend and vote on his behalf. A proxy needs not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of that power of attorney or other authority, not less than 48 hours before the time for holding the SGM or any adjournment thereof.

3. For determining the entitlement of members to attend and vote at the above meeting, the record date is fixed on 18 May 2023. Members whose names appear on the register of members of the Company at the close of business on the record date will be entitled to attend and vote at the above meeting. In order to qualify for attending and voting at the above meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company, Tricor Standard Limited at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 18 May 2023.

4. The votes to be taken at the meeting for the resolution will be by way of poll.

As at the date of this notice, the directors of the Company comprise:

Executive directors:
Dr Kwan Pak Hoo Bankee, JP
Mr Kwan Teng Hin Jeffrey
Mr Cheung Wai Lim William
Mr Law Hin Ong Trevor
Ms Wong Sze Kai Angela

Independent non-executive directors:
Mr Cheng Shu Shing Raymond
Mr Lo Kwok Hung John
Mr Lo Ming Chi Charles