THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

IN VINO CONFIDIMUS

MADISON WINE®

Madison Wine Holdings Limited
麥迪森酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

MAJOR AND CONNECTED TRANSACTIONS – (1) PROPOSED ACQUISITION OF CVP ASSET MANAGEMENT; (2) PROPOSED SUBSCRIPTION OF EXCHANGEABLE BONDS FOR SHARES IN BARTHA INTERNATIONAL; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

红日资本有限公司

RED SUN CAPITAL LIMITED

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

A letter from the Board is set out on pages 1 to 47 of this circular. A letter from the Independent Board Committee is set out on pages IBC-1 to IBC-2 of this circular. A letter from Red Sun Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-56 of this circular.

A notice convening the EGM to be held at Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong on Thursday, 27 July 2017 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked.

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

30 June 2017

CONTENTS

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

"Acquisition Agreement"	the acquisition agreement (as supplemented by the Supplemental Acquisition Agreement) dated 9 February 2017 entered into between CVP Holdings and CVP Financial in relation to the Proposed Acquisition
"associates"	has the meaning ascribed to that term under the GEM Listing Rules
"Bartha Completion"	the completion of the Proposed Subscription pursuant to the Subscription Agreement
"Bartha Group"	together, Bartha International and Eternal Pearl
"Bartha Holdings"	Bartha Holdings Limited, a company incorporated in Hong Kong with limited liability, the sole shareholder of Bartha International and the issuer of the Exchangeable Bonds
"Bartha International"	Bartha International Limited, a company incorporated in Hong Kong with limited liability, the sole shareholder of Eternal Pearl
"Bartha Shares"	share(s) of HK$1.00 each in the capital of Bartha International
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday, public or statutory holiday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

"CB Maturity Date"	the maturity date of the Convertible Bonds, being the date falling on the 5th anniversary of the date of issue of the Convertible Bonds
"Company"	Madison Wine Holdings Limited, a company incorporated in the Cayman Islands, whose Shares are listed on GEM (Stock code: 8057)
"connected person(s)"	has the meaning ascribed to that term under the GEM Listing Rules
"connected transaction"	has the meaning ascribed to that term under the GEM Listing Rules
"Conversion Share(s)"	the new Shares to be allotted and issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds
"Convertible Bonds"	the convertible bonds to be issued by the Company to Bartha Holdings pursuant to the Subscription Agreement
"CSRC"	China Securities Regulatory Commission of the PRC
"CVP Asset Management"	CVP Asset Management Limited (formerly known as Starfort Holdings Limited), a company incorporated in Hong Kong with limited liability in July 2015, and a corporation licensed by the SFC to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
"CVP Completion"	the completion of the Proposed Acquisition pursuant to the Acquisition Agreement

"CVP Financial"	CVP Financial Holdings Limited (formerly known as Perfect Zone Holdings Limited), a company incorporated in the British Virgin Islands with limited liability, and an indirect non wholly-owned subsidiary of the Company, the purchaser of the Proposed Acquisition and the subscriber of the Proposed Subscription
"CVP Holdings"	CVP Holdings Limited, a company incorporated in Hong Kong with limited liability, the vendor of the Proposed Acquisition, the sole shareholder of CVP Asset Management and the controlling shareholder of Bartha Holdings
"CVP Loan Capitalisation"	the subscription of shares in CVP Asset Management by CVP Holdings by capitalising all the indebtedness due by CVP Asset Management to CVP Holdings and its associates
"Director(s)"	the director(s) of the Company
"EB Maturity Date"	the maturity date of the Exchangeable Bonds, being the date falling on the last day of the 60th month from the date of issue of the Exchangeable Bonds
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder (including but not limited to the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds)
"Enlarged Group"	the Group as enlarged by the Proposed Acquisition and/or the Proposed Subscription (as the case may be)
"Eternal Pearl"	Eternal Pearl Securities Limited, a company incorporated in Hong Kong with limited liability, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO

"Exchangeable Bonds"	the exchangeable bonds to be issued by Bartha Holdings to CVP Financial, which will entitle CVP Financial to exchange for the entire issued share capital of Bartha International as at the date of exercising the Exchange Rights
"Exchange Rights"	the rights of the holder of the Exchangeable Bonds to exchange the principal amount of the Exchangeable Bonds into Bartha Shares which were beneficially owned by Bartha Holdings as at the date of exercising of the Exchange Rights
"FSCFS Rules"	the Rules for the Formation of Securities Companies with Foreign Shareholders, as promulgated by Order No. 8 of the CSRC on 1 June 2002, and amended according to the Decision of the China Securities Regulatory Commission on Amending the Rules for the Formation of Securities Companies with Foreign Shareholder on 28 December 2007, and amended according to the Decision of the China Securities Regulatory Commission on Amending the Rules for the Formation of Securities Companies with Foreign Shareholder on 11 October 2012
"Financial Resources Rules"	Securities and Futures (Financial Resources) Rules (Chapter 571N of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in respect of the Proposed Acquisition and the Proposed Subscription
"Independent Financial Adviser" or "Red Sun Capital"	Red Sun Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the Subscription Agreement and the respective transactions contemplated thereunder
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates
"JV Securities Company"	a full-licensed joint venture securities company to be set up by Eternal Pearl and several other co-investors in Guangzhou Pilot Free Trade Zone, Nansha area in the PRC
"Latest Practicable Date"	28 June 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Long Stop Date"	31 July 2017, or such other dates the parties agreed in writing
"Mr. Ting"	Mr. Ting Pang Wan Raymond, an executive Director, chairman of the Board and the sole Director and the sole shareholder of CVP Holdings

"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Profit Certificate"	the written certificate to be issued by a practicing accountant to be appointed by CVP Financial showing the Actual Profit
"Proposed Acquisition"	the proposed acquisition by CVP Financial of the entire equity interest in CVP Asset Management from CVP Holdings
"Proposed Subscription"	the proposed subscription of the Exchangeable Bonds by CVP Financial for the entire equity interest in Bartha International held by Bartha Holdings
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Specific Mandate"	the mandate to be sought from Shareholders at the EGM for the issue and allotment of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the subscription agreement (as supplemented by the Supplemental Subscription Agreement) entered into between Bartha Holdings and CVP Financial dated 17 February 2017 in relation to the Proposed Subscription

"Supplemental Acquisition Agreement"	the supplemental acquisition agreement entered into between CVP Holdings and CVP Financial dated 28 June 2017 in relation to the modification and variation of certain terms in the Acquisition Agreement
"Supplemental Subscription Agreement"	the supplemental subscription agreement entered into between Bartha Holdings and CVP Financial dated 28 June 2017 in relation to the modification and variation of certain terms in the Subscription Agreement
"Takeovers Code"	the Code on Takeovers and Mergers in Hong Kong
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

* *The English translation of certain Chinese names or words in this circular are included for reference purpose only and should not be regarded as the official English translation of such Chinese names or words.*

MADISON WINE®

Madison Wine Holdings Limited
麥迪森酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

Executive Directors:
Mr. Ting Pang Wan Raymond *(Chairman)*
Mr. Zhu Qin *(Chief executive officer)*

Non-executive Director:
Mr. Kao Sheng-Chi

Independent Non-executive Directors:
Ms. Fan Wei
Mr. Chu Kin Wang Peleus
Mr. Ip Cho Yin *J.P.*

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

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

30 June 2017

To the Shareholders

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTIONS –
(1) PROPOSED ACQUISITION OF CVP ASSET MANAGEMENT;
(2) PROPOSED SUBSCRIPTION OF EXCHANGEABLE BONDS
FOR SHARES IN BARTHA INTERNATIONAL;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 9 February 2017, CVP Financial entered into the Acquisition Agreement (as amended and supplemented by the Supplemental Acquisition Agreement) with CVP Holdings, pursuant to which CVP Financial conditionally agreed to acquire, and CVP Holdings conditionally agreed to sell, the entire issued share capital of CVP Asset Management for a consideration of HK$14,000,000, which shall be satisfied by the Company issuing an interest-free promissory note in the sum of HK$14,000,000 to CVP Holdings (or its nominee(s)) within three Business Days upon fulfillment of the post-completion undertaking, or upon completion, whichever is later.

On 17 February 2017, CVP Financial, as subscriber, and Bartha Holdings, as issuer, entered into the Subscription Agreement (as amended and supplemented by the Supplemental Subscription Agreement), pursuant to which CVP Financial conditionally agreed to subscribe for, and Bartha Holdings conditionally agreed to issue, the Exchangeable Bonds for a consideration of HK$150,000,000. The consideration shall be satisfied by CVP Financial procuring the Company to issue the Convertible Bonds to Bartha Holdings (or its nominees) to convert into 136,363,636 Conversion Shares at the conversion price of HK$1.1 per Conversion Share. The Exchangeable Bonds will entitle CVP Financial to exchange for all of the shares in Bartha International owned by Bartha Holdings as at the date of exercising the Exchange Rights.

The purpose of this circular is to provide you with, among other things, further details of the Proposed Acquisition and the Proposed Subscription, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the financial information of CVP Asset Management and Bartha Group respectively, and the notice of the EGM.

THE ACQUISITION AGREEMENT

Date: 9 February 2017

Parties: CVP Financial, as the purchaser; and

CVP Holdings, as the vendor

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, CVP Holdings is wholly-owned by Mr. Ting, an executive Director, the chairman of the Company and the controlling Shareholder.

Asset to be acquired

The entire issued share capital of CVP Asset Management at the completion of the Proposed Acquisition.

Consideration

The consideration for the Proposed Acquisition is HK$14,000,000, which will be satisfied by CVP Financial procuring the Company to issue an interest-free promissory note in the sum of HK$14,000,000 to CVP Holdings (or its nominee(s)) within three Business Days after the fulfillment of the post-completion undertaking or upon CVP Completion, whichever is later.

Before arriving at the consideration of the Proposed Acquisition, the Directors have conducted market research on, among others, the price-to-earnings ratio (the "**P/E ratio**") and the price-to-book ratio (the "**P/B ratio**"), and the premium over net asset value (the "**Premium over NAV**") of other corporations licensed by the SFC to carry out type 9 regulated activities.

To the best knowledge of the Directors, when acquiring a licensed corporation, such as CVP Asset Management, which has not commenced substantial operation, the Premium over NAV is commonly adopted. Having made enquiry with market players, the Premium over NAV may be ranging from no premium to about HK$231,200,000, with an average of approximately HK$80.5 million, which may vary from case to case depending on the actual business operation and financial prospect of the particular licensed corporation. The Board noticed that the Premium over NAV of CVP Asset Management under the Proposed Acquisition is approximately HK$13 million, which falls within the range and below the average.

The Premium over NAV basis was observed, including but not limited, to the following acquisitions:

(i) the acquisition of 60.4% interest in the entire issued share capital of Jensen Capital Limited (currently known as Nine Rivers Capital Partners Limited) by IR Resources Limited (stock code: 8186) in October 2016 for the maximum consideration of HK$33.2 million, which is determined with reference to the audited net asset value of Jensen Capital Limited of HK$57.7 million as at 31 December 2015;

(ii) the acquisition of the entire issued share capital of Munsun Asset Management (Asia) Limited by China Precious Metal Resources Holdings Co., Ltd. (stock code: 1194) in July 2016 for the consideration of HK$306 million, which is with reference to, among others, (a) the net asset value of Munsun Asset Management (Asia) Limited of approximately HK$74.8 million as at 31 December 2015, (b) the business prospect of Munsun Asset Management (Asia) Limited, and (c) the Premium over NAV with reference to other comparable offers in the market; and

(iii) the acquisition of the entire issued share capital of Hong Kong Wing Yue Asset Management Limited by Daohe Global Group Limited (stock code: 915) in January 2016 for the consideration which represented the aggregate of HK$14.5 million plus the net asset value of Hong Kong Wing Yue Asset Management Limited as at the completion of the acquisition, or the latest practicable date prior to the completion that the parties may agree.

The above comparables were selected because they are mainly carrying on similar regulated activities as CVP Asset Management which is carrying on type 4 (advising on the securities) or type 9 (asset management) regulated activities under the SFO. Further, the above comparables were operating at a loss. As mentioned above, the Premium over NAV is commonly adopted for the acquisition of licensed corporations (e.g. in the respective acquisitions disclosed above), the Directors consider the Premium over NAV for the above acquisitions will provide meaningful benchmark for the Company to acquire CVP Asset Management.

The Directors consider that the P/E ratio and P/B ratio are not appropriate in determining the consideration of the Proposed Acquisition. Given that CVP Asset Management incurred losses for the two financial years ended 31 December 2016, the P/E ratio would not be a meaningful method in comparing CVP Asset Management with other licensed corporations which are profit making. Further, the Directors also considered that P/B ratio is not an appropriate method because of the short history of CVP Asset Management (incorporated in July 2015) and CVP Asset Management has not commenced substantial operation since incorporation. It is not common and not meaningful to use the P/B ratio for a start-up licensed corporation. Having deliberated the particular features of the acquisition of CVP Asset Management, the Directors considered that it is more appropriate to compare the prevailing Premium over NAV payable by other listed issuers for the acquisition of similar licensed corporations comparable to CVP Capital in determining the consideration.

The consideration was arrived at after arm's length negotiations between CVP Financial and CVP Holdings, based on, among others, (i) the prevailing Premium over NAV payable by listed companies for licensed corporation like CVP Asset Management; (ii) the existing total paid-up share capital of CVP Asset Management of HK$2,320,000 all contributed by CVP Holdings since its incorporation; (iii) the unaudited net asset value of CVP Asset Management as at 31 December 2016; and (iv) the prospect of regulated activities (as defined under the SFO) conducted by CVP Asset Management.

As to the future prospect of CVP Asset Management, as advised by CVP Holdings, CVP Asset Management targets to offer investment advice and products to professional investors (as defined in the SFO), whom will be referred by the directors and the management team of CVP Asset Management and its existing clients. Further, CVP Asset Management has been actively participating in roadshow presentations organised by listed issuers, whereby CVP Asset Management will have the opportunities to meet (i) potential issuers which may offer suitable investment products to its potential and existing clients, and (ii) potential clients which/who are professional investors looking for investment products that CVP Asset Management may refer to them. As further updated by CVP Holdings, CVP Asset Management has successfully recruited a responsible officer who commenced duties in April 2017 and has fulfilled the SFO requirement on the number of responsible officers.

Further, as disclosed in details in the section headed "Reasons for the Proposed Acquisition and the Proposed Subscription" of this circular, CVP Asset Management has been negotiating the terms for the establishment of an investment fund with a Hong Kong subsidiary of a PRC state-owned enterprise. With the successful launch of the investment fund, the Directors are of the view that the prospect of CVP Asset Management would be promising.

Given that the Premium over NAV of CVP Asset Management under the Proposed Acquisition is within market range and lower than the average of the selected corporations as disclosed above, and the positive prospect of the business of CVP Asset Management, especially with the successful launch of the investment fund, the Directors (including the independent non-executive Directors) consider that the entering into of the Acquisition Agreement is on normal commercial terms, not in the ordinary course of business of the Group and the terms of the Proposed Acquisition including the consideration are fair and reasonable and in the interests of the Group and its Shareholders as a whole.

As Mr. Ting is interested in the Acquisition Agreement, he has abstained from voting in the Board meeting to approve the Acquisition Agreement and the transactions contemplated thereunder.

Conditions

CVP Completion is conditional upon:

(1) CVP Financial being satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of CVP Asset Management;

(2) all necessary consents and approvals required to be obtained on the part of CVP Asset Management in respect of the Acquisition Agreement and the transactions contemplated thereby having been obtained;

(3) all necessary consents and approvals required to be obtained on the part of CVP Financial in respect of the Acquisition Agreement and the transactions contemplated thereby having been obtained;

(4) the approval from the SFC for the change in substantial shareholder of CVP Asset Management having been obtained;

(5) the passing by the Independent Shareholders at an extraordinary general meeting of the Company to be convened and held of ordinary resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules;

(6) the warranties given by CVP Asset Management respectively remaining true and accurate in all respects; and

(7) CVP Loan Capitalisation having been completed.

Save for conditions (2), (3), (4), (5) and (7) which are incapable of being waived, CVP Financial may at its absolute discretion at any time waive in writing conditions (1) and (6) and such waiver may be made subject to such terms and conditions as are determined by CVP Financial. As at the Latest Practicable Date, CVP Financial has no intention to waive such conditions.

If the above conditions have not been fulfilled on or before 4:00 p.m. on 31 July 2017 or such later date as CVP Holdings and CVP Financial may agree in writing, the Acquisition Agreement shall cease and determine and neither party shall have any obligations and liabilities under the Acquisition Agreement save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, save for conditions (1) and (4), none of the other conditions had been fulfilled.

CVP Loan Capitalisation

As at the Latest Practicable Date, CVP Asset Management was indebted to CVP Holdings and its associates in the aggregate amount of approximately HK$231,880. Pursuant to the Acquisition Agreement, the entire amount of the indebtedness due by CVP Asset Management to CVP Holdings and its associates shall be capitalised into shares in CVP Asset Management prior to CVP Completion, and shall be fully acquired by CVP Financial at CVP Completion.

Completion

CVP Completion shall take place within three Business Days after the fulfillment or waiver (as the case may be) of the conditions to the Acquisition Agreement.

Upon CVP Completion, CVP Financial will own the entire issued share capital of CVP Asset Management, and CVP Asset Management will be accounted as an indirect non wholly-owned subsidiary of the Company and the financial results of CVP Asset Management will be consolidated into the Group's accounts.

Post-completion undertaking

CVP Holdings warrants and undertakes to CVP Financial that CVP Asset Management would have employed and appointed at least two qualified responsible officers as required by the SFO on or before the Long Stop Date (or such other dates the parties agreed in writing). As at the Latest Practicable Date, such undertaking had been fulfilled and CVP Asset Management had three responsible officers that met the SFO requirement on the number of responsible officers.

Promissory note

Set out below are the proposed principal terms of the promissory note:

Issuer:	the Company
Principal amount:	HK$14 million (equal to the consideration of the Proposed Acquisition)
Maturity date:	the 3rd anniversary from the date of issue of the promissory note
Interest:	Nil
Early redemption:	neither the Company nor the holder(s) of the promissory note shall have any early redemption right
Transferability:	freely transferrable

INFORMATION OF CVP HOLDINGS AND CVP ASSET MANAGEMENT

CVP Holdings

CVP Holdings is a limited liability company established in Hong Kong, and is wholly-owned by Mr. Ting, an executive Director, the chairman of the Board and the controlling Shareholder. CVP Holdings is principally engaged in investment holding. CVP Holdings does not have any business except being the immediate sole shareholder of CVP Asset Management and holding 85.25% shareholding in Bartha Holdings.

CVP Asset Management

CVP Asset Management is a corporation licensed by the SFC to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and is wholly-owned by CVP Holdings as at the Latest Practicable Date.

CVP Asset Management is principally engaged in provision of investment advisory and discretionary asset management services. CVP Asset Management is subject to licensing conditions that it shall only provide services to professional investors and shall not hold client assets. Further, CVP Asset Management shall not conduct business involving the discretionary management of any collective investment scheme under the Type 9 (asset management) regulated activity. The terms "professional investor", "hold", "client assets" and "collective investment scheme" are as defined under the SFO.

As at the Latest Practicable Date, CVP Asset Management had three responsible officers for Type 9 (asset management) regulated activities and two responsible officer of Type 4 (advising on securities).

The unaudited financial information of CVP Asset Management prepared under the Hong Kong Financial Reporting Standards since the date of incorporation (i.e. 31 July 2015) up to 31 December 2016 are as follows:

	From the date of incorporation up to 31 December 2015	**For the year ended 31 December 2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover	–	350
(Loss) before tax	(179)	(1,196)
(Loss) after tax	(179)	(1,196)

The unaudited net asset of CVP Asset Management as at 31 December 2016 was approximately HK$744,380.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION ON EARNINGS, ASSETS AND LIABILITIES ON THE ENLARGED GROUP

The financial impact of the Proposed Acquisition is set out in Appendix IIIA to this circular. Please refer to the Appendix IV to this circular for basis of preparing the pro forma financial information on the Enlarged Group after CVP Completion.

Following CVP Completion, CVP Asset Management will become an indirect non wholly-owned subsidiary of the Company and the financial information of CVP Asset Management will be consolidated into the financial statements of the Group.

Earnings

The Proposed Acquisition has no immediate effect on the turnover of the Enlarged Group. As shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to this circular, there would be a loss of approximately HK$1.2 million arising from the Proposed Acquisition as if the acquisition was completed on 30 September 2016. The Proposed Acquisition is expected to enhance the earnings potential of the Enlarged Group in the near future.

Assets

The Proposed Acquisition would not affect the total assets of the Group as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to this circular. The Proposed Acquisition would decrease the net asset value of the Group by the amount of HK$10.8 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to this circular.

Liabilities

The Proposed Acquisition would increase the total liabilities of the Group by the amount of approximately HK$10.8 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to this circular. The increase is mainly due to the fair value of the issue of promissory note of approximately HK$10.8 million in relation to the settlement of the consideration for the Proposed Acquisition.

THE SUBSCRIPTION AGREEMENT

Date:	17 February 2017
Parties	CVP Financial, as the subscriber; and
	Bartha Holdings, as the issuer

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Bartha Holdings is beneficially owned as to 85.25% by CVP Holdings, which, in turn, is wholly-owned by Mr. Ting, an executive Director, the chairman of the Board and the controlling Shareholder, and as to 14.75% by two Independent Third Parties.

Asset to be acquired

The Exchangeable Bonds will entitle CVP Financial to exchange for all Bartha Shares owned by Bartha Holdings as at the date of exercising the Exchange Rights.

Subscription price

The subscription price of HK$150 million will be satisfied by CVP Financial by procuring the Company to issue the Convertible Bonds.

In determining the Subscription Price, the Directors have observed the P/B ratios of the following licensed corporations:

(i) the acquisition of the entire issued share capital of Shun Heng Securities Limited, which is licensed to conduct type 1 regulated activity under the SFO, by Citychamp Watch & Jewellery Group Limited (stock code: 256) in February 2016 for the consideration of HK$24.8 million. As at 31 December 2015, the net asset value of Shun Heng Securities Limited was approximately HK$23.8 million. The P/B ratio is approximately 1.04.

(ii) the acquisition of the entire issued share capital of Munsun Securities Limited, which is licensed to conduct type 1 regulated activity under the SFO, by China Precious Metal Resources Holdings Co., Ltd. (stock code: 1194) in April 2016 for the consideration of HK$70 million. As at 31 December 2015, the net asset value of Munsun Securities Limited was approximately HK$50.2 million. The P/B ratio is approximately 1.39.

(iii) the acquisition of the entire issued share capital of JTI Securities Limited, which is licensed to conduct type 1 regulated activity under the SFO, by Heng Xin China Holdings Limited (stock code: 8046) in June 2016 for the consideration of approximately HK$23 million. As at 31 December 2015, the net asset value of JTI Securities Limited was approximately HK$10.1 million. The P/B ratio is approximately 2.29.

(iv) the acquisition of 80% of the issued share capital of Prime Paradise Limited, the holding company of Koala Securities Limited which is licensed to conduct type 1 regulated activity under the SFO at the time of acquisition, by Sunrise (China) Technology Group Limited (stock code: 8226) in July 2016 for the consideration of HK$55 million. As at 30 June 2016, the net asset value of Prime Paradise Limited and Koala Securities Limited, was approximately HK$10.1 million. The P/B ratio is approximately 6.79.

(v) the acquisition of the entire issued share capital of Shining Securities Company Limited, which is licensed to conduct type 1 and type 2 regulated activities under the SFO, by China Hanya Group Holdings Limited (stock code: 8312) in November 2016 for the consideration of HK$24 million. As at 31 December 2015, the net asset value of Shining Securities Company Limited was approximately HK$15.7 million. The P/B ratio is approximately 1.53.

The above companies are selected because they (a) are licensed to conduct similar regulated activities of Eternal Pearl (i.e. type 1 (dealing in securities) and/or type 2 (dealing in futures contracts) regulated activities) under the SFO; (b) have net asset value of less than HK$100 million, which is similar to the net asset value of Eternal Pearl; (c) have operated at a loss or with minimal profit; and (d) were acquired by a listed issuer in Hong Kong in the 12 months preceding the date of the Subscription Agreement.

The subscription price was determined after arm's length negotiations between CVP Financial and Bartha Holdings on normal commercial terms after taking into account, among other factors, (i) the acquisition cost by Bartha International in Eternal Pearl of approximately HK$26,800,000 in 30 March 2016; (ii) the existing total paid-up share capital of Eternal Pearl of HK$100,000,000; (iii) the unaudited net asset value of Eternal Pearl of HK$58,344,570 as at 31 December 2016; (iv) the prevailing P/B ratios of the licensed corporations similar to Eternal Pearl acquired by listed companies in Hong Kong; (v) the prospect of regulated activities (as defined under the SFO) conducted by Eternal Pearl; and (vi) the potential successful establishment of the joint venture securities company in the PRC.

As advised by Bartha Holdings, Bartha International acquired Eternal Pearl on 30 March 2016 in which the acquisition cost of approximately HK$26,800,000 was determined according to the aggregate of (i) premium of HK$7,000,000; (ii) audited net asset value of HK$18,815,229 for the year ended 2015; and (iii) allotment of shares on 29 February 2016 upon the injection of HK$1,000,000 by the then shareholders. Subsequent to the acquisition of Eternal Pearl, Bartha International has further injected HK$49,000,000 to Eternal Pearl for the subscription of new shares which made up the total paid-up share capital of Eternal Pearl to HK$100,000,000. Hence, the aggregate acquisition costs of Bartha International in Eternal Pearl is approximately HK$75,800,000.

The acquisition cost of Eternal Pearl by Bartha International is one of the factors in determining the subscription price. The subscription price also represents a premium for added value created by Bartha Holdings for Eternal Pearl, namely the positive business prospect of Eternal Pearl in placing and underwriting as well as margin financing led by a new management team recruited for operating Eternal Pearl, and the potential successful establishment of the JV Securities Company. As at the time of acquisition of Eternal Pearl by Bartha International, Eternal Pearl had not entered into any agreement for the formation of JV Securities Company and did not have sufficient personnel to carry on its business. The Directors consider that the fundamental operating factors of Eternal Pearl have been improved since the acquisition of the same by Bartha Holdings.

Further, the Directors are well aware that the JV Securities Company is still under review by CSRC and may or may not proceed. Nonetheless, given that the P/B ratio of Eternal Pearl of which did not take into account of any financial impact that may be brought by the formation of the JV Securities Company, falls within the market range from 1.04 to 6.79 and below the market average of 2.61 of the prevailing P/B ratios, coupled with the positive performance from developing the placing and underwriting services and margin financing business, as well as the business plan of Eternal Pearl (details of which are disclosed in the section "Information of Bartha Holdings, Bartha International and Eternal Pearl") of this circular, the Directors (including the independent non-executive Directors) are positive with the future development of Eternal Pearl in Hong Kong and its profitability, and therefore are of the view that the subscription price is fair and reasonable.

Conditions

Bartha Completion is conditional upon:

(1) CVP Financial being satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Bartha Group;

(2) no event having occurred and subsisting which, is or would constitute an event of default or a prospective event of default;

(3) all necessary approvals, permits, consents and authorisation from governmental, official authorities and any third party having been obtained by Bartha Group in connection with the Subscription Agreement, Exchangeable Bonds, Convertible Bonds and the transactions contemplated thereunder, whether pursuant to law, regulatory compliance or otherwise;

(4) the passing by the Independent Shareholders at an extraordinary general meeting of the Company approving the Subscription Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules and the applicable laws and regulations;

(5) the Listing Division of the Stock Exchange having granted the approval for the listing of and permission to deal in the Conversion Shares;

(6) there having been no occurrence of any event which has caused (or could have caused) a material adverse effect at the completion date; and

(7) the warranties given by Bartha Holdings remaining true and accurate in all respects.

CVP Financial may at its absolute discretion at any time waive in writing conditions (1) and (7) and such waiver may be made subject to such terms and conditions as are determined by CVP Financial. As at the Latest Practicable Date, CVP Financial has no intention to waive such conditions.

If the above conditions have not been fulfilled on or before 4:00 p.m. on 31 July 2017 or such later date as Bartha Holdings and CVP Financial may agree in writing, the Subscription Agreement shall cease and determine and neither party shall have any obligations and liabilities under the Subscription Agreement save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, save for condition (1), none of other conditions had been fulfilled.

As Mr. Ting is interested in the Subscription Agreement, he has abstained from voting in the Board meeting to approve the Subscription Agreement and the transactions contemplated thereunder.

Profit Guarantee

Bartha Holdings irrevocably and unconditionally warrants and guarantees to CVP Financial that the audited consolidated net profit attributable to the Bartha Group after tax and any extraordinary or exceptional items of the Bartha Group for the 24 months ended 31 March 2019 (the "**Profit Guarantee Period**") shall not be less than HK$15,000,000 (the "**Guaranteed Profit**") which is determined with reference to (i) placing and underwriting agreements on hand of Eternal Pearl; (ii) expected interest income arising from margin financing business of Eternal Pearl; and (iii) share of estimated profits from the result of the JV Securities Company.

As advised by Bartha Holdings, the income of Eternal Pearl from placing and underwriting services is expected to increase from approximately HK$2.85 million (for the second half year of 2016) to approximately HK$4 million (for the first half year of 2017) for two completed share placements. As disclosed in the section headed "Information of Bartha Holdings, Bartha International and Eternal Pearl", the management team of Eternal Pearl has secured another new share placement agreement. With the anticipation that placing and underwriting business will grow steadily, the income from the provision of placing and underwriting services during the Profit Guarantee Period will be approximately HK$22 million.

Further in the first quarter of 2017, Eternal Pearl had conducted certain fund raising activities. With the additional fund, the financing amount under margin financing business has increased significantly from approximately HK$6.8 million (as at 30 March 2016) to HK$43.1 million (as at 31 December 2016). Eternal Pearl plans to further increase the financing amount for margin financing business by way of issue of convertible securities and utilising its cash. It is expected that the interest income from margin financing business will be HK$23 million during the Profit Guarantee Period.

Based on the above mentioned Eternal Pearl's development in placing and underwriting business and margin financing business, after deducting the administrative expenses of approximately HK$15 million each year, the Bartha Group will be able to meet the Guaranteed Profit. As such, it is expected that the Guaranteed Profit shall be met by the income generated from placing and underwriting business and margin financing business respectively, without taking into account any income generated from the JV Securities Company. Given the business plan of Eternal Pearl and its performance in the first five months in 2017, the Directors considered that the Guaranteed Profit is fair and reasonable.

Nonetheless, as advised by Bartha Holdings, it is expected that the JV Securities Company will obtain the approval from CSRC within 12-18 months after the Bartha Completion. Based on following the PRC securities company listed on the stock exchange in Shenzhen and Shanghai, the PRC, and in Hong Kong, the Directors noted that their return on equity in 2016 ranges from 6.38% to 9.87%, with an average of 7.67%.

Company (stock code)	**Registered capital** *(RMB million)*	**2016 net profit to shareholders** *(a) (RMB$ million)*	**2016 equity attributable to shareholders** *(b) (RMB$ million)*	**Return on Equity ("ROE")** (c) *(c) = (a)/(b)*
Everbright Securities Co. Ltd. (601788: SH)	4,610	3,013	47,196	6.38%
Guoyan Securities Co. Ltd. (000728: SZ)	1,964	1,405	20,742	6.77%
Northeast Securities Co. Ltd. (000686: SZ)	2,340	1,315	15,587	8.44%
Sealand Securities Co. Ltd. (000750: SZ)	4,216	1,016	13,758	7.38%
Sinolink Securities Co. Ltd. (600109: SH)	3,024	1,299	17.497	7.42%
SooChow Securities Co. Ltd. (601555: SH)	3,000	1,498	20,227	7.41%
China International Capital Corporation Limited (3908: HK)	2,307	1,820	18,447	9.87%

The above companies were selected because (i) their registered capital is below RMB5 billion where the JV Securities Company will have the registered capital of RMB3.5 billion; and (ii) they are engaged in securities business in the PRC. Should the application for the formation of the JV Securities Company be successful and all the registration and approval be obtained, the Directors, having taken into account that these are listed companies and Eternal Pearl is a start up licensed corporation, conservatively expect to obtain the share of profit of approximately 5% per annum (i.e. approximately HK$20 million), which is below the lower end of the ROE of the above companies, from the investment in the JV Securities Company, and therefore will further improve the profitability of the Bartha Group.

In the event that the actual audited consolidated net profits attributable to the Bartha Group after tax and excluding any extraordinary or exceptional items of the Bartha Group for the Profit Guarantee Period (the "**Actual Profit**") as shown in the Profit Certificate is less than the Guaranteed Profit, Bartha Holdings covenants to early redeem the entire Exchangeable Bond, at 100% of its principal amounts within 30 days after the issue of the Profit Certificate. Bartha Holdings and CVP Financial agrees that the redemption money payable by Bartha Holdings to CVP Financial arising from the redemption of the Exchangeable Bonds could be settled in cash or by setting off the amount payable by the Company to Bartha Holdings under the Convertible Bonds.

The Company will publish an announcement if the Actual Profit is less than the Guaranteed Profit in compliance with the GEM Listing Rules.

Completion

Bartha Completion shall take place within five Business Days after the fulfillment (or waiver) of the conditions to the Subscription Agreement. Upon Bartha Completion, Bartha International will not become a subsidiary of the Company.

Upon Bartha Completion and on the assumption that no new Bartha Shares will be issued to any person other than Bartha Holdings from the date of the Subscription Agreement and up to the date of exercising the Exchange Rights, upon exercise of the Exchange Rights, CVP Financial will own the entire issued share capital of Bartha International, and the Bartha Group will be accounted as indirect wholly-owned subsidiaries of the Company and the financial results of the Bartha Group will be consolidated into the Group's accounts.

The Directors recognise that the Proposed Subscription of the Exchangeable Bonds does not provide immediate economic benefits to the Group. As disclosed in the section "Reasons for the Proposed Acquisition and Proposed Subscription" below, the Bartha Group is going to set up the JV Securities Company in Nansha area in the Guangzhou Pilot Free Trade Zone, the PRC. If the JV Securities Company can obtain the approval and licence to conduct securities business in the PRC, the valuation of the Bartha Group will be substantially increased and much higher than the consideration paid for the Exchangeable Bonds and more competitors will have interest in acquiring the Bartha Group. In addition, as advised by the PRC legal adviser, CSRC may not allow a change of shareholding structure of the co-investors of the JV Securities Company within three years after the equity participation in the JV Securities Company. Hence, the Company is unable to directly acquire the equity interest in Bartha International for the time being. CVP Financial and Bartha Holdings entered into the Subscription Agreement so that the Group could have the first mover advantage and the Group has the pre-emptive right to acquire the equity interest in the Bartha Group at a lower cost should the business of the JV Securities Company go successful and deter the unnecessary rivals from competing for the Bartha Shares.

Under the Exchangeable Bonds, Bartha Holdings provides the undertaking for CVP Financial to have access to the financial information of the Bartha Group, such arrangement will enable the Group to closely monitor the operation of the Bartha Group prior to the exercise of the Exchange Rights. The Directors (including the independent non-executive Directors) consider that the Proposed Subscription is in the interest of the Company and its Shareholders as a whole.

Apart from the securities business in the PRC to be developed upon obtaining the approval of the JV Securities Company, the Directors have also considered the growth of Eternal Pearl since the acquisition by Bartha International in March 2016 and the injection of capital in May 2016, at which time Eternal Pearl commenced to expand the business of placing and underwriting services as well as margin financing services. As advised by Bartha Holdings, the financing amount under margin financing business has increased significantly from approximately HK$6.8 million (as at 30 March 2016) to HK$43.1 million (as at 31 December 2016). Further, the provision of placing and underwriting services which commenced since the acquisition of Eternal Pearl by Bartha International has generated revenue of approximately HK$2.85 million (as at 31 December 2016).

It is the planning of the Board that upon completion of acquisition of a series of licensed corporations, including the acquisition of Bartha Group, the Board will invite a new Director who has experience and expertise in SFO regulated activities (including the securities industry) to the Board to supervise and monitor the regulated activities of the Group. As at the Latest Practicable Date, the Board was still looking for and had not identified any suitable candidate to be the new Director.

Despite that the Company shall receive no immediate economic benefit in the Proposed Subscription, the Company considered the Proposed Subscription is in the interest of the Company and the Shareholders, given that (i) the development in placing and underwriting services and margin financing services have been contributing to the growth of Eternal Pearl; (ii) the Directors are of the view that the business of Eternal Pearl will be promising should the JV Securities Company obtain the approval and develop securities business in the PRC; (iii) the Exchangeable Bonds allows the Company to acquire the equity interest in the Bartha Group at a lower cost; and (iv) before exercising the Exchange Rights, CVP Financial can closely monitor the business of Bartha Group, including Eternal Pearl, with the appointment of a director with experience and expertise in securities business.

The Company has no intention to enter, nor has entered into any agreement, arrangement, undertaking and understanding in relation to the disposal and/or scale down of the Group's existing business.

Post-completion undertakings

As at the Latest Practicable Date, Bartha International is indebted to Bartha Holdings in the aggregate amount of approximately HK$76,009,664 (the "**Bartha Loan**"). Pursuant to the Subscription Agreement, Bartha Holdings undertakes to CVP Financial that it shall procure the assignment of all Bartha Loan to it by its associates or affiliates and it shall subscribe for new Bartha Shares by way of capitalising the Bartha Loan at the request of CVP Financial at any time when CVP Financial is entitled to exercise the Exchange Rights attached to the Exchangeable Bonds.

Pursuant to the Subscription Agreement, Bartha Holdings also undertakes to CVP Financial that it shall procure Bartha International not to declare, make or pay any dividend or other distribution after completion of the Subscription, and shall hold on trust for and immediately pay or transfer to CVP Financial any payment or distribution of dividend or capital received by it after completion of the Subscription and up to the EB Maturity Date.

Further, pursuant to the Subscription Agreement, Bartha Holdings undertakes that it will not, from the date of issue of the Conversion Shares and until the first anniversary thereof (both days inclusive), offer, lend, sell, contract to sell, grant any option to purchase or otherwise dispose of, any of the Conversion Shares; enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale; or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of any of the Conversion Shares.

Principal terms of the Exchangeable Bonds

Set out below are the proposed principal terms of the Exchangeable Bonds:

Issuer:	Bartha Holdings
Principal amount:	HK$150,000,000
Maturity date:	the date falling on the last day of the 60th month from the date of issue of the Exchangeable Bonds
Status:	the Exchangeable Bonds constitute direct, senior, unsubordinated, unconditional and unsecured obligations of Bartha Holdings and the Exchangeable Bonds shall at all times rank *pari passu* in all respects and without any preference or priority among themselves and with all other shares of Bartha International in issue. No application will be made for the listing of the Exchangeable Bonds on the Stock Exchange or any other stock exchange
Interest:	Nil
Exchange Rights:	subject to the transfer and exchange restrictions imposed on the holder of the Exchangeable Bonds in the instrument of the Exchangeable Bonds and any applicable laws (including but not limited to the obtaining of the prior approval of the SFC on change in substantial shareholder of Eternal Pearl), the Exchange Rights may be exercised, at the option of the holder of the Exchangeable Bonds, to exchange up to the whole principal amount of the Exchangeable Bonds into Exchange Shares as at the exercise of the Exchange Rights by the holder of the Exchangeable Bonds during the Exchange Period, in accordance of the terms and conditions of the Exchangeable Bonds
Exchange period:	the Exchange Rights attached to the Exchangeable Bonds can be exercised after 3 years from the date of issue of the Exchangeable Bonds up to and including the EB Maturity Date ("**Exchange Period**")
Transferability:	freely transferrable

Early redemption:	in the event that Bartha Holdings fails to fulfill the profit guarantee as provided in the paragraph headed "Profit Guarantee" above, the holder of the Exchangeable Bonds may, at any time before the EB Maturity Date, give not less than 20 Business Days' prior written notice to Bartha Holdings to redeem the Exchangeable Bonds and Bartha Holdings shall within one month pay a redemption price equivalent to 100% of the outstanding principal amount of the Exchangeable Bonds in cash or setting off the Convertible Bonds
	Bartha Holdings does not have right to early redeem the Exchangeable Bonds
Conditions to exercise of Exchange Rights:	the exercise of the Exchange Rights is subject to the fulfillment of the following conditions:

1. the obtaining of approval from the SFC for the change in ultimate substantial shareholder of Eternal Pearl;

2. if applicable, the obtaining of approval from the Securities and Futures Commission (or equivalent authority) in the PRC for the change in ultimate substantial shareholder of Eternal Pearl;

3. if applicable, the passing by the Independent Shareholders at an extraordinary general meeting of the Company approving the exercise of the Exchange Rights in accordance with the GEM Listing Rules and the applicable laws and regulations; and

4. the obtaining of all necessary consents and approvals required to be obtained on the part of the Company and/or Bartha Holdings in respect of the exercise of the Exchange Rights

Undertakings to assess financial information:	so long as the Exchangeable Bonds remain outstanding, Bartha Holdings shall provide CVP Financial with the original or a copy (certified as a true and correct copy by a director) of the following:

(A) (a) in connection with the Bartha Group, within two months after the end of each financial year, an advanced draft of the audited accounts with respect to such financial year, if any;

(b) on or before 30 June of each of the financial years, copies of the audited accounts;

(c) on or before the 30th day of each month, an unaudited consolidated accounts of the Bartha Group in respect of the immediate preceding month; and

(d) on or before 31 March, an annual financial budget of the Bartha Group describing an estimate of income and expenditure for the next financial year;

(B) within seven days after receiving the reasonable request from CVP Financial, Bartha Holdings shall and procure that each of the Bartha Group companies to, prepare and provide copies of all information reasonably requested by the CVP Financial; and

(C) CVP Financial shall be permitted to inspect the books and records of, and to visit the facilities of, any member of the Bartha Group with prior written notice of CVP Financial. CVP Financial shall also be entitled to have access to any professional advisers of the Bartha Group, including the auditors, to discuss advice received by any member of Bartha Group company and which are relevant to the Bartha Group's financial statements and/or operations

Principal terms of the Convertible Bonds

Set out below are the proposed principal terms of the Convertible Bonds:

Issuer:	the Company
Principal amount:	HK$150,000,000
Interest:	Nil
Maturity Date:	the date falling on the 5th anniversary of the date of issue of the Convertible Bonds
Conversion price:	HK$1.1 per Share, which represents:

(i) a discount of approximately 44.72% to the closing price of HK$1.99 per Share as quoted on the Stock Exchange on 17 February 2017, being the date of the Subscription Agreement;

(ii) a discount of approximately 44.78% to the average of the closing price of approximately HK$1.992 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;

(iii) a discount of approximately 45.33% to the average of the closing price of approximately HK$2.012 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement;

(iv) a premium of approximately 3,534% to the unaudited net asset value attributable to owners of the Company per Share as at 30 September 2016 of approximately HK$0.0303 per share;

(v) a premium of approximately 1,367% to the placing price of the Shares at the initial public offering on 8 October 2015 (after adjusting for share subdivision effective on 8 November 2016); and

(vi) a discount of approximately 53.78% to the closing price of HK$2.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The conversion price have been determined after arm's length negotiations between CVP Financial and Bartha Holdings with reference to various factors such as, the unaudited net asset value of the Company as at 30 September 2016, the average trading price of the Shares for the 52 weeks immediately preceding the negotiation of the terms of the Subscription Agreement (i.e. from January 2016 to December 2016) of approximately HK$1.05 per Share, the placing price of the Shares at the initial public offering on 8 October 2015, the net loss positions of the Company for the six months ended 30 September 2016 and for the year ended 31 March 2016 and the current business environment of wine retail market. The Directors consider that the conversion price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The conversion price is subject to adjustment upon occurrence of consolidation or subdivision of Shares; for the avoidance of doubt, there will be no adjustment to the conversion price other than as a result of consolidation or subdivision of Shares.

Number of Conversion Shares: based on the conversion price of HK$1.1, up to 136,363,636 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing:

(i) approximately 3.41% of the existing issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 3.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the conversion price, assuming that there would be no other Shares to be allotted and issued

Conversion period: the period commencing from the first anniversary of the date of issue of the Convertible Bonds and up to and including the date which is 3 days prior to the CB Maturity Date

Redemption: the Company shall be entitled to redeem all of the outstanding Convertible Bonds on the CB Maturity Date at its then outstanding principal amount

no outstanding amount of the Convertible Bonds shall be redeemed at the request of the Company nor the holders of the Convertible Bonds before the CB Maturity Date, save and except for in the circumstances that Bartha Holdings fails to fulfill the profit guarantee provided by it under the Subscription Agreement. In such circumstances, Bartha Holdings shall early redeem the entire Exchangeable Bonds at 100% of its principal amounts within 30 days after the issue of the Profit Certificate. Bartha Holdings and CVP Financial agrees that the redemption money payable by Bartha Holdings to CVP Financial arising from the redemption of the Exchangeable Bonds could be settled in cash or by setting off the amount payable by the Company to Bartha Holdings under the Convertible Bonds

Status: the Conversion Shares, when issued and delivered in the manner contemplated by the Convertible Bonds will rank *pari passu* and carry the same rights and privileges in all respects with the other Shares in issue and shall be entitled to all dividends and other distributions declared, paid or made thereon

Voting:	the Convertible Bonds do not confer any voting right at any meetings of the Company
Transferability:	prior to the issue of the Profit Certificate, the Convertible Bonds cannot be transferred or assigned and thereafter, the Convertible Bonds are freely transferable to any persons except to connected persons of the Company
Listing:	no application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. The Company shall make an application to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares
Conversion restriction:	no conversion of the Convertible Bonds would be permitted, if immediately after such conversion, (a) the minimum public float requirement for the Shares as required under the GEM Listing Rules could not be maintained; or (b) the holder of the Convertible Bonds whether alone or together with parties acting in concert with it will trigger a mandatory general offer obligations under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds
Lock up undertaking:	the holders of Convertible Bonds shall, from the date of issue of the Convertible Bonds and until the first anniversary thereof (both days inclusive), not (1) offer, lend, sell, contract to sell, grant any option to purchase or otherwise dispose of, any of the Convertible Bonds; or (2) enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale; or (3) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of any of the Convertible Bonds

Specific Mandate

The Conversion Shares upon conversion of the Convertible Bonds will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the EGM.

The Directors (including the independent non-executive Directors) consider that the entering into of the Subscription Agreement is on normal commercial terms, not in the ordinary course of business of the Group and the terms of the Proposed Subscription including the subscription price and conversion price are fair and reasonable and is in the interests of the Group and its Shareholders as a whole.

INFORMATION OF BARTHA HOLDINGS, BARTHA INTERNATIONAL AND ETERNAL PEARL

Bartha Holdings

Bartha Holdings is a limited liability company established in Hong Kong, and is beneficially owned as to 85.25% by CVP Holdings, which, in turn, is wholly-owned by Mr. Ting, an executive Director, the chairman of the Board and the controlling Shareholder, and as to 14.75% by two Independent Third Parties. Bartha Holdings is principally engaged in investment holding. The total investment cost in the shares in Bartha Holdings by CVP Holdings amounted to HK$45,006,370.

Bartha International

Bartha International is wholly-owned by Bartha Holdings. Bartha International is principally engaged in investment holding. Bartha International has no business except being the immediate holding company of Eternal Pearl.

The unaudited financial information of Bartha International prepared under the Hong Kong Financial Reporting Standards for the year ended 31 December 2015 and 2016 are as follows:

	From date of incorporation up to 31 December 2015	**For the year ended 31 December 2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover	–	–
(Loss) before tax	(141.38)	(49.7)
(Loss) after tax	(141.38)	(49.7)

The unaudited net liabilities of Bartha International as at 31 December 2016 was approximately HK$191,079.

Eternal Pearl

Eternal Pearl was incorporated in Hong Kong with limited liability on 24 October 2003. From 24 October 2003 to 30 March 2016, Eternal Pearl was jointly owned by two Independent Third Parties. On 30 March 2016, the entire equity interest in Eternal Pearl was acquired by Bartha International. Since 6 May 2005, Eternal Pearl has been licensed by the SFC to conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO. As advised by Bartha Holdings, since the obtaining of relevant SFO licences, Eternal Pearl has no non-compliance record with the SFC.

Eternal Pearl is principally engaged in the provision of (i) securities dealing and brokerage service; (ii) futures contracts dealing and brokerage service; and (iii) margin financing services. Since mid-2016, Eternal Pearl has commenced to provide placing and underwriting services.

As advised by Bartha Holdings, as at the Latest Practicable Date, Eternal Pearl had one executive director cum responsible officer, 2 non-executive directors and 4 responsible officers (including the executive director). All the responsible officers have extensive experience in regulated activities gained in Eternal Pearl and other licensed corporations which are licensed to provide a wide spectrum of services, such as securities trading, futures trading, corporate finance, asset management, etc., with an average of 14 years and ranging from 9 years to over 19 years and are familiar with the securities laws and regulations in Hong Kong. They also have hands on working experience in different areas of a securities company, including but not limited to, audit and accounting, risk management, compliance, supervising the operation of the securities and futures brokerage business, strategic planning and credit control. The two non-executive directors, who are responsible for making recommendations to the board on (i) the overall remuneration policy and structure of the company; (ii) the overall strategic business development and budget; and (iii) implementation and monitor the internal control system. They have more than 5 years' experience in the financial industry, and are experienced in the formulation of corporate strategies and client referral and relationship management, in particular, with ultra high net worth clients.

Set out below is the financial information of Eternal Pearl prepared under the Hong Kong Financial Reporting Standards for the year ended 31 December 2015 and 2016:

	For the year ended	
	31 December 2015	**31 December 2016**
	HK$'000	*HK$'000*
	(Audited)	(Unaudited)
Turnover	8,592	6,840
(Loss) before tax	(4,576)	(10,471)
(Loss) after tax	(4,576)	(10,471)

The unaudited net asset of Eternal Pearl as at 31 December 2016 was approximately HK$58,344,570.

For the year ended 31 December 2015, Eternal Pearl's major revenue was generated from the provision of (i) commission and brokerage income arising from dealings in securities; (ii) interest income arising from margin financing services; (iii) commission and brokerage income arising from dealings in futures contracts; and (iv) other incomes, representing approximately 65.0%, 15.9%, 9.1% and 10% of Eternal Pearl's total revenue for the same period, respectively.

For the year ended 31 December 2016, Eternal Pearl's major revenue was generated from the provision of (i) placing and underwriting services; (ii) commission and brokerage income arising from dealings in securities; (iii) interest income arising from margin financing services; (iv) commission and brokerage income arising from dealings in futures contracts; and (v) other incomes, representing approximately 41.7%, 30.3%, 16.3%, 6.3% and 5.4% of Eternal Pearl's total revenue for the same period, respectively. Eternal Pearl commenced its placing and underwriting service in mid-2016 which greatly diversified its revenue source.

As advised by Bartha Holdings, clients of Eternal Pearl are mainly (a) for brokerage services, individual and corporate clients; (b) for margin financing business, individual clients, institutional and corporate clients; and (c) for placing and underwriting services, listed companies and substantial shareholders of listed companies.

As informed by Bartha Holdings, since January 2017 and up to the Latest Practicable Date, the Bartha Group has completed two placings for two separate independent clients and has secured another new share placement agreement for acting as a placing agent to procure placees to subscribe for placing shares or convertible bonds on a best-efforts basis. The maximum aggregate amount raised under these agreements ranges from approximately HK$4 million to HK$261 million and the gross underwriting commission ranges from 1.25% to 3.5% of the fund raising amount. Currently, the management is in negotiation with 5 potential corporate clients, which are listed issuers in Hong Kong planning to raise funds of an average of HK$250 million (ranging from approximately HK$148 million to HK$359 million) in the second half of 2017. In the event that Eternal Pearl could secure all the placements, it shall charge an average commission rate of approximately 1.40% of the fund raising amount, and accordingly receive commission of, in aggregate, approximately HK$17 million, by end of 2017. As at the Latest Practicable Date, no legally binding agreement was entered into in relation to the placements in negotiation. Nonetheless, from the rising trend and the business opportunities in the pipeline of the placing and underwriting services, the management of Bartha Holdings expects that based on the potential deal list under negotiation, Eternal Pearl shall receive income of approximately HK$22 million during the Profit Guarantee Period.

The Company was further informed by Bartha Holdings that subsequent to the financial year ended 31 December 2016, Bartha International has been raising fund through issuance of convertible securities with target amount of HK$100 million for developing the margin financing business of Eternal Pearl. As at the Latest Practicable Date, Bartha Group has successfully raised HK$50 million from several independent third parties for providing margin financing services to clients. Clients of Eternal Pearl have been in high demand of margin financing services to potentially enhance their securities trading return. With an existing lending interest rate of 10% per annum, it is expected that up to an additional HK$5 million of interest income will be generated from margin financing business. As at the Latest Practicable Date, as advised by Bartha Holdings, with the aim to raise an additional amount of HK$50 million, the management team had been in negotiation with two potential investors who invest in different investment products, including non-listed securities, personally and/or by their own companies, and it is expected that the relevant agreements will be entered into by September 2017. The fund raised shall be used for margin financing services which shall contribute interest income to Bartha Group accordingly. The Company shall comply with the relevant requirements under the GEM Listing Rules in relation to the issue of convertible securities by Eternal Pearl, if and when applicable.

Business Plan of Eternal Pearl

According to the business plan of Bartha International, Eternal Pearl intends to refresh the traditional brokerage business by adding new technological elements, and leverage on its existing advantages to further develop the two new businesses – placing and underwriting as well as margin financing. As such, Eternal Pearl has implemented a competitive pricing strategy to attract more securities brokerage clients, so as to enlarge its customer base, and to create more opportunities for cross-selling the services provided by Eternal Pearl, e.g. the subscription of securities where Eternal Pearl is appointed as a placing agent. Further, Eternal Pearl has launched the online trading system in January 2017 and a mobile trading system in March 2017 to its securities brokerage clients, providing them with better and more convenient services, enhancing the corporate image, and at the same time reducing human resources for traditional brokerage operation.

To develop margin financing business successfully, the management of Eternal Pearl acknowledges that, apart from identifying potential clients who need capital for their investments, they must have sufficient funding ready when clients request for margin financing services. From the client side, demand for margin financing services in Eternal Pearl has been high. However, in the past, due to limited capital, the development of and therefore the income from the margin financing business is also limited. As advised by Bartha International, by end of 2016, Eternal Pearl fully utilised its funding for margin financing business. According to the records of Eternal

Pearl, the financing amount and customers under the margin financing business had increased by approximately 53% in size, from approximately HK$43 million for 38 clients as at 31 December 2016 to approximately HK$66 million for 47 clients as at 31 May 2017. As advised by Bartha International, they have been negotiating with potential investors since February 2016, to inject capital in Bartha Group by way of issue of convertible securities in the principal amount of HK$100 million for developing the margin financing business, of which HK$50 million was raised, and they will continue to look for more potential investors to subscribe for the convertible securities in the coming months.

Prior to the acquisition of Eternal Pearl by Bartha International, Eternal Pearl did not have any expertise and track record in underwriting and placing services. With the new management team with substantial experience in securities underwriting and placing business, Eternal Pearl completed the first securities placing in November 2016. Since then, it has received positive feedback from the market. Also, the reputation of Eternal Pearl and its securities placement capability have started to build up. Within another 7 months' time, Eternal Pearl has completed two securities placings from two new independent clients and has secured a new share placement agreement as at 31 May 2017.

In order to further build up Eternal Pearl's reputation as a competent placing agent in the market, the management team will continue to utilise their strong business network in the financial market of Hong Kong to identify potential securities issuers. Also, there is a designated marketing team headed by the executive director, responsible for marketing to the financial market about Eternal Pearl's capability as a placing agent. They will attend different social events organised by different trade unions, as well as corporate presentation and road show of listed issuers or potential listing applicants.

Formation of the JV Securities Company

As advised by Bartha Holdings, an application (the "**Application**") was submitted in May 2016 to CSRC to set up the JV Securities Company among Eternal Peal, 廣東粵財投資控股有限公司 (Guangdong Yuecai Investment Holdings Limited*) ("**Guangdong Yuecai**") and several other co-investors (together with Eternal Pearl and Guangdong Yuecai Investment Holdings Limited, the "**Co-Investors**") in Nansha area of Guangzhou Pilot Free Trade Zone, the PRC.

In 2002, CSRS promulgated the FSCFS Rules (Order No.8 of CSRC) which was subsequently revised in 2007 and 2012. The FSCFS Rules cover two types of company: (1) securities companies established and jointly funded by foreign and domestic shareholders; (2) securities companies that have changed from being domestic-funded by the issue of shares to foreign investors.

In August 2013, supplementary agreements were signed to the Mainland and Hong Kong Closer Economic Partnership Arrangement and to the Mainland and Macau Closer Economic Partnership Arrangement (hereinafter collectively referred to as "**CEPA10**"). CEPA10 relaxed the access of foreign funds to the Chinese securities market (i) allowing both Hong Kong and Macau funded financial institutions that meet conditions for establishing securities companies with foreign shareholders to set up full licence joint venture securities companies with domestic-funded companies in Shanghai, Guangdong Province and Shenzhen, the PRC in accordance with relevant domestic provisions; and (ii) allowing both Hong Kong and Macau funded financial institutions which meet the conditions for establishing securities companies with foreign shareholders to establish full licence joint venture securities companies with domestic-funded companies in several mainland pilot zones where financial reform experiments are permitted. ("**Reform Pilot Zones**").

In August 2015, CSRC issued the Implementing Relevant Policies of CEPA10 on Further Expanding the Opening Up of Securities Institutions. This stipulates the requirements for Hong Kong-funded and Macau-funded financial institutions to establish securities companies with foreign shareholders. The announcement provides operational guidelines for the establishment of securities companies with foreign shareholders under the CEPA10 framework.

Over recent years, free trade zones in Shanghai, Guangdong Province, Tianjin and Fujian Province, the PRC have relaxed the access conditions for foreign investment in securities companies.

Conditions and Restrictions

The main conditions for the formation of securities companies with foreign shareholders are:

1. Restrictions on the shareholdings of foreign and domestic shareholders

The restrictions on the shareholding of foreign and domestic shareholders include:

(1) The shareholding of foreign shareholders in a domestic securities company must not exceed 49% cumulatively (including direct shareholding and indirect control).

(2) In a domestic-funded securities company with foreign shareholders, there must be at least one domestic shareholder with the shareholding of not less than 49%.

(3) For a listed domestic-funded securities company, the shareholding (including direct holding and indirect control) of a single foreign investor must not exceed 20%; the proportion of the shares of a listed domestic-funded securities companies that are held (including direct holding and indirect control) by all foreign investors must not exceed 25%.

(4) Foreign investors may not hold a controlling stake in a securities company without approval. No individual foreign investor shall hold or control more than a 5% stake in a company which is a shareholder of a securities company.

When the 2002 revision of the FSCFS Rules was promulgated, the upper limit of the shareholding of foreign shareholders and the lower limit of the shareholding of domestic shareholders in (1) and (2) above were both $^1/_3$. These thresholds were retained in the 2007 revision of the FSCFS Rules except they made provision for the purchasing of shares through the secondary market or strategic investment as stated in the following point (1). Then in the 2012 revision of the FSCFS Rules, the restrictions on the shareholding were both adjusted to 49%.

However, there are exceptions to the above shareholding restrictions:

(1) If foreign investors legally hold the shares in a listed domestic-funded securities company through securities trading on a stock exchange or hold shares in a listed domestic-funded securities company with the approval of the CSRC by establishing a strategic partnership with the listed domestic-funded securities company, then the requirement that one domestic shareholder must hold at least a 49% shareholding does not apply provided that the listed company's controlling shareholder is a domestic shareholder.

(2) The shareholding of Hong Kong or Macau shareholders in a joint venture securities company which is established in Shanghai, Guangdong Province or Shenzhen under CEPA10 may be up to 50%.

(3) A joint venture securities company established in the Reform Pilot Zones under CEPA10 is free from the restriction that one domestic shareholder must hold a minimum of 49% of the shares.

(4) Under the Framework Plan for China (Fujian) Pilot Free Trade Zone, the Fujian Free Trade Zone is exploring whether to allow Taiwan-funded financial institutions to: establish joint venture securities companies, raise the maximum shareholding of Taiwan shareholders to 51%, and lift the requirement that the shareholding of one domestic shareholder must not be lower than 49%.

2. Further requirement of foreign shareholders of a securities company

The FSCFS Rules require that:

(i) their home countries or regions have a sound legal and regulatory system of securities, and the securities regulatory bodies have signed the memorandum of understanding on securities regulation and kept an effective cooperative relation with the CSRC or the institution accepted by the CSRC;

(ii) they have been lawfully established in their home countries or regions, at least one of them is an institution that has the lawful financial business qualification; and they shall not transfer their equities in the foreign-shared securities company within three years after the equity participation;

(iii) they have engaged in the financial business for five years or more, and haven't been given major punishment by the securities regulatory body, the administrative or justice department of their respective home countries or regions in last three years;

(iv) all of their financial indicators in last three years are in compliance with the legal provisions of their respective home countries or regions and the requirements of their respective securities regulatory bodies;

(v) they have a sound internal control system;

(vi) they have a good reputation and business performance; and

(vii) they should fulfill other prudential conditions as provided for by the CSRC.

3. Restrictions on the qualification requirements for the shareholders

Apart from the qualification requirements for foreign and domestic shareholders in securities companies with foreign shareholders, the FSCFS Rules stipulate that among the domestic shareholders of a securities company with foreign shareholders, at least one shall be a domestic-funded securities company.

The exceptions to this restriction are as follows:

(1) The foreign shareholder invested securities companies that were originally domestic-funded securities companies are free from this restrictive regulation.

(2) The domestic shareholders of the joint venture securities companies established in Shanghai, Guangdong Province, Shenzhen or Reform Pilot Zones under CEPA10 are not limited to securities companies.

(3) According to the Notice for Further Promoting the Financial Opening Up and Innovation of China (Shanghai) Pilot Free Trade Zone and Accelerating the Construction Scheme for a Shanghai International Finance Centre, the domestic shareholders of joint venture securities companies established in the Shanghai Free Trade Zone are not required to be securities companies.

(4) The Framework Plan for China (Fujian) Pilot Free Trade Zone considers permitting Taiwan-funded financial institutions to establish joint venture securities companies with Mainland shareholders who are not limited to securities companies.

4. Restrictions on Business Scope

Under the FSCFS Rules, the business scope of securities companies with foreign shareholders are limited to: (1) underwriting and recommendation of stocks (including RMB common stocks and foreign capital stocks) and bonds (including government bonds and corporate bonds); (2) brokerage of foreign capital stocks; (3) brokerage and proprietary trading of bonds (including government bonds and corporate bonds); and (4) other businesses approved by the CSRC. If the foreign investors hold shares in a listed domestic-funded securities company through securities trading on a stock exchange or with the approval of the CSRC by a strategic partnership with a listed domestic-funded securities company, then the approved business scope of the listed domestic-funded securities company will remain unchanged.

According to current policies and regulations, the 3 methods for securities companies with foreign shareholders to obtain licenses are:

(1) Hong Kong-funded and Macau-funded financial institutions that meet the requirements of CEPA10 and the conditions for establishing securities companies with foreign shareholders may establish a full license joint venture securities company with domestic-funded companies in Shanghai, Guangdong Province and Shenzhen in accordance with relevant domestic provisions;

(2) Hong Kong-funded and Macau-funded financial institutions that meet the requirements of CEPA10 and the conditions for establishing securities companies with foreign shareholders may establish full license joint venture securities companies with domestic-funded companies in Reform Pilot Zones; and

(3) According to the Framework Plan for China (Fujian) Pilot Free Trade Zone, Taiwan-funded financial institutions that meet the conditions for establishing securities companies with foreign shareholders may be allowed to establish two full license joint venture securities companies with domestic-funded companies in the Fujian Free Trade Zone.

In addition, the Shanghai Free Trade Zone has also included the expansion of the business scope of joint venture securities companies in its construction scheme. However, it has so far not issued any relevant detailed rules on the plan.

5. Restrictions on the number of investment and securities companies (A single controlling entity may have only one funds holding management company)

According to the Notice of China Securities Regulatory Commission on Revising the Working Guidelines No.10 for the Examination and Approval of Administrative Licensing for Securities Companies, an organization or multiple organizations run by the same actual controllers are entitled to up to two equity fund management companies, of which only one can be a funds holding management company.

6. Restrictions on the registered capital

The Securities Law of the PRC requires that the minimum amount should be:

(1) RMB50,000,000 if the securities company engages in one or all of the businesses of (a) securities brokerage, (b) securities investment consultancy and (c) financial advising relating to securities trading or investment; and

(2) RMB500,000,000 if the securities company engages in two or more of the businesses of (a) securities underwriting and sponsorship, (b) proprietary account transactions, (c) securities asset management and (d) other securities business.

7. Other matters needing attention under the FSCFS Rules

Securities companies with foreign shareholders should also note the following:

(1) When establishing securities companies with foreign shareholders, domestic shareholders may invest with cash or tangible goods necessary for the business operation, while the foreign shareholders must invest freely exchangeable currency.

(2) The businesses of new established securities companies as approved shall not be more than four types, except as otherwise required by the CSRC.

(3) The number of persons who have obtained the qualification for securities dealing according to the provisions of the CSRC should be 30 or more, and there are necessary professionals for accounting, legal affairs, and computing.

(4) The foreign shareholders shall have sound internal management, risk control, as well as the separated management system of underwriting, brokerage and proprietary trading in the aspects of institution, personnel, information and business execution, etc., and have an appropriate internal control technical system.

(5) The foreign shareholders shall have the business premises that meet the requirements and the qualified business facilities.

(6) The following changes to securities companies must be approved by the securities regulatory authority of the State Council.

- alteration to business scope;
- changes to shareholdings exceeding 5% or to control;
- a significant increase or reduction in registered capital or change in equity structure;
- an alteration of any important article of its constitution;
- any merger or spilt of the company; and
- the new appointment of directors, supervisors, senior managers and responsible persons of branch offices.

As announced by the CSRC on 21 August 2015, under CEPA 10, in setting up the joint venture securities company in the PRC in the Reform Pilot Zones, the applicant should submit an application with all required documents to show that it has satisfied the requirements under FSCFS Rules, for CSRC's review. Once CSRC accepted the application, it will provide comments and may request for more documents. After the approval is obtained from CSRC, the joint venture securities company shall apply for certificate of approval and business registration with the Ministry of Commerce of the PRC and Administration of Industry and Commerce of Guangzhou Municipality of the PRC.

As advised by Bartha Holdings, the Application was submitted to set up a full licensed joint venture securities company with foreign shareholders capped at 49% in May 2016. In July 2016, CSRC issued a letter indicating the acceptance of the Application for review and in September 2016, requested for, among others, further information about the Co-Investors, such as their respective shareholding structure, financial proof and compliance record, which, as advised by Bartha Holdings, the Co-Investors have provided all relevant information and documents to CSRC in October 2016.

Pursuant to the approval procedures as announced in the website of CSRC, there is no definite time for granting an approval once the application is accepted. As at the Latest Practicable Date, according to the bulletin announcing the status of acceptance and approval of all joint-venture securities companies dated 19 May 2017 published by CSRC, the Application was not rejected and was still under review by CSRC. To the best knowledge of Bartha Holdings, as at the Latest Practicable Date, the Application was the only joint-venture securities company with a cap of 49% shareholdings held by foreign shareholders, applying for approval in Nansha area of the Guangzhou Pilot Free Trade Zone, the PRC.

Pursuant to the Company's PRC legal adviser, given that eligible Hong Kong-funded and Macau-funded financial institutions are allowed to set up one full-licensed joint venture securities company with foreign shareholding capped at 49% in Nansha area of the Guangzhou Pilot Free Trade Zone according to the announcement of CSRC on 21 August 2015, in respect of CEPA 10, should the Application be successful and should the business registration with different PRC regulatory authorities be completed, the JV Securities Company shall be the first and the only joint venture securities company with the foreign shareholding capped at the level of 49% in Nansha area of the Guangzhou Pilot Free Trade Zone, the PRC.

Further, as advised by the Company's PRC legal adviser, save for the legal requirements and restrictions provided under the FSCFS Rule, there is no legal obstacles for the setup of a full licensed joint venture securities company in the government-approved experimental zones for "piloting financial reforms" under the prevailing PRC laws and regulations. As advised by Bartha Holdings, the Application is in compliance with the FSCFS. To its best knowledge, the setup of the JV Securities Company complies with the PRC laws and all the required documents for approval and registration and the Application is subject to the approval of CSRC.

Shareholders and potential investors should note that the Application is subject to the approval of CSRC, the formation of the JV Securities Company may or may not proceed.

Within 30 days of obtaining the approval from CSRC in relation to the formation of the JV Securities Company, a preparatory working committee shall be formed by the Co-Investors to complete the registration of the JV Securities Company in the PRC, which include, among other things, subscription to the registered capital by each of the Co-Investors, completion of registration with relevant authorities in the PRC and obtaining the Securities and Futures Business License from the CSRC. The Co-Investors shall contribute capital in cash to the JV Securities Company in proportion to their respective equity interests as agreed in an agreement entered into by the Co-Investors.

After full subscription of the registered capital by each of the Co-Investors, the JV Securities Company shall be owned as to 40% by Guangdong Yuecai, 20% and 10% by two other PRC companies respectively, 10% by Eternal Pearl, and 20% by two other Hong Kong-based companies in equal shares. The registered paid-up share capital of the JV Securities Company will be RMB3.5 billion, approximately 20% of which is anticipated to be used for capital expenditure, which includes the setup cost of the securities trading system, recruitment of frontline and back office staff, rental expenses for office and retail outlets, and for general working capital.

Subject to the approval of the CSRC on the actual business scope, the JV Securities Company can engage in, among others, (i) acting as a sponsor of applicants for initial public offerings on National Equities Exchange and Quotations (commonly known as the New Third Board), (ii) providing advisory services on corporate finance actions such as pre-IPO financing and investment, mergers and acquisitions and corporate restructure, (iii) asset securitisation and discretionary asset management, (iv) conducting placing and underwriting of shares listed on the PRC stock exchange; and (v) engaging in securities brokerage and margin financing. As advised by Bartha Holdings, the JV Securities Company will focus on the development of areas (iv) and (v) above at the initial stage.

Upon completion of the business registration of the JV Securities Company, the preparatory working committee will devise in details the budget and the organisation structure, and will commence the recruitment of senior management and formulate business plan. It is anticipated that, in the first 12 months, the JV Securities Company shall establish a head office in Guangzhou with several retail outlets in Guangdong province, the PRC, setup an advanced securities trading system, recruit sufficient manpower, including the sales team, customer service and back office staff and equip them with knowledge of financial products and the securities trading system. Once all these preparation are in place, the JV Securities Company will launch different market initiatives to promote and expand its business.

It is agreed that, the three PRC companies, based on their respective network and client base, are responsible for expanding client base of the JV Securities Company, while Eternal Pearl and the other Hong Kong-based companies shall, based on their respective expertise in Hong Kong securities market, be responsible for (i) advising the setup of the securities trading system in areas such as user-friendliness, security and connection to back office management, (ii) training the frontline and back office staff in areas such as compliance and financial product knowledge, and (iii) advising on the management of overall securities business and sales distribution channels.

Currently, the securities market size in the PRC as a whole is one of the largest among major countries. Based on the requirements and restrictions as disclosed above, it is difficult for foreign investment to enter into the securities service business in the PRC. The Directors believe that upon successful establishment of the JV Securities Company, the prospect of Eternal Pearl will be substantially enhanced. Through the Proposed Subscription, the Group will benefit from the prospective development of the comprehensive securities business in the PRC and the JV Securities Company serves as the key for the Group to explore the PRC's vast securities service market.

POTENTIAL EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Based on the conversion price of HK$1.1, up to 136,363,636 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing (i) approximately 3.41% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 3.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the conversion price.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the full conversion of Convertible Bonds at the conversion price, assuming there is no change in the existing shareholding of the Company:

	As at the Latest Practicable Date		**Immediately after the full conversion of the Convertible Bonds at the conversion price (for illustration only)**	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*
Royal Spectrum Holding Company Limited ("**Royal Spectrum**") *Note 1*	1,968,000,000	49.20%	1,968,000,000	47.58
Bartha Holdings *Note 2*	–	–	136,363,636	3.30
Public Shareholders	2,032,000,000	50.80%	2,032,000,000	49.12
Total:	4,000,000,000	100.00%	4,136,363,636	100.00%

Notes:

1. The entire issued share capital in Royal Spectrum is legally and beneficially owned as to 96.63% by Devoss Global Holdings Limited, which, in turn is legally and beneficially wholly-owned by Mr. Ting.

2. Bartha Holdings is owned as to 85.25% by CVP Holdings, which, in turn, is wholly-owned by Mr. Ting, and as to 14.75% by two Independent Third Parties.

FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION ON EARNINGS, ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The financial impact of the Proposed Subscription is set out in Appendix IIIB to this circular. Please refer to the Appendix IV to this circular for basis of preparing the pro forma financial information on the Enlarged Group before and after Bartha Completion.

Following Bartha Completion but before the exercise of the Exchange Rights, Bartha International will not become a subsidiary of the Company.

Earnings

The Proposed Subscription has no immediate effect on the turnover of the Enlarged Group. As shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to this circular, upon completion of the Proposed Subscription, the Group's earnings will be affected by an impairment loss of approximately HK$193.9 million due to the significant decline in fair value of the Exchangeable Bonds. Please refer to "Appendix IV – Unaudited pro forma financial information of the Enlarged Group" of this circular for details.

The impairment loss was incurred due to the declined fair value of the Exchangeable Bonds as at 30 September 2016. After the acquisition of Eternal Pearl by Bartha International in March 2016, Bartha Group has undergone restructuring and had minimal operation for several months, which led to the value of the Exchangeable Bonds to be relatively low as compared to the fair value of the Convertible Bonds to be issued. Taking into account the rapid growth in different business areas in Eternal Pearl subsequently owing to (i) the increase in working capital, and (ii) the fund raised from the independent third parties to the Bartha Group, as well as the potential advantages from the participation in the application of the JV Securities Company, the Directors are in the view that the subscription of the Exchangeable Bonds is in the interest of the Company in long term.

Assets

The Proposed Subscription would increase the total assets of the Group by the amount of approximately HK$121.2 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to this circular. The increase is mainly attributable to the fair value of the Proposed Subscription of the Exchangeable Bonds. The Proposed Subscription would not affect the net asset value of the Group as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to this circular.

Liabilities

The Proposed Subscription would increase the total liabilities of the Group by the amount of approximately HK$99.0 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to this circular. The increase is mainly due to the fair value of the issue of Convertible Bonds of the principal amount of HK$150,000,000 in relation to the settlement of the consideration for the Proposed Subscription.

Financial and trading prospects of the Enlarged Group

Upon CVP Completion and Bartha Completion, the Enlarged Group shall be principally engaged in (a) sale of alcoholic beverages; and (b) Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; and (c) Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO.

Set out below are details of the financial and trading prospectus of the core business segments of the Enlarged Group:

(a) Sales of Alcoholic Beverages

The Group will endeavor to strengthen its position in the retail sales and wholesales of wine products in Hong Kong. The Group will continue to expand its existing product portfolio, which aims at providing its customers with a wider range of choices so as to facilitate the broadening of its existing customer base as well as reinforcing its market presence in Hong Kong wine industry.

(b) Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO

CVP Asset Management obtained the licenses to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO on 15 February 2016. Upon CVP Completion, the Directors believe that CVP Asset Management shall diversify the Group's business and will contribute stable revenue and profit to the Group.

Moreover, CVP Asset Management had entered into a non-legally binding cooperating arrangement with a Hong Kong subsidiary of a PRC state-owned enterprise in December 2016 to co-raise and co-manage an investment fund with an intended asset under management ("**AUM**") of approximately HK$1.5 billion to HK$2 billion at the initial stage and a target AUM of HK$5 billion.

(c) Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO

Bartha International acquired Eternal Pearl on 30 March 2016, the revenue of which was mainly attributable to (i) commissions generated from dealing in securities and futures, (ii) commission generated from placing and underwriting business, and (iii) interest income generated from margin financing services.

Moreover, the Application has been submitted to the CSRC to set up the JV Securities Company with a proposed scope of business includes provision of securities brokerage services, securities underwriting and sponsor services, asset management, proprietary trading business, advising on securities investments, securities financing services and corporate finance advisory services in the PRC.

REASONS FOR THE PROPOSED ACQUISITION AND THE PROPOSED SUBSCRIPTION

CVP Financial is an indirect non wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Company is an investment holding company. Its major operating subsidiaries are mainly engaged in sales of alcoholic beverages and provision of wine storage services.

As stated in the annual report of the Company for the year ended 31 March 2016, the wine retail industry is severely affected by economic downturn and it is expected to be a more challenging year ahead. In order to deliver long-term increase in Shareholders' value, the Company has been actively looking for suitable acquisition opportunities so as to maximise Shareholders' return in a more sustainable manner.

Recent stricter regulatory environment for the investment markets in the PRC has reinforced the demand for the PRC companies to invest overseas. According to a press release from the Hong Kong government on 8 September 2016 titled "Invest Hong Kong encourages Mainland companies to "go global" by leveraging Hong Kong's financing advantage", Hong Kong remains a reliable platform for fund-raising and a "super-connector" between the PRC and the rest of the world for the PRC companies to "go global". Both Hong Kong government and PRC government have occasionally implemented measures to fuel growth momentum to the Hong Kong stock market (including the Shanghai-Hong Kong Stock Connect in 2014 and the Shenzhen-Hong Kong Stock Connect in 2016). As such, the Group considers that the Proposed Acquisition and the Proposed Subscription will represent an opportunity for the Group to capitalize on the growth prospects of the Hong Kong securities investment market and the leading position of Hong Kong as one of the reputable international financial centers.

As advised by CVP Holdings, CVP Asset Management entered into a non-legally binding cooperating arrangement with a Hong Kong subsidiary of a PRC state-owned enterprise (the "**Co-Manager**") in December 2016, to co-raise and co-manage an investment fund which is expected to be invested in convertible bonds to be issued by Hong Kong listed companies or substantial shareholders of the listed companies, with the limit of HK$200 million for each investment.

Upon signing of the legally-binding agreement, CVP Asset Management and the Co-Manager will incorporate an exempted limited partnership in Cayman Islands which will be a fund management company (the "**Fund**") for a closed-end fund. CVP Asset Management and the Co-Manager will set up a joint venture in Cayman Islands to act as the general partner and the manager (the "**Fund Manager**") of the Fund. CVP Asset Management will appoint its representative to be a member of the investment committee of the Fund. The Fund Manager shall appoint CVP Asset Management as the investment adviser of the Fund to provide investment advice. Further, CVP Asset Management and the Co-Manager will look for potential professional investors to invest in the Fund and recruit more experienced investment managers.

As advised by the legal adviser to CVP Asset Management and the Co-Manager, (i) the Fund is required to be registered under the Exempted Limited Partnership Law of the Cayman Islands, whereby it must maintain a registered office in the Cayman Islands for the service of process and receiving notices and communications; (ii) there is no registration requirement for the general partner under the laws of the Cayman Islands; (iii) given that the target commitment in the Fund will be HK$5 billion and the initial commitment will be around HK$1.5 billion to HK$2 billion, the Fund shall fall within the meaning of "high net worth person" under Securities Investment Business Law (as revised) of the Cayman Islands, and accordingly the manager will be able to register as an "excluded person" and exempted from obtaining a securities business licence to act as the manager of the Fund; and (iv) CVP Asset Management, which is licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, is able to act as the investment advisor to the manager of the Fund.

Through the establishment of the Fund, CVP Asset Management expects to receive (i) annual management fee; (ii) performance fee (carried interest); and (iii) commission rate from the gross proceeds for any fund raised by it.

As at the Latest Practicable Date, the Co-Manager (i) has undertaken to raise gross proceeds of not less than HK$1 billion to the Fund; and (ii) is undergoing internal review and approval procedures in the PRC, and the terms and conditions may be further revised. Subject to the Co-Manager's internal approval procedures and further negotiation, the parties expect to enter into a formal agreement by end of June 2017.

The Directors believes that upon successful establishment of the Fund, the Group will benefit from the reputation and potential investor base to be brought by the reputable state-owned enterprise and the diversified source of income from tapping into the asset management business.

In respect of the Subscription, as disclosed above, the P/B ratio of Eternal Pearl of approximately 2.23 times, falls within the market range of approximately 1.04 times to 6.79 times and is slightly lower than the market average of approximately 2.61 times, when comparing with the P/B ratios of other comparable companies.

According to the business plan of Eternal Pearl as stated above, Eternal Pearl has changed from focusing on traditional brokerage business to increasing and diversifying its income by the provision of placing and underwriting services, as well as margin financing business, which shows a rising track since the beginning of 2017 due to the influx of fund and the brand building in connection with the provision of placing and underwriting business, the Directors considered that the future prospect of Eternal Pearl in the placing and underwriting business as well as margin financing is positive. As disclosed in the paragraph headed "Guaranteed Profit", these two business segments shall be the main contributors to the growth of Eternal Pearl.

In the event that the Application is successful and all the registration and approval in relation to the JV Securities Company have been obtained, the Directors expect that the income from the share of profits from the JV Securities Company shall be an added value to support Eternal Pearl for its further and long term development.

Given all of the above, together with (i) the expectation that the Group can leverage on CVP Asset Management and/or Eternal Pearl as a platform to diversify its business into the financial services industry and thereby broaden the Group's source of income; (ii) the prospects of regulated activities (as defined under the SFO) conducted by CVP Asset Management and Eternal Pearl; (iii) the potential synergies created by the Proposed Acquisition and/or Proposed Subscription by providing high-end wine products and services to clients of CVP Asset Management and Eternal Pearl as an investment alternative; and (iv) the added services brought to clients of the Group who look for various investment opportunities, the Directors are of the view that the terms of the Acquisition Agreement and the Subscription Agreement are fair and reasonable and they are in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Ting, being an executive Director, the chairman of the Board and the controlling Shareholder, is a connected person of the Company. CVP Holdings, which is wholly-owned by Mr. Ting, and Bartha Holdings, which is owned as to 85.25% by CVP Holdings, are associates of Mr. Ting and therefore are connected persons of the Company. Accordingly, each of the Proposed Acquisition and the Proposed Subscription Agreement constitutes a connected transaction on the part of the Company under the GEM Listing Rules.

As certain applicable percentage ratios in respect of the Proposed Subscription are more than 25% but less than 100%, the Proposed Subscription itself constitutes a major transaction on the part of the Company under the GEM Listing Rules.

Each of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Proposed Acquisition is less than 5%, and the consideration payable by the Company under the Proposed Acquisition exceeds HK$10,000,000. Hence, the Proposed Acquisition is subject to the reporting, announcement and the approval of the Independent Shareholders at the EGM under the GEM Listing Rules.

Further, based on the fact that the Proposed Acquisition and the Proposed Subscription were entered into with the associates of Mr. Ting, the Proposed Acquisition should be aggregated with the Proposed Subscription. When the Proposed Acquisition is aggregated with the Proposed Subscription, the applicable percentage ratios remain more than 25% but less than 100%, the aggregation of the Proposed Acquisition and the Proposed Subscription constitutes a major transaction. Hence, both the Proposed Acquisition and the Proposed Subscription and the transactions contemplated thereunder are therefore subject to, among others, the reporting, announcement and the approval of the Independent Shareholders at the EGM under the GEM Listing Rules.

As Mr. Ting is having material interest in each of the Proposed Acquisition and the Proposed Subscription, Mr. Ting and his associates are required to abstain from voting on the resolution(s) to approve the Proposed Acquisition and the Proposed Subscription at the EGM. As at the Latest Practicable Date, Mr. Ting and his respective associates were, directly or indirectly, in aggregate, interested in 1,968,000,000 Shares, representing approximately 49.20% of the issued share capital of the Company.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, *J.P.*, has been formed to advise the Independent Shareholders on whether the terms of the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and will advise the Independent Shareholders on how to vote in respect to the resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder after taking into account the recommendation of the Independent Financial Adviser. Red Sun Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM to be held at Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong on Thursday, 27 July 2017 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

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

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

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of the circular. The Independent Board Committee, having taken into account the advice from Red Sun Capital, the text of which is set out on pages IFA-1 to IFA-56 of this circular, considers that the Acquisition Agreement and the Subscription Agreement are entered into upon normal commercial terms following arm's length negotiations between the parties thereto and that the terms of the Acquisition Agreement and the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Acquisition and the Proposed Subscription are in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder.

The Board considers that the connected transactions are not an ordinary and usual course of business of the Group and the Acquisition Agreement and the Subscription Agreement are in the best interests of the Company and its Shareholders as a whole and therefore recommends that the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Innovax Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser on 24 September 2015, neither the Compliance Adviser nor its directors, employees or associates had any interest in relation to the Company or any member of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the Latest Practicable Date.

ADDITIONAL INFORMATION

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

By Order of the Board
Madison Wine Holdings Limited
Ting Pang Wan Raymond
Chairman and executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.

MADISON WINE®

Madison Wine Holdings Limited

麥迪森酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

30 June 2017

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS –
(1) PROPOSED ACQUISITION OF CVP ASSET MANAGEMENT;
(2) THE SUBSCRIPTION AGREEMENT IN RESPECT OF THE PROPOSED SUBSCRIPTION OF EXCHANGEABLE BONDS FOR SHARES IN BARTHA INTERNATIONAL

We refer to the circular of the Company dated 30 June 2017 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as members to form the Independent Board Committee to consider the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Proposed Acquisition, the Proposed Subscription and the respective transactions contemplated thereunder 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, and to recommend how the Independent Shareholders should vote at the EGM. Red Sun Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent

Shareholders in this regard. Details of the letter of advice from Red Sun Capital, together with the principal factors taken into consideration in arriving at such advice, are set out on pages IFA-1 to IFA-56 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 1 to 47 to this Circular and the additional information set out in the appendices of the Circular.

Having taken into account the Proposed Acquisition and the Proposed Subscription and the respective transactions contemplated thereunder, and the advice from Red Sun Capital, we consider that the terms of each of the Acquisition Agreement and the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties thereto, the connected transactions are not an ordinary and usual course of business of the Group, the terms of each of the Acquisition Agreement and the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Proposed Acquisition and the Proposed Subscription 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 resolutions to be proposed at the EGM to approve the Acquisition Agreement and the Subscription Agreement and the respective transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds.

Yours faithfully,
the Independent Board Committee

Ms. Fan Wei **Mr. Chu Kin Wang Peleus** **Mr. Ip Cho Yin,** *J.P.*

Independent non-executive Directors

Set out below is the text of a letter received from Red Sun Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Proposed Acquisition and the Proposed Subscription for the purpose of inclusion in this Circular.

红日资本有限公司
RED SUN CAPITAL LIMITED

30 June 2017

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS – (1) PROPOSED ACQUISITION OF CVP ASSET MANAGEMENT; AND (2) PROPOSED SUBSCRIPTION OF EXCHANGEABLE BONDS FOR SHARES IN BARTHA INTERNATIONAL

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition, the Proposed Subscription and the respective transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 30 June 2017, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 9 February 2017, CVP Financial entered into the Acquisition Agreement (as amended and supplemented by the Supplemental Acquisition Agreement) with CVP Holdings, pursuant to which the CVP Financial conditionally agreed to acquire, and CVP Holdings has conditionally agreed to sell, the entire issued share capital of CVP Asset Management for a consideration of HK$14,000,000, which shall be satisfied by the Company issuing an interest-free promissory note in the sum of HK$14,000,000 to CVP Holdings (or its nominee(s)) within three Business Days upon fulfilment of the post-completion undertaking, or upon Completion, whichever is later.

On 17 February 2017, CVP Financial, as the subscriber, and Bartha Holdings, as the issuer, entered into the Subscription Agreement, pursuant to which CVP Financial conditionally agreed to subscribe for, and Bartha Holdings conditionally agreed to issue, the Exchangeable Bonds for a consideration of HK$150,000,000. The consideration shall be satisfied by CVP Financial procuring the Company to issue the Convertible Bonds to Bartha Holdings (or its nominees) to convert into 136,363,636 Conversion Shares at the conversion price of HK$1.1 per Conversion Share. The Exchangeable Bonds will entitle CVP Financial to exchange for all of the shares in Bartha International owned by Bartha Holdings as at the date of exercising the Exchange Rights. Upon Bartha Completion and on the assumption that no new Bartha Shares will be issued to any person other than Bartha Holdings from the date of the Subscription Agreement and up to the date of exercising the Exchange Rights, upon exercise of the Exchange Rights, CVP Financial will own the entire issued share capital of Bartha International, and Bartha Group will be accounted as indirect wholly-owned subsidiaries of the Company and the financial results of Bartha Group will be consolidated into the Group's accounts.

As at the Latest Practicable Date, Mr. Ting, being an executive Director, the chairman of the Board and the controlling Shareholder, is a connected person of the Company. CVP Holdings, which is wholly-owned by Mr. Ting, and Bartha Holdings, which is owned as to 85.25% by CVP Holdings, are associates of Mr. Ting and therefore are connected persons of the Company. Accordingly, each of the Proposed Acquisition and the Proposed Subscription constitutes a connected transaction on the part of the Company under the GEM Listing Rules. As one or more of the relevant ratios calculated in accordance with the Chapter 19 of GEM Listing Rules in respect of the Proposed Acquisition and the Proposed Subscription in aggregate exceeds 25% but less than 100%, both the Proposed Acquisition and the Proposed Subscription constitute a major transaction on the part of the Company under the GEM Listing Rules. Therefore, both the Proposed Acquisition and the Proposed Subscription are subject to the reporting, announcement and the approval by the Independent Shareholders at the EGM under the GEM Listing Rules. As Mr. Ting is having material interest in each of the Proposed Acquisition and the Proposed Subscription, Mr. Ting and his associates are required to abstain from voting on the resolution(s) to approve the Proposed Acquisition and the Proposed Subscription at the EGM. As at the Latest Practicable Date, Mr. Ting and his respective associates were, directly or indirectly, in aggregate, interested in 1,968,000,000 Shares, representing approximately 49.20% of the issued share capital of the Company.

The Independent Board Committee comprising three independent non-executive Directors, namely Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, *J.P.*, has been established to advise the Independent Shareholders as to whether both the Proposed Acquisition and the Proposed Subscription are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether both the Proposed Acquisition and the Proposed Subscription are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the proposed resolution(s) relating to the Proposed Acquisition and the Proposed Subscription at the EGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company for any transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, CVP Holdings, Bartha Holdings and their respective associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of both the Proposed Acquisition and the Proposed Subscription 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition and the Proposed Subscription, we have taken into consideration the following principal factors and reasons:

(A) THE PROPOSED ACQUISITION

1. Background of and the reasons for the entering into of the Acquisition Agreement

1.1 Principal business and the financial information of the Group

The Group is principally engaged in the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on Premier Collectible Red Wine and Fine Red Wine as well as the provision of a range of customer-centric value-added services.

Set out below is a summary of the financial information of the Group as extracted from the annual report of the Company for the year ended 31 March 2016 (the "**Annual Report 2015/16**"):

	For the year ended 31 March		
	2015	**2016**	**Change**
	HK$'000	*HK$'000*	*%*
	(audited)	(audited)	
Revenue	145,687	126,684	(13.0)
Gross Profit	40,100	32,973	(17.8)
Profit/(loss) before taxation	17,290	(7,083)	N/A
Profit/(loss) for the year and total comprehensive (expense) income for the year	14,314	(9,304)	N/A
Profit/(loss) for the year and total comprehensive (expense) income for the year attributable to Owners of the Company	14,159	(9,447)	N/A

As shown in the table above, the Group's revenue decreased by approximately 13.0% from approximately HK$145.7 million for the financial year ended 31 March 2015 to approximately HK$126.7 million for the financial year ended 31 March 2016. According to the Annual Report 2015/16, the decrease in revenue was mainly due to the downturn of the economic environment, especially for the retail industry, during the second half of the financial year.

Gross profit of the Group decreased by approximately 17.8% from approximately HK$40.1 million for the year ended 31 March 2015 to approximately HK$33.0 million for the year ended 31 March 2016. According to the Annual Report 2015/16, the decrease was mainly due to the decrease in revenue during the year. The gross profit margin decreased from approximately 27.5% for the year ended 31 March 2015 to approximately 26.0% for the year ended 31 March 2016. According to the Annual Report 2015/16, the decrease was mainly due to the downturn of retail market during the second half of the financial year, which is also the peak season of the wine industry, and therefore, the selling price of the products was lowered in order to maintain the sales network.

According to the Annual Report 2015/16, the loss attributable to the owners of the Company for the year ended 31 March 2016 amounted to approximately HK$9.4 million due to the listing expenses of approximately HK$13.0 million incurred by the Company for its listing exercise and the recognition of the share-based payment expenses for the share options granted of approximately HK$6.6 million during the year ended 31 March 2016. Excluding the one-off exceptional expenses for the listing exercise of the Group of approximately HK$13.0 million and the recognition of share-based payment expenses of approximately HK$6.6 million upon the grant of share options on 17 December 2015, profit and total comprehensive income attributable to owners of the Company for the year ended 31 March 2016 would reach approximately HK$10.2 million, representing a decrease of approximately 28.2% as compared to the year ended 31 March 2015, which was mainly due to decrease in gross profit.

A summary of the audited financial position of the Group as at 31 March 2015 and 2016 respectively, as extracted from the annual reports of the Company, is set out below:

	As at 31 March		
	2015	**2016**	**Change**
	HK$'000	*HK$'000*	*%*
	(audited)	(audited)	
Non-current assets	7,959	6,546	(17.8)
Current assets	67,931	122,596	80.5
Current liabilities	24,063	5,304	(78.0)
Non-current liabilities	–	3	N/A
Net assets	51,827	123,835	139.0
Equity attributable to owners of the Company	51,672	123,537	139.1

Due to the decrease of rental deposits and the decrease in deferred tax asset, the Group's non-current assets dropped by approximately 17.8% from approximately HK$8.0 million as at 31 March 2015 to approximately HK$6.5 million as at 31 March 2016 while its current assets significantly increased from approximately HK$67.9 million as at 31 March 2015 to approximately HK$122.6 million as at 31 March 2016. The Group's current liabilities decreased from approximately HK$24.1 million as at 31 March 2015 to approximately HK$5.3 million as at 31 March 2016, which was mainly due to the decrease in trade payables and the settlement of the amount due to a director which had been fully settled during the year ended 31 March 2016. As at 31 March 2016, the Group's net asset value amounted to approximately HK$123.8 million with equity attributable to owners of the Company of approximately HK$123.5 million.

1.2 Overview of the Hong Kong and PRC financial markets

As extracted from the HKEx Fact Book – 2016, total turnover value of the Hong Kong stock market (including the Main Board and the Growth Enterprise Market of the Stock Exchange) has increased from approximately HK$26,090,621.6 million in 2015 to approximately HK$16,396,424.98 million in 2016, representing a decrease of approximately 37.2%. In addition, the amount of equity fund raised (including by means of initial public offerings and post initial public offerings) has decreased by approximately 56.1% from HK$1,115.6 billion in 2015 to approximately HK$490.1 billion in 2016. The total market capitalisation of the securities market (including the Main Board and the Growth Enterprise Market of the Stock Exchange) at the end of 2016 was approximately HK$24,761.3 billion, representing a slight increase of approximately 0.31% as compared to HK$24,684.0 billion at the end of 2015. In June 2016, HKEx published a guidance letter on IPO vetting and suitability for listing, which tightened the vetting process in particular for GEM and smaller-sized Main Board listing applicants. Therefore, smaller companies seeking to list are likely to be adversely affected and the number of listings is likely to diminish. However, The Hong Kong IPO market is expected to remain as the exchange of choice for mainland companies seeking access to public equity financing.

Furthermore, the Shanghai-Hong Kong Stock Connect was launched in November 2014, whereby there is a mutual access for the investors to trade certain securities listed on the Shanghai Stock Exchange and the Stock Exchange and encourage more capital inflow to the securities market of Hong Kong. Following the successful launch of Shanghai Connect on 17 November 2014, on 16 August 2016, the SFC and China Securities Regulatory Commission ("**CSRC**") made another Joint Announcement regarding the in-principle approval for the development of Shenzhen Connect, by and large applying similar programme principles and design to Shanghai-Hong Kong Stock Connect.

According to the monthly report regarding the PRC securities market issued by CSRC on 21 January 2016, as at 1 December 2015, the total market capitalisation of the securities market (including the A share company and B share company) was approximately RMB53,130 billion, representing an increase of approximately 42.6% as compared to the corresponding period in 2014. During 2015, the average daily turnover in the securities market was approximately RMB1,045 billion, representing an increase of approximately 244.3% as compared to 2014.

In accordance with 《國務院關於進一步促進資本市場健康發展的若干意見》 (Several Opinions of the State Council of the PRC On Further Promoting the Healthy Development of the Capital Market) issued by the State Council of the PRC on 8 May 2014, it is expected that the PRC will establish a multi-tiered capital markets system with a sound structure and comprehensive functions by 2020.

Furthermore, on 22 May 2015, the SFC and the CSRC jointly announced the signing of the Memorandum of Regulatory Cooperation on Mainland-Hong Kong Mutual Recognition of Funds (the "**MRF**"). The scheme allows eligible PRC and Hong Kong funds to be distributed in each other's market through a streamlined vetting process which took effect on 1 July 2015. The initial investment quota for the MRF will be RMB300 billion for in and out fund flows each way.

As extracted from the said announcement, the MRF is considered to be an important element in the opening up of the PRC's capital market. It is also an important milestone in the mutual opening of the PRC and Hong Kong markets. The MRF will enhance the mutual capital market access between the PRC and Hong Kong. It is significant in various ways that the MRF will:

(a) Deepen the exchange and cooperation of the PRC and Hong Kong asset management industries, broaden cross-border investment channels, and enhance the competitiveness of the PRC and Hong Kong fund markets.

(b) Lay the foundation of the CSRC and the SFC to jointly develop a fund regulatory standard, promote the integration and development of the Asian asset management industry, and encourage the transformation of Asian savings into cross-border investments.

(c) The MRF will provide more diverse fund investment products to the PRC and Hong Kong investors, and expand the business opportunities and enhance the international competitiveness of the PRC and Hong Kong management firms.

On 18 December 2015, the SFC granted authorisation for the first batch of four Mainland funds under the MRF initiative for public offering in Hong Kong. At the same time, the CSRC approved the first batch of three Hong Kong funds for public offering on the Mainland market under MRF.

On the basis that it is expected that the MRF will deepen the exchange and cooperation of the PRC and Hong Kong asset management industries and enhance competitiveness of the PRC and Hong Kong fund markets, and will provide more diverse fund investment products to the PRC and Hong Kong investors, and expand the business opportunities and enhance the international competitiveness of the PRC and Hong Kong management firms, we consider that the outlook of the Hong Kong and PRC financial markets is likely to be positive.

1.3 *Business and financial information of CVP Holdings and CVP Asset Management*

1.3.1 CVP Holdings

CVP Holdings is a limited liability company established in Hong Kong, and is wholly-owned by Mr. Ting, an executive Director, the chairman of the Board and the controlling Shareholder as at the Latest Practicable Date. CVP Holdings is principally engaged in investment holding. CVP Holdings does not have any business except being the immediate sole shareholder of CVP Asset Management and holding 85.25% shareholding in Bartha Holdings.

1.3.2 CVP Asset Management

As extracted from the Board Letter, CVP Asset Management is a corporation licensed by the SFC to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and is wholly-owned by CVP Holdings as at the Latest Practicable Date. CVP Asset Management is principally engaged in provision of investment advisory and discretionary asset management services. CVP Asset Management is subject to licensing conditions that it shall only provide services to professional investors and shall not hold client assets. Further, CVP Asset Management shall not conduct business involving the discretionary management of any collective investment scheme under the Type 9 (asset management) regulated activity. The terms "professional investor", "hold", "client assets" and "collective investment scheme" are as defined under the SFO.

The table below set forth a summary of the unaudited financial information of CVP Asset Management prepared under the Hong Kong Financial Reporting Standards since the date of incorporation (i.e. 31 July 2015) up to 31 December 2016 as set out in the Board Letter:

Table 3: Unaudited financial information of CVP Asset Management

	From the date of incorporation up to 31 December 2015	**For the period from 1 April 2016 to 31 December 2016**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Turnover	–	350
(Loss) before tax	(179)	(1,196)
(Loss) after tax	(179)	(1,196)

As at 31 December 2016, the unaudited net assets of CVP Asset Management was approximately HK$744,380.

1.4 Reasons for the Proposed Acquisition

As stated in the Board Letter, the Directors consider the Proposed Acquisition will provide a platform for the Group to diversify its business into the financial services industry and thereby broaden the Group's source of income. Besides, the Directors believe the Proposed Acquisition will build potential synergies by providing high-end wine products and services to the clients of CVP Asset Management as an investment alternative and, at the same time, providing various investment opportunities to the clients of the Group.

According to the third quarterly report 2016, we note that the wine retail industry is severely affected by economic downturn and it is expected to be a more challenging year ahead. As such, the Company has been actively looking for suitable acquisition opportunities so as to maximise Shareholders' return in a more sustainable manner.

In view of the recent development and business potential of the securities market in Hong Kong, the Directors consider that it is a good opportunity for the Group to enter into the financial services industry in Hong Kong through the Proposed Acquisition of CVP Asset Management Despite CVP Holdings is in the event that losses were recorded (before and after tax), the Directors believe that the Proposed Acquisition can provide the Group with a platform to expose to the business opportunities to capitalize on the growth prospects of the Hong Kong securities investment market and the leading position of Hong Kong as one of the reputable international financial centres.

Further, as stated in the Board Letter, CVP Asset Management had entered into a non-legally binding cooperating arrangement with a Hong Kong subsidiary of a state-owned enterprise in the PRC (the "**Co-Manager**") in December 2016, to co-raise and co-manage an investment fund which is expected to be invested in convertible bonds to be issued by Hong Kong listed companies or substantial shareholders of the listed companies, with the limit of HK$200 million for each investment.

Upon signing of the legally-binding agreement, CVP Asset Management and the Co-Manager will incorporate an exempted limited partnership in Cayman Islands which will be a fund management company (the "**Fund**") for a closed-end fund. CVP Asset Management and the Co-Manager will set up a joint venture in Cayman Islands to act as the general partner and the manager (the "**Fund Manager**") of the Fund. CVP Asset Management will appoint its representative to be a member of the investment committee of the Fund. The Fund Manager shall appoint CVP Asset Management as the investment advisor of the Fund to provide investment advice. Further, CVP Asset Management and the Co-Manager will look for potential professional investors to invest in the Fund and recruit more experienced investment managers.

As advised by the legal adviser to CVP Asset Management and the Co-Manager, (i) the Fund is required to be registered under the Exempted Limited Partnership Law of the Cayman Islands, whereby it must maintain a registered office in the Cayman Islands for the service of process and receiving notices and communications; (ii) there is no registration requirement for the general partner under the laws of the Cayman Islands; (iii) given that the target commitment in the Fund will be HK$5 billion and the initial commitment will be around HK$1.5 billion to HK$2 billion, the Fund shall fall within the meaning of “high net worth person” under Securities Investment Business Law (as revised) of the Cayman Islands, and accordingly the manager will be able to register as an “excluded person” and exempted from obtaining a securities business licence to act as the manager of the Fund; and (iv) CVP Asset Management, which is licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, is able to act as the investment advisor to the manager of the Fund.

Through the establishment of the Fund, CVP Asset Management expects to receive (i) annual management fee, (ii) performance fee (carried interest) and (iii) commission rate from the gross proceeds for any fund raised by it.

As at the Latest Practicable Date, the Co-Manager (i) has undertaken to raise gross proceeds of not less than HK$1 billion to the Fund; and (ii) is undergoing internal review and approval procedures in the PRC, and the terms and conditions may be further revised. Subject to the Co- Manager’s internal approval procedures and further negotiation, the parties expect to enter into a formal agreement by end of June 2017.

The Directors believes that upon successful establishment of the investment fund, the Group will benefit from the reputation and potential investor base to be brought by the reputable state- owned enterprise and the diversified source of income from tapping into the asset management business.

Having considered that (i) CVP Asset Management will become a wholly-owned subsidiary of the Company after the completion of the acquisition, hence by sharing the resources from the Company, the Fund could be able to further expand and develop; (ii) the undertaking by Co-Manager of raising funds for not less than HK$1 billion which provides a guarantee on the fund size; (iii) development plan of the fund investment and management business; and (iv) overview and outlook of the PRC financial market in previous section of this letter, we consider that the outlook of the fund investment and management business in PRC is likely to be positive.

1.5 Our view

Having considered that (i) it is essential for the Group to diversity its income stream to generate stable and recurring income given the challenging operating environment of wine business due to the economic downturn; (ii) the Proposed Acquisition, which is in line with the business strategy of the Company, enables the Group to diversify its income stream and generate stable income from the asset management business; (iii) the outlook of the Hong Kong and PRC financial markets is likely to be positive; (iv) it is expected that the MRF will deepen the exchange and cooperation of the PRC and Hong Kong asset management industries; and (v) the consideration of CVP Asset Management is lower compare with similar type of company, we are of the view that the Proposed Acquisition is in the interests of the Company and Shareholders as a whole.

2. Principal terms of the Acquisition Agreement

2.1 Subject matter of the Acquisition Agreement

On 9 February 2017, CVP Financial and CVP Holdings entered into the Acquisition Agreement, pursuant to which CVP Financial conditionally agreed to acquire and CVP Holdings conditionally agreed to sell the entire issued capital at the consideration of HK$14.0 million.

2.2 Consideration

Pursuant to the Acquisition Agreement, the consideration of HK$14 million shall be satisfied by the issue of interest-free promissory note in the sum of HK$14 million to CVP Holdings.

In assessing the fairness and reasonableness of the Consideration, we have considered various valuation approaches, including price-to-earnings ratio ("**P/E Ratio**"), price-to-book ratio ("**P/B Ratio**"), and premium over net asset value ("**Premium over NAV**"). Given that CVP Asset Management incurred losses for the financial year ended 31 March 2016, the P/E Ratio would not be a meaningful method to be used in the comparison.

We also consider P/B Ratio is not an appropriate method given that the history of CVP Asset Management is short (incorporated in July 2015) and CVP Asset Management has not had material operation since incorporation. Given that the asset-light nature of company like CVP Asset Management which conduct Type 4 and Type 9 regulated activities with short history, the P/B Ratio is considered to be inapplicable with the result that would probably fall far out of the range of the results. We have calculated the P/B Ratio of CVP Asset Management for illustration purpose, the P/B Ratio is 14.34 times with the average of the P/B Ratio for the comparable companies illustrated below is 2.07 times, the result of CVP Asset Management is far out of the range. Also, as an example, the P/B Ratio would have decreased significantly if CVP Holdings had decided to inject more cash into CVP Management and marked up the consideration on a dollar-to-dollar basis such as by injecting HK$5 million into the CVP Asset Management, the P/B Ratio would decrease to 2.34 times which makes the P/B Ratio not meaningful. Therefore, we consider the P/B Ratio would not be an appropriate comparison method is this case.

Due to the above, we then study similar recent transactions in the market and we have observed that Premium over NAV seems to be the current market practice for valuing the consideration of transactions similar to the Acquisition. For the Premium over NAV, as we note from the comparison below, normally, a premium to the net asset value will be built into the consideration, with the difference of net asset value and consideration for each comparable, result would be significant to consider the premium by eliminating the net asset value by the consideration, refer to our analysis as set out in the following table, the Premium over NAV is ranging from HK$14,500,000 to about HK$24,200,000, which may vary from case to case depending on the actual business operation and financial prospect of the licensed corporation. Therefore, we consider the Premium over NAV method would be more appropriate.

Companies are selected based on the following criteria: (i) subject companies being acquired by companies which shares are listed on the Stock Exchange and such acquisitions have been recognised as notifiable transaction; (ii) target company in the notifiable transaction is a corporation licensed by the SFC to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, which is similar to CVP Asset Management; (iii) the consideration was below HK$100 million; and (iv) the notifiable transaction was disclosed and completed within one year prior to the Proposed Acquisition. We have identified and made references to four companies that meet the aforesaid criteria (the "**Selected Companies**") on a best effort basis. On a best effort basis, we were unable to identify comparables with exact level of net asset value with CVP Asset Management. Given that the history of CVP Asset Management is short (incorporated in July 2015) and has not had material operation since incorporation, we consider the Selected Companies are the most relevant comparables available in the market. We have further discussed with the Company for potential investment in similar asset management company which is also licensed by the SFC to carry out type 4 and type 9 regulated activities, the consideration of the acquisition of CVP Asset Management has a discount of approximately 7.14% as compared with the potential investment. We consider that the Selected Companies are fair and representative samples for comparison as the principal businesses and geographical source of revenue are similar to those of CVP Asset Management. Details of our analyses are set out in the following table and Premium over NAV was observed in the following acquisitions:

Date of announcement	Company Name (Stock Code)	Target Company(ies)	Principal Business	Basis of consideration	Latest financial year revenue of Target (according to announcement/circular)	Latest financial year net profit/(loss) after tax of Target (according to announcement/circular)	Net asset value *(a)* *(Note 1)*	Consideration *(b)* *(Note 1)*	Implied Premium/Discount over NAV *(c) = (b) – (a)*	P/B Ratio *(Note 2)*
					HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
13/10/2016	IR Resources Ltd. (8186)	Jensen Capital Ltd.	Dealing in securities, advising on securities and asset management	with reference to the audited net asset value of the target company	N/A	(2,300)	57,700	55,000 *(Note 3)*	(2,700)	0.95
11/07/2016	China Demeter Investments Ltd. (8120)	Profit Network Asia Inc. and China Demeter Securities Ltd. (Subsidiary)	Dealing in securities, advising on securities and asset management	(i) the historical operating and financial performance of the target company, (ii) the unaudited net assets of the target company as at 31 March 2016 of approximately HK$55.8 million based on the then available management accounts of the target company and (iii) to diversify the group's business and other reasons as set out in the section headed "Reasons for and benefits of the Acquisition" in the letter from the board	27,502	5,884	55,800	80,000 *(Note 4)*	24,200	1.43
24/06/2016	Universe International Holdings Ltd. (1046)	Ample Capital Ltd.	Advising on securities, advising on corporate finance, and asset management	based on independent valuation report, valuation was performed by market approach	N/A	3,128	14,000	30,000	16,000	2.14
22/01/2016	Daohe Global Group Ltd. (915)	Hong Kong Wing Yue Asset Management Ltd.	Advising on securities, advising on futures contracts, advising on corporate finance, and asset management	the consideration for the entire issued share capital of the target company shall be the aggregate of HK$14.5 million plus the NAV of target company, and (i) the licences currently held by the target company to carry out certain regulated activities under the SFO, (ii) the experienced management and financial specialists team of the target company, and (iii) the future prospect of the target company	N/A	(2,406)	5,288	19,788	14,500	3.74
								Average	13,000	2.07
								Median	15,250	1.79
								Maximum	24,200	3.74
								Minimum	(2,700)	0.95
								The Proposed Acquisition *(Note 2)*	13,024	14.34

Source: www.hkex.com.hk

Notes:

1. The net asset value and the consideration of the respective Selected Companies are extracted from the respective announcements. Furthermore, on a best effort basis, we were unable to identify comparables with similar net asset value with CVP Asset Management. Given that the history of CVP Asset Management is short (incorporated in July 2015) and has not had material operation since incorporation, we consider the Selected Companies are the most relevant comparables available in the market. We have further discussed with the Company for potential investment in similar asset management company which is also licensed by the SFC to carry out type 4 and type 9 regulated activities, the consideration of the acquisition of CVP Asset Management has a discount of approximately 7.14% as compared with the potential investment.

2. The P/B Ratio is for illustration purpose only.

3. The stake acquired was 60.4%, consideration was adjusted to 100% for comparison purpose.

4. The stake acquired was 44%, consideration was adjusted to 100% for comparison purpose.

5. Calculated based on the Consideration of the promissory note of HK$14.0 million and the aggregate unaudited net asset value of Target Company of approximately HK$744 thousand and the aggregate amount of approximately HK$232,000 indebtedness to CVP Holdings as at 31 March 2016.

For Premium over NAV of the Selected Companies ranges from no premium to a maximum of approximately HK$24.2 million with an average of approximately HK$13.0 million. The implied Premium over NAV of the Proposed Acquisition was approximately HK$13.3 million, which falls within the range and slightly higher than the average of the relevant comparables.

Having considered the Premium over NAV, the premium is fall within the range and slightly higher than the average of relevant comparables. We are of the view that the Consideration is determined based on normal commercial terms, in the ordinary and usual course of business of the Group, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

2.3 Promissory Note

As mentioned above in the Board Letter, the Consideration shall be satisfied by the Purchaser by procuring the Company to issue the Promissory Note to the Vendor upon Completion. Principal terms of the Promissory Note are as follows:

Parties:	(1) the Company, as issuer; and
	(2) the Vendor, as payee
Principal amount:	HK$14,000,000
Interest:	nil
Maturity:	the date falling on the third anniversary from the date of Issue
Transferability:	freely transferable
Redemption:	neither the Company nor the holder(s) of the promissory note shall have any early redemption right.

In assessing the fairness and reasonableness of the terms of the Promissory Note, we have searched for transactions (the "**Selected Transactions**") that involved the issue of promissory notes as part of the respective considerations by companies listed on the Stock Exchange for the one year immediately preceding the date of the Acquisition Agreement. To the best of our knowledge and as far as we are aware of, we have identified seventeen Selected Transactions that meet the aforesaid criteria. As the terms of the Selected Transactions are determined under similar market conditions and sentiments as the Promissory Notes, we consider that the Selected Companies are fair and representative samples. Shareholders should note that the business, operations and prospects of the Company are not the same as the Selected Transactions and the Selected Transactions are only used to provide a general reference for the recent general market practice on the issue of promissory notes. Details of our findings are set out in the following table:

Date of announcement	Company name (Stock code)	Principal amount of promissory notes *(HK$)*	Maturity *(Years)*	Interest rate p.a. *(%)*
8/2/2017	Kong Shum Union Property Management (Holding) Limited (8181)	14,000,000	1.50	nil
20/1/2017	Evershine Group Holdings Limited (8022)	50,000,000	2.00	6.00%
2/1/2017	Hong Kong Education (Int'l) Investments Limited (1082)	53,000,000	1.00	10.00%

Date of announcement	Company name (Stock code)	Principal amount of promissory notes *(HK$)*	Maturity *(Years)*	Interest rate p.a. *(%)*
30/12/2016	Town Health International Medical Group Limited (3886)	330,000,000	3.00	6.00
4/11/2016	Town Health International Medical Group Limited (3886)	230,000,000	3.00	5.00
25/8/2016	Union Asia Enterprise Holdings Limited (8173)	19,000,000	2.00	3.00
15/8/2016	Freeman Financial Corporation Limited (0279)	Promissory note A: HK$400,000,000	0.50	5.00
		Promissory note B: HK$400,000,000	1.00	
		Promissory note C: HK$400,000,000 *(Note 1)*	1.50	
15/8/2016	Enerchina Holdings Limited (622)	95,000,000	0.25	nil
		Promissory note A: HK$400,000,000	0.50	5.00
		Promissory note B: HK$400,000,000	1.00	

Date of announcement	Company name (Stock code)	Principal amount of promissory notes *(HK$)*	Maturity *(Years)*	Interest rate p.a. *(%)*
		Promissory note C: HK$400,000,000 *(Note 1)*	1.50	
25/7/2016	International Entertainment Corporation (1009)	350,000,000	5.00	4.00
29/4/2016	Green International Holdings Limited (2700)	86,018,492.48	1.00	nil
31/3/2016	Rentian Technology Holdings Limited (0885)	165,240,000	2.00	3.00
	Average	237,016,156	1.67	4.19
	Median	280,000,000	1.50	5.00
	Maximum	400,000,000	5.00	10.00
	Minimum	14,000,000	0.25	0.00
	The Promissory Notes	14,000,000	3.00	0.00

Notes:

1. Three promissory notes issued in one transaction are treated separately as three PN Comparables

As illustrated in the Table above, the principal amount of the respective promissory notes in relation to the Selected Transactions ranges from a minimum of HK$14 million to a maximum of HK$400.0 million with an average of approximately HK$237.0 million and the median of approximately HK$280.0 million. The principal amount of the Promissory Notes of HK$14 million falls within the range of the principal amount of the respective promissory notes issued in relation to the Selected Transactions and is lower than the average of principal amount of the respective promissory notes issued in relation to the Selected Transactions.

The maturity from the date of issue of the respective promissory notes issued in relation to the Selected Transactions ranges from a minimum of 0.25 years to a maximum of 5 years with an average of 1.67 years and the median of 1.50 years. The maturity the Promissory Notes of 3 years falls within the range of the maturity of the respective promissory notes issued in relation to the Selected Transactions and is higher than the average of maturity of the respective promissory notes issued in relation to the Selected Transactions.

The interest rate per annum of the respective promissory notes issued in relation to the Selected Transactions ranges from a minimum of 0.00% to a maximum of 10.00% with an average of 4.19% and the median of 5.00%. The interest rate per annum of the Promissory Note of 0.00% falls within the range of the interest rate per annum of the respective promissory notes issued in relation to the Selected Transactions and is below the average of the interest rate per annum of the respective promissory notes issued in relation to the Selected Transactions.

Therefore, we are of the view that the interest rate of the Promissory Note is determined based on normal commercial terms, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

2.4 Alternative other than the Acquisition

We have discussed with the management of the Company and understood that the Company was introduced to another investment opportunity in an asset management company. The target was also an asset management company which conducts Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO with unaudited net asset of around HK$0.23 million. The consideration was HK$15,000,000 and required to be settled in cash immediately upon obtaining approval from the regulators. The target company has no significant business operation and it insisted on one-time cash settlement upon completion which was likely to strain the Group's cash position, with the incomplete financial record, the Group therefore did not proceed the transaction. We noted that the consideration and the net asset value of this target mentioned above implied a premium over net asset value of approximately HK$14.8 million which was higher when comparing with the premium over net asset value of CVP Asset Management of approximately HK$13.3 million. This could be an indicator of the market price for company with Type 4 (advising on securities) and Type 9 (asset management) licenses.

2.5 Our view

Having considered that (i) the Consideration and the aggregate net asset value of CVP Asset Management implied a Premium over NAV of approximately HK$13.3 million, which is fall within the range and slightly higher than the average of the Premium over NAV of the Selected Companies; and (ii) the interest rate of the Promissory Notes of 0.00% per annum falls within the range and below the average of the interest rate per annum of the promissory notes issued in the respective Selected Transactions, and the maturity of the Promissory Notes of 3 years falls within the range and higher than the average of maturity of the promissory notes issued in the respective Selected Transactions; (iii) there is no material cash outflow pressure on the Group since the consideration will be settled by the promissory notes we are of the view that the terms of the Acquisition Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

3. Possible financial effects of the Acquisition

The financial impact of the Proposed Acquisition is set out in Appendix IV to the Circular. Please refer to the Appendix IV to the Circular for basis of preparing the pro forma financial information on the Enlarged Group and the pro forma financial information on the Enlarged Group after CVP Completion. Following completion of the Proposed Acquisition, CVP Asset Management will become an indirect wholly-owned subsidiary of the Company and the financial information of CVP Asset Management will be consolidated into the financial statements of the Group.

3.1 Earnings

As stated in the Board Letter, the Proposed Acquisition has no immediate effect on the turnover of the Enlarged Group. , CVP Asset Management will become an indirect wholly-owned subsidiary of the Company and the financial results of CVP Asset will be consolidated into the Group's accounts. Taking into consideration the benefits that the Proposed Acquisition can bring to the Group as discussed above in the section headed "Reasons for the Proposed Acquisition and the Proposed Subscription", we consider that the Proposed Acquisition is likely to have a positive effect on the earnings potential of the Enlarged Group in the near future.

3.2 Net assets value

The Proposed Acquisition would not affect the total assets of the Group as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to the Circular. The Proposed Acquisition would decrease the net asset value of the Group by the amount of HK$10.8 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to the Circular.

The Proposed Acquisition would increase the total liabilities of the Group by the amount of approximately HK$10.8 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to the Circular. The increase is mainly due to the fair value of the issue of promissory note of approximately HK$10.8 million in relation to the settlement of the consideration for the Proposed Acquisition.

Based on the above, the net asset value of the Group will be decreased at the time of completion of the Proposed Acquisition.

3.3 Gearing

As at 30 September 2016, the gearing ratio of the Group, represented by total liabilities as a percentage of total assets, was approximately 3.7%. Based on the pro forma financial information of the Enlarged Group contained in the Appendix IV to the Circular, the gearing ratio of the Enlarged Group would increase to approximately 46.7% upon completion of the Acquisition Agreement and the Subscription Agreement.

Given that the entire consideration will be settled by the issue of interest-free promissory note in the sum of HK$14 million, the liabilities will be increased accordingly by the amount of consideration, and the gearing ratio of the Group will be increased by approximately 43.0% to approximately 46.7% accordingly. Having considered that the consideration is normally settled by cash or other fund raising methods which would lead to the increase in gearing ratio, since the consideration is considered to be fair and reasonable and there is no material cash outflow for the Group, we are of the view that the increase in gearing ratio is acceptable.

(B) THE SUBSCRIPTION

1. Background to and reasons for the Subscription

On 17 February 2017, CVP Financial, as the subscriber, and Bartha Holdings, as the issuer, entered into the Subscription Agreement, pursuant to which CVP Financial conditionally agreed to subscribe for, and Bartha Holdings conditionally agreed to issue, the Exchangeable Bonds for a consideration of HK$150,000,000. The consideration shall be satisfied by CVP Financial procuring the Company to issue the Convertible Bonds to Bartha Holdings (or its nominees) to convert into 136,363,636 Conversion Shares at the conversion price of HK$1.1 per Conversion Share. The Exchangeable Bonds will entitle CVP Financial to exchange for all of the shares in Bartha International owned by Bartha Holdings as at the date of exercising the Exchange Rights.

Assets to be acquired

The Exchangeable Bonds will entitle CVP Financial to exchange for all of the Bartha Shares owned by Bartha Holdings as at the date of exercising the Exchange Rights.

Subscription Price

The subscription price of HK$150 million will be satisfied by CVP Financial by procuring the Company to issue the Convertible Bonds.

The subscription price was determined after arm's length negotiations between CVP Financial and Bartha Holdings on normal commercial terms after taking into account, among other factors, (i) the acquisition cost by Bartha International in Eternal Pearl of approximately HK$26,800,000; (ii) the existing total paid-up share capital of Eternal Pearl of HK$100,000,000; (iii) the unaudited net asset value of Eternal Pearl of HK$58,344,570 as at 31 December 2016; (iv) the positive business prospects of Eternal Pearl in placing and underwriting as well as margin financing led by a new management team recruited for operating Eternal Pearl; and (v) the potential successful establishment of the joint venture licensed securities services company in the PRC. Please also refer to the paragraph headed "Reasons for the Proposed Acquisition and the Proposed Subscription" of the Board Letter for details.

1.1 Business and financial information of Bartha Holdings, Bartha International and Eternal Pearl

Bartha Holdings

Bartha Holdings is a limited liability company established in Hong Kong, and is beneficially owned as to 85.25% by CVP Holdings, which, in turn, is wholly-owned by Mr. Ting, an executive Director, the chairman of the Board and the controlling Shareholder, and as to 14.75% by two Independent Third Parties. Bartha Holdings is principally engaged in investment holding. The total investment cost in the shares in Bartha Holdings by CVP Holdings amounted to HK$45,006,370.

Bartha International

Bartha International is wholly-owned by Bartha Holdings and is principally engaged in investment holding. Bartha International has no business except being the immediate holding company of Eternal Pearl.

The table below set forth a summary of the key unaudited financial information of Bartha International prepared under the Hong Kong Financial Reporting Standards for the year ended 31 December 2015 and 2016 as set out in the Board Letter:

	For the year ended 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Turnover	–	–
(Loss) before tax	(141.38)	(49.7)
(Loss) after tax	(141.38)	(49.7)

For the two years ended 31 December 2016, Bartha International did not record any revenue, yet net loss (before and after tax) of approximately HK$141,380 and HK$49,700 respectively. As at 31 December 2016, the unaudited net liabilities of Bartha International was approximately HK$191,079.

Eternal Pearl

Eternal Pearl is principally engaged in provision of securities and futures contracts brokerage and margin financing, with no licensing conditions imposed by the SFC. Eternal Pearl is wholly-owned by Bartha International and is a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO.

In mid-2016, Eternal Pearl commenced to provide placing and underwriting services. For the year ended 31 December 2016, the majority of Eternal Pearl's revenue was from the provision of (i) placing and underwriting service and (ii) commission and brokerage arising from dealings in securities and futures contracts, representing approximately 41.7% and 30.3% of Eternal Pearl's total revenue for the same period, respectively. For the year ended 31 December 2015, the majority of Eternal Pearl's revenue was from the provision of commission and brokerage arising from securities dealing and brokerage service, representing approximately 65.0% of Eternal Pearl's total revenue for the same period. Eternal Pearl commenced its placing and underwriting service in mid-2016 which diversified its revenue source. The major expenses are staff salary and allowance, administrative expenses and legal and professional fee which representing approximately 36.5%, 37.0% and 6.7% respectively for the year ended 31 December 2015.

The table below set forth a summary of the audited and unaudited financial information of Eternal Peal prepared under the Hong Kong Financial Reporting Standards for the year ended 31 December 2015 and 2016 as set out in the Board Letter:

Table 5: Unaudited financial information of Eternal Pearl

	For the year ended 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
	(Audited)	(Unaudited)
Turnover	8,592	6,840
(Loss) before tax	(4,576)	(10,471)
(Loss) after tax	(4,576)	(10,471)

For the two years ended 31 December 2016, Eternal Pearl recorded an audited revenue of approximately HK$8.6 million and unaudited revenue of HK$6.8 million respectively, representing a year-on-year decrease of approximately 20.4% as compared to the preceding financial year. As advised by Company, such decrease in revenue was mainly due to the decrease in revenue from both securities and futures brokerage services. Eternal Pearl also recorded an audited net loss (before and after tax) of approximately HK$4.6 million and unaudited net loss of HK$10.5 million for the two years ended 31 December 2016 respectively, which was mainly attributable to the large increase in staff salary and allowance and decrease in revenue. For loss of each financial year, it was mainly because Eternal Pearl has low capital to fully utilize the high-margin margin financing business, but focuses on low margin labour-intensive traditional brokerage services that Eternal Pearl's technology was out-of-date with no online brokerage. During late 2016 and ongoing, Eternal Pearl has shifted its focus to margin financing and placement. As at 31 December 2016, the unaudited net asset of Eternal Pearl was approximately HK$58,344,570.

1.2 Reasons for entering into the Subscription Agreement

As stated from the Board Letter, the securities market size in the PRC as a whole is one of the largest among other countries. However, it is difficult for foreign investment to enter into the securities service business in the PRC as foreign investment in securities services sector in the PRC is subject to different regulatory restrictions. Given that there are certain requirements for a sino-foreign joint venture company to be able to engage in the securities business in the PRC including but not limited to the obtaining of the Securities and Futures Business License from the China Securities Regulatory Commission and fulfilment of other regulatory requirements from relevant authorities. According to Supplement 10 to the Closer Economic Partnership Agreement, only one joint venture securities company could be established in each of Shanghai, Shenzhen, Guangdong Province and certain reform experiment zones（改革試驗區）for "piloting financial reforms" ("在金融改革方面先行先試") as approved by the State Council of the PRC, and can obtain approval from the PRC government.

Given that Eternal Pearl is now applying to the China Securities Regulatory Committee ("**CSRC**") to set up the JV Securities Company with 廣東粵財投資控股有限公司 (Guangdong Yuecai Investment Holdings Limited*) ("**Guangdong Yuecai**") and several other co-investors (together with Eternal Pearl and Guangdong Yuecai Investment Holdings Limited, the "**Co-Investors**") in Guangzhou Pilot Free Trade Zone, Nansha area in the PRC. whose proposed scope of business includes provision of securities brokerage services, securities underwriting and sponsor services, asset management, proprietary trading business, advising on securities investments, securities financing services and corporate finance advisory services in the PRC. As disclosed in the Board Letter, to the best knowledge of Barth Holdings, as at the Latest Practicable Date, the Application was the only joint-venture securities company with a cap of 49% shareholdings held by foreign shareholders, applying for approval in Nansha area, Guangzhou Pilot Free Trade Zone, the PRC. Pursuant to the Company's PRC legal adviser, given that eligible Hong Kong-funded and Macau-funded financial institutions are allowed to set up one full-licensed joint venture securities company with foreign shareholding capped at 49% in Nansha area, Guangzhou Pilot Free Trade Zone according to the announcement of CSRC on 21 August 2015, in respect of CEPA 10, should the Application be successful and should the business registration with different PRC regulatory authorities be completed, it is anticipated that the JV Securities Company will be the first and the only joint venture securities company with the foreign shareholding capped at the level of 49% in Nansha area, Guangzhou Pilot Free Trade Zone, the PRC. The Directors believe that upon successful establishment of the JV Securities Company, the prospect of Eternal Pearls will be substantially enhanced. Through the Proposed Subscription, the Group will be benefit from the prospective development of the comprehensive securities business in the PRC and the JV Securities Company which is a key for the Group to explore the PRC's vast securities services market.

The Rules for the Establishment of Foreign-shared Securities Companies (Order No.8 of CSRC) were promulgated by the CSRC in 2002, and revised in 2007 and 2012. The Rules cover two types of company: (1) Securities companies established and jointly funded by foreign and domestic shareholders; (2) Securities companies that have changed from being domestic-funded by the issue of shares to foreign investors.

In August 2013, Supplementary Agreements were signed to the Mainland and Hong Kong Closer Economic Partnership Arrangement and to the Mainland and Macau Closer Economic Partnership Arrangement ("**CEPA10**"). CEPA10 relaxed the access of foreign funds to the Chinese securities market by: 1) allowing both Hong Kong and Macau funded financial institutions that meet conditions for establishing securities companies with foreign shareholders to set up full license joint venture securities companies with domestic-funded companies in Shanghai, Guangdong Province and Shenzhen in accordance with relevant domestic provisions; 2) allowing both Hong Kong and Macau funded financial institutions which meet the conditions for establishing securities companies with foreign shareholders to establish full license joint venture securities companies with domestic-funded companies in several mainland pilot zones where financial reform experiments are permitted. ("**Reform Pilot Zones**").

In August 2015, CSRC announced the criteria to be met by Hong Kong and Macao investors in order to be eligible to invest in securities companies under the special regime provided in Supplement X of the Closer Economic Partnership Arrangements between Mainland China and Hong Kong and Macao respectively, which were signed in August 2013 ("**Supplement X**"). According to CSRC, Supplement X enables eligible Hong Kong-funded and Macao-funded financial institutions to (i) set up one full-licensed joint venture securities company in each of Shanghai, Guangdong and Shenzhen with the Hong Kong/ Macao shareholding capped at 51%; (ii) set up one full-licensed joint venture securities company in certain government-approved experimental zones for "piloting financial reforms" with the foreign shareholding capped at the normal level of 49% which generally applies under national rules, and; (iii) hold an increased maximum shareholding of 50% in securities investment consultancy joint ventures in the same experimental zones. This stipulates the requirements for Hong Kong-funded and Macau-funded financial institutions to establish securities companies with foreign shareholders. The announcement provides operational guidelines for the establishment of securities companies with foreign shareholders under the CEPA10 framework.

Over recent years, free trade zones in Shanghai, Guangdong Province, Tianjin and Fujian Province have relaxed the access conditions for foreign investment in securities companies. Since JV Securities Company will be a full-licensed joint venture securities company and located at government-approved experimental zones for "piloting financial reforms", it belongs to category (ii) as mentioned above. We have further discussed with the Company that the JV Securities Company to be the first joint venture at Guangzhou Pilot Free Trade Zone was advised and represented by Guangdong Yuecai as at the Latest Practicable Date, a legal opinion is obtained on top of this issue and they are in the process to obtain the representation from Guangdong Yuecai.

Pursuant to the Company's PRC legal adviser, given that eligible Hong Kong-funded and Macau-funded financial institutions are allowed to set up one full-licensed joint venture securities company with foreign shareholding capped at 49% in Nansha area, Guangzhou Pilot Free Trade Zone according to the announcement of CSRC on 21 August 2015, in respect of Supplement X to the Mainland and Hong Kong Closer Economic Partnership Agreement signed in August 2013, should the Application be successful and should the business registration with different PRC regulatory authorities be completed, the JV Securities Company shall be the first and the only joint venture securities company with the foreign shareholding capped at the level of 49% in Nansha area, Guangzhou Pilot Free Trade Zone, the PRC.

Further, as advised by the Company's PRC legal adviser, there is no legal obstacles for the setup of a full-licensed joint venture securities company in the government-approved experimental zones for "piloting financial reforms" under the prevailing PRC laws and regulations. So long as the setup of the JV Securities Company complies with the PRC laws and all the required documents for approval and registration are provided, there should be no legal obstacles in respect of the Application, the setup of the JV Securities Company depends on the judgement of CSRC, Ministry of Commerce and Bureau of Commerce of Guangzhou Municipality, and it is not confirmed whether further supporting documents need to be provided even the JV Securities Company complies with PRC laws and all the required documents for approval since the statement "there should be no legal obstacles", pursuant to Company's PRC legal adviser, is only refer to legal aspect.

Subject to the approval of the CSRC on the actual business scope, the JV Securities Company can engage in, among others, (i) acting as a sponsor of applicants for initial public offerings on National Equities Exchange and Quotations (commonly known as the New Third Board), (ii) providing advisory services on corporate finance actions such as pre-IPO financing and investment, mergers and acquisitions and corporate restructure, (iii) asset securitisation and discretionary asset management, (iv) conducting placing and underwriting of shares listed on the PRC stock exchange; and (v) engaging in securities brokerage and margin financing. As advised by Bartha Holdings, the JV Securities Company will focus on the development of areas (iv) and (v) above at the initial stage.

Upon completion of the business registration of the JV Securities Company, the preparatory working committee devise in details the budget and the organisation structure, commence the recruitment of senior management and formulate business plan. It is anticipated that, in the first 12 months, the JV Securities Company shall establish a head office with several retail outlets in Guangzhou, setup an advanced securities trading system, recruit sufficient manpower, including the sales team, customer service and back office staff and equip them with knowledge of financial products and the securities trading system. Once all these preparation are in place, the JV Securities Company will launch different market initiatives to promote and expand its business.

It is agreed that, the three PRC companies, based on their respective network and client base, are responsible for expanding client base of the JV Securities Company, while Eternal Pearl and the other Hong Kong-based companies shall, based on their respective expertise in Hong Kong securities market, be responsible for (i) advising the setup of the securities trading system; (ii) training the frontline and back office staff in areas such as compliance and financial product knowledge; and (iii) advising on the management of overall securities business and sales distribution channels.

In light of the above and since it is the strategy of the Company to diversity its business, we concur with the Directors' view that the Proposed Subscription would allow the Company to pursue its business diversification strategy by entering into the financial services business segment so as to further enhance its income sources as well as to bring positive return to the Shareholders.

2. Principal terms of the Subscription Agreement, the Exchangeable Bonds and the Convertible Bonds

The principal terms of the Subscription Agreement are set out below:

Date:	17 February 2017
Issuer:	Bartha Holdings
Subscriber:	CVP Financial
Subscription Price:	The subscription price of HK$150 million will be satisfied by CVP Financial by procuring the Company to issue the Convertible Bonds

As set out in the Board Letter, in determining the Subscription Price, the Directors have selected corporations that are (i) licensed to conduct similar regulated activities of Eternal Pearl (i.e. type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities) under the SFO, and (ii) acquired by a listed issuer in Hong Kong in the 12 months preceding the date of the Subscription Agreement, and compared their respective P/B ratio with that of Eternal Pearl. The Directors noted that P/B ratio of these selected corporations ranges from approximately 1.04 times to 6.79 times with an average of approximately 2.31 times, and thus the P/B ratio of Eternal Pearl of 2.23 times is within the range and below the average. The subscription price was determined after arm's length negotiations between CVP Financial and Bartha Holdings on normal commercial terms after taking into account, among other factors, (i) the acquisition cost by Bartha International in Eternal Pearl of approximately HK$26,800,000; (ii) the existing total paid-up share capital of Eternal Pearl of HK$100,000,000; (iii) the unaudited net asset value of Eternal Pearl of HK$58,344,570 as at 31 December 2016; (iv) the positive business prospects of Eternal Pearl in placing and underwriting as well as margin financing led by a new management team recruited for operating Eternal Pearl; and (v) the potential successful establishment of the joint venture licensed securities services company in the PRC. Please also refer to the paragraph headed "Reasons for the Proposed Acquisition and the Proposed Subscription" of the Circular for details.

Post-completion undertakings

As at the Latest Practicable Date, Bartha International is indebted to Bartha Holdings in the aggregate amount of approximately HK$76,009,664 (the "**Bartha Loan**"). Pursuant to the Subscription Agreement, Bartha Holdings undertakes to CVP Financial that it shall procure the assignment of all Bartha Loan to it by its associates or affiliates and it shall subscribe for new Bartha Shares by way of capitalising the Bartha Loan at the request of CVP Financial at any time when CVP Financial is entitled to exercise the Exchange Rights attached to the Exchangeable Bonds.

Pursuant to the Subscription Agreement, Bartha Holdings also undertakes to CVP Financial that it shall procure Bartha International not to declare, make or pay any dividend or other distribution after completion of the Subscription, and shall hold on trust for and immediately pay or transfer to CVP Financial any payment or distribution of dividend or capital received by it after completion of the Subscription and up to the EB Maturity Date.

Further, pursuant to the Supplemental Subscription Agreement, Bartha Holdings undertakes that it will not, for the 12 months from the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, transfer, dispose of or create any encumbrance or other rights in respect of the Conversion Shares.

The principal terms of the Exchangeable Bonds are set out below:

Issuer:	Bartha Holdings
Principal amount:	HK$150,000,000
Maturity date:	the date falling on the last day pf the 60th month from the date of issue of the Exchangeable Bonds
Interest:	Nil

Exchange Rights:	subject to the transfer and exchange restrictions imposed on the holder of the Exchangeable Bonds in the instrument of the Exchangeable Bonds and any applicable laws (including but not limited to the obtaining of the prior approval of the SFC on change in substantial shareholder of Eternal Pearl), the Exchange Rights may be exercised, at the option of the holder of the Exchangeable Bonds, to exchange up to the whole principal amount of the Exchangeable Bonds into Exchange Shares as at the exercise of the Exchange Rights by the holder of the Exchangeable Bonds during the Exchange Period, in accordance of the terms and conditions of the Exchangeable Bonds
Exchange period:	the Exchange Rights attached to the Exchangeable Bonds can be exercised after 3 years from the date of issue of the Exchangeable Bonds up to and including the EB Maturity Date ("**Exchange Period**")
Transferability:	freely transferrable
Early redemption:	in the event that Bartha Holdings fails to fulfill the profit guarantee as provided in the paragraph headed "Profit Guarantee" above, the holder of the Exchangeable Bonds may, at any time before the EB Maturity Date, give not less than 20 Business Days' prior written notice to Bartha Holdings to redeem the Exchangeable Bonds and Bartha Holdings shall within one month pay a redemption price equivalent to 100% of the outstanding principal amount of the Exchangeable Bonds in cash or setting off the Convertible Bonds Bartha Holdings does not have right to early redeem the Exchangeable Bonds

The principal terms of the Convertible Bonds are set out below:

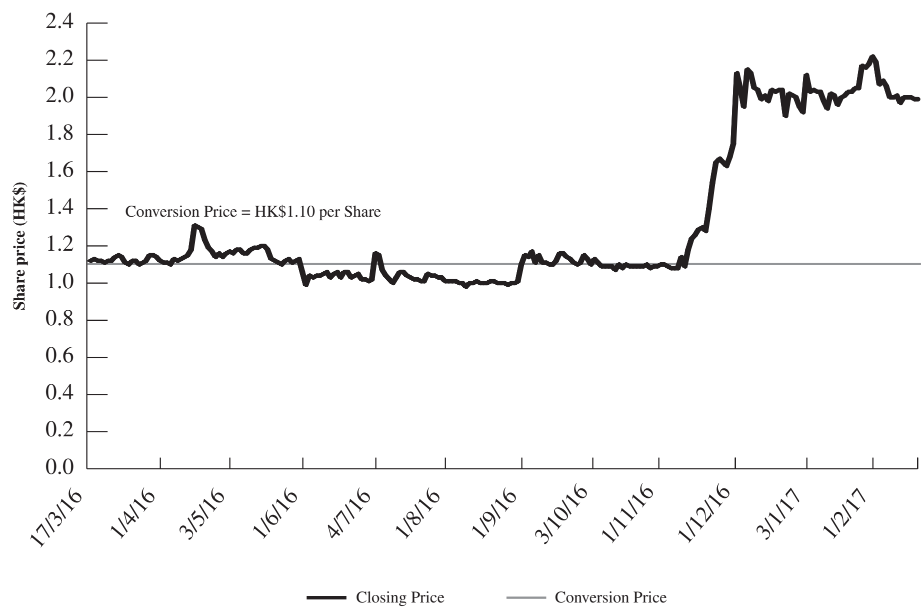
Issuer:	the Company
Principal amount:	HK$150,000,000
Maturity Date:	the date falling on the 5th anniversary of the date of issue of the Convertible Bonds
Interest:	Nil
Conversion price:	HK$1.1 per Share
Number of Conversion Shares:	based on the conversion price of HK$1.1, up to 136,363,636 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds
Conversion period:	the period commencing from the first anniversary of the date of issue of the Convertible Bonds and up to and including the date which is 3 days prior to the CB Maturity Date
Redemption:	the Company shall be entitled to redeem all of the outstanding Convertible Bonds on the CB Maturity Date at its then outstanding principal amount
	no outstanding amount of the Convertible Bonds shall be redeemed at the request of the Company nor the holders of the Convertible Bonds before the CB Maturity Date, save and except for in the circumstances that Bartha Holdings fails to fulfill the profit guarantee provided by it under the Subscription Agreement. In such circumstances, Bartha Holdings shall early redeem the entire Exchangeable Bonds at 100% of its principal amounts within 30 days after the issue of the Profit Certificate. Bartha Holdings and CVP Financial agrees that the redemption money payable by Bartha Holdings to CVP Financial arising from the redemption of the Exchangeable Bonds could be settled in cash or by setting off the amount payable by the Company to Bartha Holdings under the Convertible Bonds

Status:	the Conversion Shares, when issued and delivered in the manner contemplated by the Convertible Bonds will rank pari passu and carry the same rights and privileges in all respects with the other Shares in issue and shall be entitled to all dividends and other distributions declared, paid or made thereon
Voting:	the Convertible Bonds do not confer any voting right at any meetings of the Company
Transferability:	prior to the issue of the Profit Certificate, the Convertible Bonds cannot be transferred or assigned and thereafter, the Convertible Bonds are freely transferable to any persons except to connected persons of the Company
Conversion restriction:	no conversion of the Convertible Bonds would be permitted, if immediately after such conversion, (a) the minimum public float requirement for the Shares as required under the GEM Listing Rules could not be maintained; or (b) the holder of the Convertible Bonds whether alone or together with parties acting in concert with it will trigger a mandatory general offer obligations under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds

Further details of the major terms of the Subscription Agreement, the Exchangeable Bonds and the Convertible Bonds are outlined in the Board Letter.

2.1 Conversion Price as compared to the historical trading price of the Shares

Set out below is the chart showing the closing price of the Shares on the Hong Kong Stock Exchange for the 12 months period ended 17 February 2017 (the "**Review Period**"), being the last trading day immediately before the entering into of the Subscription Agreement (the "**Last Trading Day**")



The Conversion Price of HK$1.1 per Share was determined after arm's length negotiations between CVP Financial and Bartha Holdings and represents:

(i) a discount of approximately 17.29% to the average closing price of HK$1.33 per Share for the Review Period;

(ii) a discount of approximately 44.78% to the average of the closing price of approximately HK$1.992 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;

(iii) a discount of approximately 44.72% to the closing price of HK$1.99 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(iv) a discount of approximately 53.78% to the closing price of HK$2.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

During the Review Period, the lowest closing price was HK$0.98 per Share and the highest closing price was HK$2.22 per Share. The Conversion Price represents a premium of approximately 12.2% over the said lowest closing price per Share, and a discount of approximately 50.5% to the said highest closing price per Share during the Review Period. The Conversion Price is within the range of the closing market prices of the Shares at the Review Period. In November 2016, there were abrupt rises in the closing prices of the Shares after the share subdivision which was effective on 8 November 2016 (please refer to announcements dated 21 October 2016 and 7 November 2016 for further details of the share subdivision), and the changes in closing prices were not supported by the financial performance of the Group in view that the Group continued to record losses during the Review Period.

Although the Conversion Price represents a discount of approximately 17.29% to the average closing price of HK$1.33 per Share for the Review Period, it represents a discount of approximately 44.72% over the closing price per Share on the Last Trading Day. Taking into consideration factors including (i) the Conversion Price was determined after arm's length negotiations between CVP Financial and Bartha Holdings; (ii) the Conversion Price represents approximately 35.7 times premium to the net asset value per Share of approximately HK$0.03 as at 30 September 2016; (iii) the average trading price of the Shares for the 52 weeks immediately preceding the negotiation of the terms of the Subscription Agreement (i.e. from January 2016 to December 2016) of approximately HK$1.05 per Share; and (iv) the abrupt rises in the closing prices of the Shares after the share subdivision while the financial performance of the Group has remained unsatisfactory we are of the view that such discount is acceptable.

2.2 Comparison with other transactions involving issue of convertible bonds/ notes as consideration

In order to evaluate the fairness and reasonableness of the terms of the Convertible Bonds, we have identified, to the best of our knowledge and as far as we are aware of, from 1 February 2016 up to the Last Trading Day, being a period of approximately 1 year, a list of twelve transactions by companies listed on the Stock Exchange which involved the issue of convertible bonds/notes as consideration for acquisitions (the "**CB Comparables**"). Shareholders should note that the businesses, operations and prospects of the Company are not the same as the CB Comparables. However, for the purpose of providing Shareholders with a general reference for common market practice of companies listed on the Stock Exchange in transactions which involved the issue of convertible bonds/notes as consideration for acquisitions, we consider the CB Comparables to be fair and representative. The table below summarises our relevant findings:

Company name (stock code)	Date of the announcement	Annual interest rate	Premium/(Discount) of the conversion price over/(to) the closing price per share on the last trading day on/prior to the announcement/ the date of agreement in relation to the respective issue of convertible notes/bonds
		(%)	*approximate %*
HC International, Inc. (2280)	13/1/2017	nil	44.51
Midland IC & I Limited (459)	10/1/2017	nil	(4.20)
Sino Haijing Holdings Limited (1106)	29/12/2016	nil	(35.50)

Company name (stock code)	Date of the announcement	Annual interest rate	Premium/(Discount) of the conversion price over/(to) the closing price per share on the last trading day on/prior to the announcement/ the date of agreement in relation to the respective issue of convertible notes/bonds
		(%)	*approximate %*
China E-Learning Group Limited (8055)	29/12/2016	nil	(17.67)
China E-Learning Group Limited (8055)	21/12/2016	nil	14.75
HMV Digital China Group Limited (8078)	13/12/2016	5	69.60
China Household Holdings Limited (692)	9/12/2016	3	(54.50)
China Soft Power Technology Holdings Limited (139)	28/11/2016	2	0.33

Company name (stock code)	Date of the announcement	Annual interest rate *(%)*	Premium/(Discount) of the conversion price over/(to) the closing price per share on the last trading day on/prior to the announcement/ the date of agreement in relation to the respective issue of convertible notes/bonds *approximate %*
China E-Learning Group (8055)	11/10/2016	nil	(19.32)
Wealth Glory Holdings Limited (8269)	18/3/2016	nil	12.30
Sheen Tai Holdings Group Company Limited (1335)	17/3/2016	nil	(19.10)
Chinese Strategic Holdings Limited (8089)	25/2/2016	nil	(45.65)
		Maximum	69.60
		Minimum	(54.50)
		Median	(10.94)
		Average	(4.54)
The Subscription Agreement	**17/2/2017**	**nil**	**(44.72)**

As noted from the table above regarding our findings on the CB Comparables, the conversion prices of the CB Comparables had an average of a discount of approximately 4.5%, a median of a discount of approximately 10.9% and ranged from a discount of approximately 54.5% to a premium of approximately 69.60% to/over the respective closing prices of their shares on the last trading days on/prior to the release of the relevant announcements/the dates of agreements in relation to the respective acquisitions involving issue of convertible bonds/notes as consideration. The CB Conversion Price, which represents a discount of approximately 44.7% to the closing price of the Shares on the Last Trading Day, falls within the range of the CB Comparables.

Based on the above and having taken into consideration that (i) the CB Conversion Price represents a premium over the audited consolidated net assets attributable to equity holders of the Company per Share as at 31 March 2016; (ii) the CB conversion price is fair and reasonable and on normal commercial terms and is in the interests of the Group and its Shareholders as advised by the Directors; (iii) it is a good opportunity for the Group to enter into the financial services industry to expand the business segment due to the challenging environment of wine retail industry due to the economic downturn; (iv) the Convertible Bonds will not be converted into the Shares if Guaranteed Profit cannot be met, and even partly or wholly exercised and Guaranteed Profit cannot be met, the Exchangeable Bonds will be redeemed by setting off the remaining amount of Convertible Bonds or through cash; and (v) Bartha Holdings undertakes that it will not, for the 12 months from the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, transfer, dispose of or create any encumbrance or other rights in respect of the Conversion Shares. Having considered the conditions precedent set out above and in the Subscription Agreement, we consider that the CB Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

2.3 Comparison with recent issues of convertible notes by listed issuer

For comparison purpose, we have compared the interest rates in respect of the CB Comparables with the interest of the Convertible Note. We set out our findings in the table below:

Issuers of the CB Comparables (stock code)	Announcement date of the CB Comparables	Interest rate *% per annum*
HC International Holdings Inc. (2280)	13/1/2017	nil
Midland IC & I Limited (459)	10/1/2017	nil
Sino Haijing Holdings Limited (1106)	29/12/2016	nil
China E-Learning Group Limited (8055)	29/12/2016	nil
China E-Learning Group Limited (8055)	21/12/2016	nil
HMV Digital China Group Limited (8078)	13/12/2016	5.0%
China Household Holdings Limited (692)	9/12/2016	3.0%

Issuers of the CB Comparables (stock code)	**Announcement date of the CB Comparables**	**Interest rate** *% per annum*
China Soft Power Technology Holdings Limited (139)	28/11/2016	nil
China E-Learning Group Limited (8055)	11/10/2016	N/A
Wealth Glory Holdings Limited (8269)	18/3/2016	0.0%
Sheen Tai Holdings Group Company Limited (1335)	17/3/2016	nil
Chinese Strategic Holdings Limited (8089)	25/2/2016	nil
	Maximum	5.0%
	Minimum	0.0%
	Average	0.73%
	The Subscription Agreement	nil

We note that the interest rates in respect of the CB Comparables ranged from nil to 5.0% per annum, with an average of 0.73% per annum. The is no interest rate for the Convertible Note, therefore falls within the range of the interest rates of the CB Comparables and is lower than the average interest rate of the CB Comparables.

2.4 Trading multiples analysis

In assessing the fairness and reasonableness of the Consideration, we have considered various valuation approaches, including price-to-earnings ratio ("**P/E Ratio**"), price-to-book ratio ("**P/B Ratio**"). Given that the Target Company incurred losses for the financial year ended 31 December 2016, the P/E ratio would not be a meaningful method to be used in the comparison. As an alternative, we have conducted analyses on the P/B Ratio of Bartha International with the P/B Ratio of other companies engaged in business similar to Eternal Pearl. Companies are selected based on the following criteria: (i) companies being acquired by another listed company and such acquisition has been identified as notifiable transaction; (ii) the target company is a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and/or Type 2 (dealing in futures contracts) regulated activities under the SFO; (iii) the net asset value is below HK$100 million; and (iv) the notifiable transaction was disclosed within one year prior to the Acquisition. We have identified and made references to seven companies that meet the aforesaid criteria (the "**Acquisition Comparables**") on a best effort basis. Details of our analyses are set out in the following table:

Date of announcement	Company Name (stock code)	Target Company	Net asset value *(a)* *(Note 1)* *(HK$'000)*	Consideration *(b)* *(Note 1)* *(HK$'000)*	Implied P/B Ratio *(c) = (b) / (a)* *(times)*
3/11/2016	China Hanya Group Holdings Limited (8312)	Shining Securities Company Limited	15,721	24,000	1.53
26/8/2016	Sino Prosper (Group) Holdings Limited (766)	China Silver Securities Limited	9,628	18,000	1.87
26/7/2016	Sunrise China Technology Group Limited (8226)	Prime Paradise Limited	8,100	55,000	6.79
7/6/2016	Heng Xin China (8046)	JTI Securities Limited	10,115	23,115	2.29
27/4/2016	China Demeter Investment Limited (8120)	China Demeter Securities Limited	28,458	35,200	1.24
22/4/2016	China Precious Metal Resources Holdings Company Limited (1094)	Mansun Securities Limited	50,245	70,000	1.39
19/2/2016	CityChamp Watch & Jewellery Group (256)	Shun Heng Securities Limited	23,800	24,800	1.04
				Maximum	6.79
				Minimum	1.04
				Average	2.31
				Median	1.53
				Bartha International	2.23 *(Note 2)*

Notes:

1. The net asset value and the consideration of the respective Acquisition Comparables are extracted from the respective announcements.

2. Calculated based on the Consideration of HK$150 million, the net liabilities of approximately HK$8.8 million and adjusted by the waiver of amount due to immediate holding company of approximately HK$76.0 million of Bartha International.

As illustrated in the analysis above, the P/B Ratio of the Acquisition Comparables range from a lower end of approximately 1.04 times to a high end of approximately 6.79 times with the average being approximately 2.31 times. The implied P/B Ratio of Bartha International is approximately 2.23 times, which falls within the range of the P/B Ratio of the Acquisition Comparables and lower than the average P/B Ratio of the Acquisition Comparables.

Other terms of the Subscription Agreement

Conversion of Convertible Bonds

We note that the major conditions to the conversion are (i) satisfaction of conditions precedent in the subscription agreement for the Exchangeable Bond; (ii) the conversion was arrived after arm's length negotiations between CVP Financial and the Company and (iii) public float of the Shares not less than 25% (or any given percentage as required by the GEM Listing Rules. After further discussion with Company, we understand that the Guaranteed Profit is determined based on the expected interest income arising from margin financing business of Eternal Pearl and share of estimated profits from the result of the JV Securities Company. Taking into consideration that the Conversion Price has a large premium over the net asset value of the Company, it is good for the Company to have a potential capital gain.

In the case that the Convertible Bonds are exercised (partly or wholly) and Guaranteed Profit cannot be met, Bartha Holdings will still redeem the Exchangeable Bonds by setting off the remaining amount of Convertible Bonds not being converted into the Shares. For the portion of Convertible Bonds being converted into Shares, cash will be used to redeem the Exchangeable Bonds. In the case of whole amount of Convertible Bonds being converted into Shares, listed company will be protected by receiving cash payment for failure of meeting the Guaranteed Profit.

Based on the above, the Convertible Bonds (i) will not be converted into the Shares if Guaranteed Profit cannot be met and Bartha Holdings undertakes that it will not, for the 12 months from the allotment and issue of; and (ii) even partly or wholly exercised and Guaranteed Profit cannot be met, the Exchangeable Bonds will be redeemed by setting off the remaining amount of Convertible Bonds or through cash, we are of the opinion that the conversion of the Convertible Bonds is fair and reasonable.

Consideration of Exchangeable Bonds

We notice that the Group need to pay the entire consideration for acquiring the Exchangeable Bonds and there are other options to acquire such as the equity interest in Bartha International. As mentioned in the Board Letter, the Bartha Group is going to set up the JV Securities Company in Nansha area in the Guangzhou Pilot Free Trade Zone, the PRC. If the JV Securities Company can obtain the approval and license to conduct securities business in the PRC, the valuation of the Bartha Group will be substantially increased and much higher than the consideration paid for the Exchangeable Bonds and more competitors will have interest in acquiring the Bartha Group. However, as required by FSCFS Rules, the foreign shareholders of the JV Securities Company shall not transfer their shares in the JV Securities Company within three years after the equity participation in the JV Securities Company. Hence, the Company is unable to directly acquire the equity interest in Bartha International for the time being. The Company and Bartha Holdings entered into the Subscription Agreement so that the Company could have the first mover advantage and the Company has the preemptive right to acquire the equity interest in the Bartha Group at a lower cost should the business of the JV Securities Company to go successful and deter the unnecessary rivals from competing for the Bartha Shares.

Apart from the securities business in the PRC to be developed upon obtaining the approval of the JV Securities Company, the Directors have also considered the growth of Eternal Pearl since the acquisition by Bartha International in March 2016 and the injection of capital in May 2016, at which time Eternal Pearl commenced to expand the business of placing and underwriting services as well as margin financing services. As advised by Bartha Holdings, the financing amount under margin financing business has increased significantly from approximately HK$6.8 million (as at 30 March 2016) to HK$43.1 million (as at 31 December 2016). Further, the provision of placing and underwriting services which commenced since the acquisition of Eternal Pearl by Bartha International has generated revenue of approximately HK$2.85 million.

We are of the view that (i) there is no material cash outflow pressure on the Group since the consideration will be settled by the issue of Convertible Bonds of the principal amount of HK$150,000,000; and (ii) the Group might not be able to dispose of a significant shareholding in the market without exerting a downward pressure on the market price of the shares which means there would be no alternative exit for the Group to realise their investment even the whole transaction is settled; (iii) the Company could have the first mover advantage and the Company has the preemptive right to acquire the equity interest in the Barth Group at a lower cost if the JV Securities Company can obtain the approval; and (iv) the growth of placing and underwriting services as well as the margin financing services by Eternal Pearl.

One of the major consideration is that the agreement contains a term that Bartha Holdings irrevocably and unconditionally warrants and guarantees to CVP Financial that the audited consolidated net profit attributable to the Bartha Group after tax and any extraordinary or exceptional items of the Bartha Group for the 24 months ending 31 March 2019 (the "**Profit Guarantee Period**") shall not be less than HK$15,000,000 (the "**Guaranteed Profit**") which is determined with reference to (i) placing and underwriting agreements on hand of Eternal Pearl; (ii) expected interest income arising from margin financing business of Eternal Pearl; and (iii) share of estimated profits from the result of the JV Securities Company.

As advised by Bartha Holdings, the income from the placing and underwriting services is expected to increase from approximately HK$2.85 million (for the second half year of 2016) to approximately HK$4 million (for the first half year of 2017) for one completed share placement and one secured share placement agreement. As disclosed in the paragraphs headed "Information of Bartha Holdings, Bartha International and Eternal Pearl", the management team of Eternal Pearl is now in an advanced stage of negotiation for a new share placement agreement. With the anticipation that the placing and underwriting business will develop steadily, the income from the provision of placing and underwriting services for two years after the Bartha Completion of the Subscription will be approximately HK$22 million.

Further in the first quarter of 2017, Eternal Pearl had conducted certain fund raising activities. With the additional fund, the financing amount under margin financing business has increased significantly from approximately HK$6.8 million (as at 30 March 2016) to HK$43.1 million (as at 31 December 2016). Eternal Pearl plans to increase the financing amount for margin financing business by way of issue of convertible securities and utilising its cash. It is expected that the interest income from margin financing business will be HK$23 million for the two years after completion of the Subscription.

Based on the above mentioned Eternal Pearl's development in placing and underwriting business and margin financing business, after deducting the administrative expenses of approximately HK$15 million each year, the Bartha Group will be able to meet the Guaranteed Profit for the Profit Guarantee Period. As such, it is expected that the Guaranteed Profit shall be met by the income generated from placing and underwriting business and margin financing business respectively, without taking into account any income generated from the JV Securities Company. Nonetheless, as advised by Bartha Holdings, it is expected that the JV Securities Company will obtain the approval from CSRC within 12-18 months after the Bartha Completion. With the establishment of the JV Securities Company, the profitability of the Bartha Group will be significantly improved. Given the business plan of Eternal and its performance in the first five months of 2017, the Directors considered that the Guaranteed Profit is fair and reasonable.

In the event that the actual audited consolidated net profits attributable to the Bartha Group after tax and excluding any extraordinary or exceptional items of the Bartha Group for the Profit Guarantee Period (the "**Actual Profit**") as shown in the Profit Certificate is less than the Guaranteed Profit, Bartha Holdings covenants to early redeem the entire Exchangeable Bond, at 100% of its principal amounts within 30 days after the issue of the Profit Certificate. The Guaranteed Profit allows CVP Financial to have return not less than HK$15,000,000, which is equivalent to the face value of the convertible bond.

Furthermore, the acquisition was preliminarily settled through the issue of the Convertible Bonds with zero interest rate maturated in five years. The Company avoids the cash outflow immediately after the completion of transaction and could invest the sum elsewhere.

Based on the aforesaid, we are of the view that the Consideration is determined based on normal commercial terms, in the ordinary and usual course of business of the Group, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Our view

Having considered that there is no interest rate for the Convertible Note which falls within the range of the interest rates of the CB Comparables and is lower than the average interest rate of the CB Comparables, we are of the view that the interest rate of the Convertible Note is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered and analysed the aforesaid terms of the Subscription Agreement, we consider the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Dilution effect on the shareholding interests of the existing public Shareholders

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the full conversion of Convertible Bonds at the initial Conversion Price (assuming there being no other changes in the issued share capital of the Company):

	As at the Latest Practicable Date *(Note1)*		Immediately after the full conversion of the Convertible Bonds at the conversion price (for illustration only)	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*
Royal Spectrum Holding Company Limited ("**Royal Spectrum**") *(Note 1)*	1,968,000,000	49.20	1,968,000,000	47.58
Bartha Holdings *(Note 2)*	–	–	136,363,636	3.30
Public Shareholders	2,032,000,000	50.80	2,032,000,000	49.12
Total	4,000,000,000	100.00	4,136,363,636	100.00

Notes:

(1) The entire issued share capital in Royal Spectrum is legally and beneficially Global Holdings Limited, which, in turn is legally and beneficially wholly-owned by Mr. Ting.

(2) Bartha Holdings is owned as to 85.25% by CVP Holdings, which, in turn, is wholly-owned by Mr. Ting, and as to 14.75% by two Independent Third Parties.

As shown in the above table, the shareholding interests of the existing public Shareholders in the Company would be diluted from approximately 50.8% to 49.1%, representing a dilution of approximately 1.7 percentage point, immediately after the full conversion of the Convertible Note at the Conversion Price.

Taking into account

(i) the reasons for the issue of the Convertible Note;

(ii) that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned as discussed in the Board Letter above; and

(iii) there is no material cash outflow pressure on the Group since the consideration will be settled by CVP Financial by procuring the Company to issue the Convertible Bonds,

we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

4. Financial effects of the Subscription

Effect on the net asset value

The Proposed Subscription would increase the total assets of the Group by the amount of approximately HK$121.2 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to the Circular. The increase is mainly attributable to the fair value of the Proposed Subscription of the Exchangeable Bond. The Proposed Subscription would increase the total liabilities of the Group by the amount of approximately HK$99.0 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to the Circular. The increase is mainly due to the fair value of the issue of Convertible Bonds of the principal amount of HK$150,000,000 in relation to the settlement of the consideration for the Proposed Subscription. The Proposed Subscription would not affect the net asset value of the Group as shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to the Circular.

Effect on gearing

As at 30 September 2016, the gearing ratio of the Group, represented by total liabilities as a percentage of total assets, was approximately 3.7%. Based on the pro forma financial information of the Enlarged Group contained in the Appendix IV to the Circular, the gearing ratio of the Enlarged Group would increase to approximately 46.7% upon completion of the Acquisition Agreement and the Subscription Agreement.

Effect on earnings

The Proposed Subscription has no immediate effect on the turnover of the Enlarged Group. As shown in the pro forma financial information of the Enlarged Group contained in the Appendix IV to the Circular, the Group's earning will be affected by an impairment loss of approximately HK$193.9 million upon completion of the Proposed Subscription due to the decline in fair value of the Exchangeable Bonds was significant. Please refer to "Appendix IV – Unaudited pro forma financial information of the enlarged group" of this circular for details.

The impairment lost was incurred due to the declined fair value of the Exchangeable Bonds as at 30 September 2016 while the Bartha Group was in the stage of restructuring after the acquisition of Eternal Peral by Bartha International in March 2016, the minimal operation records leaded to the value of the Exchangeable Bonds to be relatively low as compared to the fair value of the Convertible Bonds to be issued. Taking into account that the rapid growth in different business area in Eternal Pearl subsequently to the increased working capital and the fund raised from the independent third parties in the Bartha Group as well as the participation in the application of the JV Securities Company, the Directors are in the view that the issue of the Exchangeable Bonds is in the interest of the Company in long term.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Subscription Agreement.

RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the opinion that the Acquisition Agreement and the Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited

Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2014, 2015 and 2016 can be referred to in appendix I of the listing document of the Company dated 29 September 2015 and the annual report of the Company for the year ended 31 March 2016 (pages 50 to 104) published on 24 June 2016 respectively, and the financial information of the Group for the three, six and nine months ended 30 June 2016, 30 September 2016 an 31 December 2016 are disclosed on pages 6 to 12 of the 2016 first quarterly report published on 11 August 2016, pages 6 to 20 of the 2016 interim report published on 10 November 2016 and pages 6 to 13 of the 2016 third quarterly report published on 13 February 2017 respectively, all of which are published on both the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.foodidea.com.hk).

Please refer to the hyperlinks as stated below:

Listing document of the Company:
http://www.hkexnews.hk/listedco/listconews/GEM/2015/0929/GLN20150929075.pdf

2015 annual report:
http://www.hkexnews.hk/listedco/listconews/GEM/2016/0624/GLN20160624017.pdf

2016 first quarterly report:
http://www.hkexnews.hk/listedco/listconews/GEM/2016/0811/GLN20160811013.pdf

2016 interim report:
http://www.hkexnews.hk/listedco/listconews/GEM/2016/1110/GLN20161110043.pdf

2016 third quarterly report:
http://www.hkexnews.hk/listedco/listconews/GEM/2017/0213/GLN20170213037.pdf

2. INDEBTEDNESS STATEMENT

Statement of indebtedness

As at the close of business on 30 April 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this Circular, the indebtedness of the Enlarged Group was as follows:

The Enlarged Group had an amount due to a fellow subsidiary of approximately HK$232,000, which was unsecured, interest free and repayable on demand.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

On 7 November 2016, an ordinary resolution was duly passed by the Shareholders by way of poll at the extraordinary general meeting to subdivide every one (1) issued and unissued ordinary share of HK$0.01 each in the share capital of the Company into ten (10) subdivided shares of HK$0.001 each, such that the authorised share capital of the Company is HK$10,000,000 divided into 10,000,000,000 shares with a par value of HK$0.001 each.

On 27 January 2017, the Company made a profit warning announcement stating that based on the information available to the Board and the unaudited consolidated management accounts of the Group for the nine months ended 31 December 2016, the Group is expected to record a loss after tax for the nine months ended 31 December 2016 of approximately HK$10.9 million. Such loss was mainly due to (i) the economic downturn in the retail market; (ii) the recognition of the equity-settled share-based payment expenses; and (iii) the decrease in the gross profit margin for the purpose to maintain the competitiveness in the market.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the Group's internal resources and the existing available banking facilities, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

(1) Business Review

During the nine months ended 31 December 2016, revenue was increased by approximately 6.4% to approximately HK$104.3 million (nine months ended 31 December 2015: HK$98.0 million). The Group is engaged in the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine. The increase in revenue was mainly the result of the expanding market appearance by the relocation of the retail store.

(2) Financial Review – Revenue

Revenue of the Group increased by approximately 6.4% from approximately HK$98.0 million to HK$104.3 million for the nine months ended 31 December 2015 and 2016 respectively. The increase was mainly the result of the competitive pricing strategy adopted during the economic downturn since November 2015 in order to maintain the sales network with a more competitive price during the nine months ended 31 December 2016.

(3) Outlook and Prospects

Since the wine retail industry is severely affected by economic downturn, it is expected to be a more challenging year ahead. As such, the Company has been actively looking for suitable acquisition opportunities to maximise the return of shareholders of the Company in a more sustainable manner.

Given that Hong Kong is an important global financial hub, bridging capital flows between the PRC and international markets and fund raising through securities issuance and relevant corporate finance advisory in Hong Kong has been top of the global ranking, the Company is of the view that, through the entering into of the respective agreements and deeds dated 9 February 2017 and 17 February 2017, the Proposed Subscription and the Proposed Acquisition can provide the Group with a platform to expose to the business opportunities brought by the prospective financial market of Hong Kong by offering corporate finance advisory and securities placement services, which eventually enhance the value of the shareholders of the Company in long term. For details of the respective agreements and deeds, please refer to the announcements dated 9 February 2017 and 17 February 2017 respectively.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants.

信永中和
ShineWing

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

30 June 2017

The Board of Directors
Madison Wine Holdings Limited
Flat A & B, 10/F
North Point Industrial Building
499 King's Road
North Point, Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information of CVP Asset Management Limited (formerly known as Starfort Holdings Limited) (the "Target Company"), which comprises the statements of financial position as at 31 December 2015 and 2016, the statements of profit or loss and other comprehensive income, statements of changes in equity and the statements of cash flows for the period from 31 July 2015 (date of incorporation) to 31 December 2015 and for the year ended 31 December 2016 (the "Relevant Periods") and together with the notes thereto (the "Financial Information"). The Financial Information has been prepared by the directors of the Target Company for inclusion in the Appendix IIA of the circular dated 30 June 2017 (the "Circular") issued by Madison Wine Holdings Limited (the "Company") in connection with the proposed acquisition of the entire equity interest in the Target Company (the "Acquisition").

The Target Company was incorporated in Hong Kong with limited liability on 31 July 2015. The Target Company is a licensed corporation under the Hong Kong Securities and Futures Ordinance ("SFO") and is licensed for the following regulated activities:

Type 4: Advising on Securities

Type 9: Asset Management

The principal activity of the Target Company is provision of assets management services and advisory services. The licenses were obtained as at 15 February 2016 to carry on type 4 and type 9 regulated activities of advising on securities and asset management. The addresses of the registered office and principal place of business of the Target Company are Room 1208-9, 8 Commercial Tower, 8 Sun Yip Street, Chaiwan, Hong Kong.

The Target Company had adopted 31 December as its financial year end date. The audited statutory financial statements of the Target Company for the period from its date of incorporation to 31 December 2016 was prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by SHINEWING (HK) CPA Limited, certified public accountants registered in Hong Kong.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Target Company has prepared the financial statements of the Target Company for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Target Company based on the Underlying Financial Statements with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

DIRECTORS' RESPONSIBILITIES OF THE FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Target Company in respect of any period subsequent to 31 December 2016.

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the financial position of the Target Company as at 31 December 2015 and 2016 and of its financial performance and its cash flow for the Relevant Periods then ended.

A. FINANCIAL INFORMATION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**From 31 July 2015 (date of incorporation) to 31 December 2015**	**Year ended 31 December 2016**
		HK$'000	*HK$'000*
Revenue	*7*	–	350
Administrative expenses		(180)	(1,552)
Loss before tax	*8*	(180)	(1,202)
Income tax expense	*9*	–	(5)
Loss and total comprehensive expense for the period/year		(180)	(1,207)

Note: Loss per share information is not presented as such information is not considered meaningful in the context of this report.

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2015**	**2016**
		HK$'000	*HK$'000*
Non-current asset			
Plant and equipment	*12*	–	31
Current assets			
Amount due from immediate holding company	*13*	–	428
Bank balances and cash	*14*	1,678	532
		1,678	960
Current liabilities			
Accruals		–	21
Amount due to immediate holding company		6	–
Amounts due to fellow subsidiaries	*13*	232	232
		238	253
Net current assets		1,440	707
Total assets less current liabilities		1,440	738
Capital and reserve			
Share capital	*16*	1,620	2,120
Accumulated losses		(180)	(1,387)
Total equity		1,440	733
Non-current liability			
Deferred tax liability	*15*	–	5
		1,440	738

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of ordinary share upon incorporation *(Note 16)*	–*	–	–*
Issue of shares *(Note 16)*	1,620	–	1,620
Loss and total comprehensive expense for the period	–	(180)	(180)
At 1 January 2016	1,620	(180)	1,440
Issue of shares *(Note 16)*	500	–	500
Loss and total comprehensive expense for the year	–	(1,207)	(1,207)
At 31 December 2016	2,120	(1,387)	733

* The balance represents an amount less than HK$1,000.

STATEMENT OF CASH FLOW

	From 31 July 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before tax	(180)	(1,202)
Adjustment for depreciation	–	6
Operating cash flows before movements in working capital	(180)	(1,196)
Increase in amount due from immediate holding company	–	(350)
Increase in accruals and other payables	–	21
NET CASH USED IN OPERATING ACTIVITIES	(180)	(1,525)
INVESTING ACTIVITIES		
Purchase of plant and equipment	–	(37)
Advance to immediate holding company	–	(78)
CASH USED IN INVESTING ACTIVITIES	–	(115)
FINANCING ACTIVITIES		
Proceeds from issue of new ordinary shares	1,120	500
Advances from (repayment to) immediate holding company	506	(6)
Advances from fellow subsidiaries	232	–
CASH FROM FINANCING ACTIVITIES	1,858	494
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,678	(1,146)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	–	1,678
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR, representing bank balances and cash	1,678	532

B. NOTES TO THE FINANCIAL INFORMATION

1. General and Basis of Preparation

General

The Target Company is incorporated in Hong Kong on 31 July 2015 with limited liability. The immediate holding company is CVP Holdings Limited, a company incorporated in Hong Kong with limited liability. The controlling shareholder is Mr. Ting Pang Wan Raymond. The principal activity of the Target Company is provision of asset management service.

Pursuant to a special resolution passed at a special general meeting held on 28 August 2015, the Target Company changed its name from Starfort Holdings Limited to CVP Asset Management Limited.

The Target Company is licensed under the SFO from 15 February 2016 to carry out the following regulated activities:

Type 4: Advising on securities

Type 9: Asset management

The address of its registered office and principal place of business are situated at Room 1208-9, 8 Commercial Tower, 8 Sun Yip Street, Chaiwan, Hong Kong.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of the Target Company.

Basis of preparation

The Target Company incurred a net loss and net operating cash outflow of approximately HK$1,207,000 and HK$1,525,000 for the year ended 31 December 2016, respectively. In addition, the Target Company had bank balances and cash of approximately HK$532,000 as at 31 December 2016. The Financial Information has been prepared on a going concern basis, the validity of which depends upon the support of its immediate holding company whereas the immediate holding company has agreed to provide financial support to the Target Company to maintain as a going concern. The controlling shareholder confirms his intention to provide adequate financial support to the Target Company as is necessary to ensure the Target Company's continuing operation for a period of at least 12 months from the end of reporting period. In this regard, the controlling shareholder has advanced HK$1,000,000 to the Company in April 2017. The controlling shareholder has undertaken that repayment of this advance will not be requested for repayment within 18 months. The directors of the Target Company is therefore of the opinion that it is appropriate to prepare the financial information on a going concern basis. The financial information does not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Target Company be unable to continue as a going concern.

2. Application of new and revised hong kong financial reporting standards ("HKFRS(s)")

For the purpose of preparing and presenting the Financial Information during the Relevant Periods, the Target Company has consistently applied all of the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs"), issued by the HKICPA which are effective for the financial year beginning on 1 January 2016 throughout the Relevant Periods.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 Cycles[5]

1 *Effective for annual periods beginning on or after 1 January 2017.*

2 *Effective for annual periods beginning on or after 1 January 2018.*

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

4 *Effective date not yet been determined.*

5 *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

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

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Target Company have reviewed the Target Company's financial assets as at 31 December 2016 and anticipates that the application of HKFRS 9 (2014) in the future may result in early recognition of credit losses based on expected loss model in relation to the Target Company's financial assets measured at amortised cost and is not likely to have other material impact on the financial position of the Group based on an analysis of the Target Company's existing business model.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts and the related Interpretations" when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Target Company anticipate that the application of HKFRS 15 in the future will not have impact on the amounts reported but may result in more disclosures to be made to the Financial Information based on the existing business model of the Target Company as at 31 December 2016.

Amendment to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted and it will result in additional disclosures to be provided in the Financial Information and the directors of the Target Company anticipate that the application of Amendments to HKAS 7 will not have material effect on the Target Company's Financial Information.

3. Significant accounting policies

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Hong Kong Companies Ordinance.

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

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

The principle accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for service rendered in the normal course of business.

Asset management income on investment portfolio is recognised when the services are provided on accrual basis in accordance with relevant terms of the investment management or investment advisory agreement.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

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

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

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 period/year. Taxable profit differs from loss before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the 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 difference to the extent that it is probable that taxable profit 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.

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

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

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 are also recognised in other comprehensive income or directly in equity respectively.

Plant and equipment

Plant and equipment held for use in the supply of services, or for administrative purpose are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

Cash and cash equivalents

Bank balances and cash in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of and of debt instrument allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from immediate holding company and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

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

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or

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

For certain categories of financial assets, such as amount due from immediate holding company, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 10 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Changes in the carrying amount of the allowance account are recognised in profit or loss. When amount due from immediate holding company is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

Debt and equity instruments issued by the Target Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into 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 the Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including accruals, amounts due to immediate holding company and fellow subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

Financial liabilities are derecognised when, and only when, the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Target Company reviews the carrying amounts of its tangible assets to 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

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

Fair value measurement

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

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

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

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

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

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

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

4. Key sources of estimation uncertainty

In the application of the Target Company's accounting policies, which are described in note 3 above, 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 underlying assumptions are based on the 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.

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

Estimated useful lives of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation based on historical experience. The Target Company assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period. As at 31 December 2015 and 2016, the carrying values of plant and equipment were nil and approximately HK$31,000 respectively.

Estimated impairment of plant and equipment

The Target Company determines whether the plant and equipment are impaired whenever there is indication of impairment presented. The impairment loss for plant and equipment are recognised for the amounts by which the carrying values exceed their recoverable amounts, in accordance with the Target Company's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as future revenue and discount rates. As at 31 December 2015 and 2016, the carrying values of plant and equipment were nil and approximately HK$31,000 respectively. No accumulated impairment loss was recognised for plant and equipment as at 31 December 2015 and 2016.

5. Capital risk management

The capital structure of the Target Company consists of net debt, which includes amounts due from (to) immediate holding company/fellow subsidiaries net of cash and cash equivalents and equity attributable to shareholders of the Target Company, comprising issued capital and accumulated loss.

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Target Company, the Target Company will balance its overall capital structure through the payment of dividends, new share issues and issue of new debt. The Target Company's overall strategy remains unchanged throughout the period.

The Target Company is not subject to internally imposed capital requirements. The Target Company is subject to externally imposed capital requirements as the Target Company is engaged in provision of asset management and advising on securities for investors, which is regulated under the Securities and Futures Commission of Hong Kong and subject to the minimum capital requirements as set out in Securities and Futures (Financial Resources) Rules.

6. Financial instruments

(a) Categories of financial instruments

	2015	**2016**
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables (including cash and cash equivalents)	1,678	960
Financial liabilities		
At amortised cost	238	253

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include amounts due from (to) immediate holding company/fellow subsidiaries, bank balances and cash and accruals. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Target Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances. To mitigate the impact of interest rate fluctuations, the Target Company assesses and monitors the exposure to interest rate risk.

In the opinions of the directors of the Target Company, the expected change in interest rate on bank balances will not be significant in the near future, hence no sensitivity analysis is presented.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Target Company.

As at the end of the Relevant Periods, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the statement of financial position.

The Target Company's exposure to credit risk is minimal as the Target Company was no significant financial assets.

Liquidity risk

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

As at 31 December 2015 and 2016, all financial liabilities are non-interest bearing and are due within one year.

(c) Fair values of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate to the fair values due to their immediate or short-term maturities.

7. Revenue and segment information

Revenue

The amount represents services fee income earned from the advisory services from its immediate holding company.

	From 31 July 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
Advisory service fee income	–	350

Segment information

The Target Company's operation is mainly derived from provision of advisory services. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") (i.e. the directors of the Target Company) reviews the overall results and financial position of the Target Company as a whole prepared in accordance with accounting policies which conform to HKFRSs. Accordingly, the Target Company has only one single operating segment and no further analysis of this single segment is presented.

a) Geographical information

The Target Company's operations are located in Hong Kong (country of domicile) during the Relevant Periods.

During the Relevant Periods, the Target Company's revenue is derived solely in Hong Kong. As at 31 December 2015 and 2016, the Target Company's non-current assets by location of assets are all located in Hong Kong.

b) Information about major customers

During the Relevant Periods, there is one customer contributing all revenue of the Target Company.

8. Loss before tax

	From 31 July 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
Loss for the period/year has been arrived after charging:		
Depreciation	–	6
Directors' emoluments *(Note 10(a))*	–	804
Staff costs (excluding directors' emoluments)		
Salaries, allowances and other benefits	–	491
Contributions to retirement benefits scheme	–	5
Total staff costs	–	496
Auditors' remuneration	–	18
Depreciation of plant and equipment	–	5,791
Legal and professional fee	5	131

9. Income tax expense

	From 31 July 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
Deferred taxation *(Note 15)*	–	5

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

No provision for Hong Kong Profits Tax has been made as the Target Company did not have any assessable profits subject to Hong Kong Profits Tax for the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the loss before tax per the statement of profit or loss and other comprehensive income as follows:

	From 31 July 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
Loss before tax	(180)	(1,202)
Tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	(29)	(198)
Tax effect of expenses not deductible for tax purpose	29	–
Tax effect of tax loss not recognised	–	203
Income tax expense	–	5

10. Directors' and employees' emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of one and two directors in 2015 and 2016 respectively of the Target Company during the Relevant Periods were as follows:

For the period from 31 July 2015 (date of incorporation) to 31 December 2015

	Mr. Ting Pang Wan Raymond
	HK$'000
Emoluments paid or receivable in respect of a person's services as a director of the Target Company	
Fees	–
Other emoluments	
Salaries and other benefits	–
Contribution to retirement benefits scheme	–
	–

For the year ended 31 December 2016

	Mr. Ting Pang Wan Raymond	**Mr. Chen Heyi**[1]	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Emoluments paid or receivable in respect of a person's services as a director of the Target Company			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	–	789	789
Contribution to retirement benefits scheme	–	15	15
	–	804	804

(1) *Appointed on 15 January 2016.*

None of the directors waived or agreed to waive any emoluments paid by the Target Company during the Relevant Periods.

The Target Company did not appoint a chief executive during the Relevant Periods.

No emoluments were paid by the Target Company to any directors of the Target Company as an inducement to join or upon joining the Target Company, or as compensation for loss of office for the Relevant Periods.

(b) Employees' emoluments

Other than the sole director, the Target Company did not have any other employee during the period from 31 July 2015 (date of incorporation) to 31 December 2015 and his emolument is included in the disclosures in note 10(a) above.

Other than two directors, the Target Company has two employees during the year ended 31 December 2016. Their emoluments are included in the disclosures in note 8 above respectively.

Their emoluments were within the following bands:

	From 31 July 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	No. of employees	*No. of employees*
HK$ nil to HK$1,000,000	–	2

No emoluments were paid by the Target Company to the five highest paid individuals as an inducement to join or upon joining the Target Company, or as compensation for loss of office for the Relevant Periods.

11. Dividends

No dividends were paid, declared or proposed during the Relevant Periods, nor has any dividend been proposed since the end of the Relevant Periods.

12. Plant and equipment

	Computer and equipment *HK$'000*
COST	
At date of incorporation and 31 December 2015	–
Additions	37
At 31 December 2016	37
ACCUMULATED DEPRECIATION	
At date of incorporation and 31 December 2015	–
Provided for the year	6
At 31 December 2016	6
CARRYING VALUES	
At 31 December 2015	–
At 31 December 2016	31

The above items of plant and equipment are depreciated on a straight-line basis at the following rate per annum:

Computer and equipment	33.33%

13. Amounts due from (to) immediate holding company/fellow subsidiaries

As at 31 December 2016, included in the amount due from immediate holding company is an amount of approximately HK$350,000 which is trade nature and past due within 30 days. The Target Company has not provided for impairment loss as there has not been a significant change in credit quality and the amount is still considered recoverable.

The remaining amounts are unsecured, interest-free and repayable on demand.

14. Bank balances and cash

Bank balances carry interests at prevailing market rates for the Relevant Periods.

15. Deferred tax liability

The following are the major deferred tax liability recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation
	HK$'000
At 31 July 2015 and 31 December 2015	–
Charged to profit or loss *(Note 9)*	5
At 31 December 2016	5

As at 31 December 2015 and 2016, the Target Company has estimated unutilised tax loss of HK$nil and approximately HK$1,233,000 respectively available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. These losses may be carried forward indefinitely.

16. Share capital

	Number of shares ('000)	*HK$'000*
Issued and fully paid:		
Issue of ordinary share upon incorporation *(note i)*	–*	–*
Issue of shares *(notes ii)*	1,620	1,620
	1,620	1,620
At 31 December 2015		
Issue of shares *(notes ii)*	500	500
At 31 December 2016	2,120	2,120

* *The balance represents an amount less than 1,000/HK$1,000.*

Notes:

(i) On 31 July 2015, the Target Company was incorporated in Hong Kong with limited liability. On the date of incorporation, the Target Company issued and allotted 1 ordinary shares at HK$1 to the shareholder to provide for initial capital to the Target Company.

(ii) The Target Company issued 119,999, 1,000,000 and 500,000 shares with total consideration of HK$119,999, HK$1,000,000 and HK$500,000 in cash on 6 November 2015, 16 December 2015 and 18 October 2016 respectively. These shares rank pari passu in all respects with other shares in issue.

The Target Company issued 500,000 shares with total consideration of HK$500,000 to fully repay an aggregate shareholder's loan of the same amount on 7 December 2015. These shares rank pari passu in all respects with other shares in issue.

The intended use of proceeds was for general working capital purpose.

17. Retirement benefits scheme

Hong Kong

The Target Company participates in a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Target Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees. The contributions from each of the employer and employees are subject to a cap of HK$1,500 per month.

The only obligation of the Target Company with respect to the retirement benefit plans is to make the statutory specified contributions. During the year ended 31 December 2015 and 2016, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to nil and approximately HK$20,000 respectively.

18. Related party transactions

(i) During the Relevant Periods, rental expenses of the Target Company were borne by its immediate holding company.

(ii) During the year ended 31 December 2016, the Target Company has entered into an asset management service contract with its immediate holding company for advisory service fee income amounted to HK$350,000.

(iii) Details of the balances with immediate holding company and fellow subsidiaries are disclosed in note 13 in the Financial Information.

(iv) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods are as follows:

	From 31 July 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
Short-term benefits	–	1,123
Post-employment benefits	–	15
	–	1,138

C. SUBSEQUENT FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 December 2016.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614
Hong Kong

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants of SHINEWING (HK) CPA Limited, Certified Public Accountants.

信永中和 ShineWing

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

30 June 2017

The Board of Directors
Madison Wine Holdings Limited
Flat A & B, 10/F
North Point Industrial Building
499 King's Road
North Point, Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information of Bartha International Limited (the "Target Company") and its subsidiary (collectively referred to as the "Target Group"), which comprises the consolidated statements of financial position as at 31 December 2015 and 2016, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 18 August 2015 (date of incorporation) to 31 December 2015 and for the year ended 31 December 2016 (the "Relevant Periods") and together with the notes thereto (the "Financial Information"). The Financial Information has been prepared by the sole director of the Target Company for inclusion in the Appendix IIB of the circular dated 30 June 2017 (the "Circular") issued by Madison Wine Holdings Limited (the "Company") in connection with the proposed subscription of the exchangeable bonds for shares in the Target Company (the "Subscription").

The Target Company was incorporated in Hong Kong with limited liability on 18 August 2015. The Target Company is principally engaged in investment holding. The address of the registered office and principal place of business of the Target Company is Room 1208-9, 8 Commercial Tower, 8 Sun Yip Street, Chaiwan, Hong Kong.

As at 31 December 2015, 31 December 2016 and at the date of this report, the Target Company has the following subsidiary:

Name of subsidiary	Date and place of incorporation	Issued and fully paid share capital	Equity interest attributable to the Target Group As at 31 December 2015	2016	Up to Date of this report	Principal activity
Eternal Pearl Securities Limited ("Eternal Pearl")	24 October 2013 Hong Kong	HK$100,000,000	–	100% *(Note 1)*	100%	Future contracts dealing, securities dealing and provision of margin financing

Note 1: On 30 March 2016, the Target Company completed the acquisition of entire equity interest in Eternal Pearl with the consideration of approximately HK$26,815,000. As a result of the acquisition, the Target Company beneficially owned entire equity interest in Eternal Pearl and the financial performance of Eternal Pearl is consolidated in the financial statements of the Target Company from 30 March 2016, the completion date of the acquisition.

Eternal Pearl adopted 31 December as its financial year end date and has changed to 31 March since 2017. The statuary auditors of Eternal Pearl for the year ended 31 December 2015 was T. O. Yip & Co. Ltd. At the date of this report, no audited financial statements have been prepared for Eternal Pearl for the year ended 31 December 2016.

The Target Company had adopted 31 December as its financial year end date. The audited statutory financial statements of the Target Company for the period from its date of incorporation to 31 December 2016 was prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by SHINEWING (HK) CPA Limited, certified public accountants registered in Hong Kong.

BASIS OF PREPARATION

For the purpose of this report, the sole director of the Target Company has prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the sole director of the Target Company based on the Underlying Financial Statements with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

SOLE DIRECTOR'S RESPONSIBILITIES OF THE FINANCIAL INFORMATION

The sole director of the Target Company is responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the sole director of the Target Company determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any consolidated financial statements of the Target Group in respect of any period subsequent to 31 December 2016.

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the consolidated financial position of the Target Group as at 31 December 2015 and 2016 and of its consolidated financial performance and its consolidated cash flows for the Relevant Periods then ended.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 1 to the Financial Information, which indicates that the Target Group incurred a net loss of approximately HK$13,506,000 for the year ended 31 December 2016 and had net current liabilities and capital deficiency of approximately HK$29,102,000 and HK$13,647,000 as at 31 December 2016, respectively. Such conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Target Group's ability to continue as a going concern.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**From 18 August 2015 (date of incorporation) to 31 December 2015**	**Year ended 31 December 2016**
		HK$'000	*HK$'000*
Revenue	*7*	–	5,274
Cost of sales		–	(267)
Gross profit		–	5,007
Other income	*8*	–	227
Administrative expenses		(141)	(14,412)
Impairment loss recognised on goodwill	*14*	–	(4,459)
Loss before tax	*9*	(141)	(13,637)
Income tax credit	*10*	–	131
Loss and total comprehensive expense for the period/year		(141)	(13,506)

Note: Loss per share information is not presented as such information is not considered meaningful in the context of this report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2015 *HK$'000*	2016 *HK$'000*
Non-current assets			
Plant and equipment	*13*	–	4,024
Goodwill	*14*	–	–
Deposits	*17*	–	4,284
Other intangible assets	*15*	–	7,978
		–	16,286
Current assets			
Trade receivables	*16*	–	43,457
Other receivables, deposits and prepayments	*17*	–	736
Bank balances – segregated accounts	*18*	–	30,491
Bank balances and cash – general accounts	*18*	–	6,287
		–	80,971
Current liabilities			
Trade payables	*19*	–	33,462
Accruals and other payables	*20*	64	601
Amount due to immediate holding company	*21*	–	76,010
Amount due to a fellow subsidiary	*21*	77	–
		141	110,073
Net current liabilities		(141)	(29,102)
Total assets less current liabilities		(141)	(12,816)
Capital and reserve			
Share capital	*23*	–*	–*
Accumulated losses		(141)	(13,647)
Total equity		(141)	(13,647)
Non-current liability			
Deferred tax liabilities	*22*	–	831
		(141)	(12,816)

* *The balance represents an amount less than HK$1,000.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of ordinary share upon incorporation *(Note 23)*	–*	–	–
Loss and total comprehensive expense for the period	–	(141)	(141)
At 31 December 2015	–*	(141)	(141)
Loss and total comprehensive expense for the year	–	(13,506)	(13,506)
At 31 December 2016	–*	(13,647)	(13,647)

* *The balance represents an amount less than HK$1,000.*

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2016 HK$'000
OPERATING ACTIVITIES	
Loss before tax	(13,637)
Adjustments for:	
Depreciation of plant and equipment	854
Recoveries on impaired losses on trade receivables previously written off	(175)
Write-off of plant and equipment	783
Impairment loss recognised on goodwill	4,459
Operating cash flows before movements in working capital	(7,716)
Increase in trade receivables	(15,792)
Increase in other receivables, deposits and prepayments	(382)
Decrease in accruals and other payables	(22)
Decrease in trade payables	(4,893)
Increase in bank balances – segregated accounts	(15,821)
NET CASH USED IN OPERATING ACTIVITIES	(44,626)
INVESTING ACTIVITIES	
Purchases of plant and equipment	(3,467)
Acquisition of a subsidiary *(Note 27)*	(21,553)
NET CASH USED IN INVESTING ACTIVITIES	(25,020)
FINANCING ACTIVITIES	
Advance from immediate holding company	76,010
Repayment to a fellow subsidiary	(77)
NET CASH FROM FINANCING ACTIVITIES	75,933
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,287
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing Bank balances and cash – general accounts	6,287

Note: No consolidated statement of cash flows is presented for the period from 18 August 2015 (date of incorporation) to 31 December 2015 as the Target Company does not hold any bank accounts nor cash on hand. All cash transactions are processed by its fellow subsidiary on behalf of the Target Company.

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

		As at 31 December	
		2015	**2016**
	Notes	*HK$'000*	*HK$'000*
Non-current asset			
Investment in a subsidiary		–	75,815
Current asset			
Bank balances and cash			
– general accounts	*18*	–	10
Current liabilities			
Accruals and other payables	*20*	64	12
Amount due to immediate holding company	*21*	–	76,010
Amount due to a fellow subsidiary	*21*	77	–
		141	76,022
Net current liabilities		(141)	(76,012)
Total assets less current liabilities		(141)	(197)
Capital and reserve			
Share capital	*23*	–*	–*
Accumulated losses		(141)	(197)
Total equity		(141)	(197)

* *The balance represents an amount less than HK$1,000.*

B. NOTES TO THE FINANCIAL INFORMATION

1. General and basis of preparation

General

The Target Company is incorporated in Hong Kong with limited liability. The principal activity of the Target Company is investment holding. The principal activities of its subsidiary, Eternal Pearl, are set out in note 27.

The address of its registered office and principal place of business are situated at Room 1208-9, 8 Commercial Tower, 8 Sun Yip Street, Chaiwan, Hong Kong.

The immediate and ultimate holding company of the Target Company are Bartha Holdings Limited, a company incorporated in Hong Kong with limited liability, and CVP Holdings Limited, incorporated in Hong Kong with limited liability, respectively. The controlling shareholder of the Target Company is Mr. Ting Pang Wan Raymond.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of the Target Group.

Basis of preparation

The Target Group incurred a net loss of approximately HK$13,506,000 for the year ended 31 December 2016 and had net current liabilities and capital deficiency of approximately HK$29,102,000 and HK$13,647,000 as at 31 December 2016, respectively. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern. The Financial Information has been prepared on a going concern basis, the validity of which depends upon the support of its immediate holding company whereas the immediate holding company has agreed not to demand for any repayment of the amount due to immediate holding company of approximately HK$76,010,000 as at 31 December 2016 for a period of a least 12 months The sole director of the Target Company is therefore of the opinion that it is appropriate to prepare the financial information on a going concern basis. The financial information does not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Target Group be unable to continue as a going concern.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRS(s)")

For the purpose of preparing and presenting the Financial Information during the Relevant Periods, the Target Company has consistently applied all of the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs"), issued by the HKICPA which are effective for the financial year beginning on 1 January 2016 throughout the Relevant Periods.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 Cycles[5]

1 *Effective for annual periods beginning on or after 1 January 2017.*

2 *Effective for annual periods beginning on or after 1 January 2018.*

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

4 *Effective date not yet been determined.*

5 *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

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

New and revised HKFRSs issued but not yet effective

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the consolidated financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The sole director of the Target Company has reviewed the Target Group's financial assets as at 31 December 2016 and anticipates that the application of HKFRS 9 (2014) in the future may result in early recognition of credit losses based on expected loss model in relation to the Target Group's financial assets measured at amortised cost and is not likely to have other material impact on the financial position of the Target Group based on an analysis of the Target Group's existing business model.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;
ii) Identify the performance obligations in the contract;
iii) Determine the transaction price;
iv) Allocate the transaction price to the performance obligations; and
v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The sole director of the Target Company anticipates that the application of HKFRS 15 in the future will not have impact on the amounts reported but may result in more disclosures to be made to the Financial Information based on the existing business model of the Target Group as at 31 December 2016.

HKFRS 16 Leases

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

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

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

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

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

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

As set out in note 24, total operating lease commitment of the Target Group in respect of leased premise as at 31 December 2016 approximately HK$4,480,000. Upon the adoption of HKFRS 16, the sole director of the Target Company expects that the commitments in the future in respect of leased premises with terms more than 12 months will be required to be recognised in the Financial Information of the Target Group in future as right-of-use assets and lease liabilities and the sole director of the Target Company does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Target Group's results.

Amendment to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted and it will result in additional disclosures to be provided in the Financial Information and the sole director of the Target Company anticipates that the application of Amendments to HKAS 7 will not have material effect on the Financial Information.

3. Significant accounting policies

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Hong Kong Companies Ordinance.

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

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

The principle accounting policies are set out below.

Basis of consolidation

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

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

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

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

Income and expenses of subsidiaries are included in the consolidated statement 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.

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

Business combinations

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

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

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

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable for service rendered in the normal course of business.

Commission income on dealing in securities and futures are recognised on a trade date basis when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received.

Underwriting and placing commission is recognised as income in accordance with terms of the underwriting agreement or deal mandate when relevant service has been completed.

Commission income from placing and underwriting is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

Interest income from margin client is recognised when it is probable that economic benefits will flow to the Target Group and the amount can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

The Target Group as lessee

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

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

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

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

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the 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 difference to the extent that it is probable that taxable profit 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.

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 profit 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 when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are 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.

Plant and equipment

Plant and equipment held for use in the supply of services, or for administrative purpose are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Cash and cash equivalents

Bank balances and cash – general accounts in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash – general accounts as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of consolidated financial position when the Target Group becomes a party to the contractual provisions of the instrument.

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

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

For all financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by the Target Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into 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 the Target Group after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payables, accruals and other payables, amount due to immediate holding company and amount due to a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

Financial liabilities are derecognised when, and only when, the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Impairment losses on tangible assets and intangible assets (other than impairment of goodwill set out in the accounting policy of goodwill above)

At the end of the reporting period, the Target Group reviews the carrying amounts of its tangible assets 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.

When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Target Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

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

Fair value measurement

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

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

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

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

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

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

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

4. Critical accounting judgement and key sources of estimation uncertainty

In the application of the Target Group's accounting policies, which are described in note 3 above, the sole director of the Target Company is 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 underlying assumptions are based on the 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 judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the sole director of the Target Company has made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the Financial Information.

Going concern and liquidity

The assessment of the going concern assumptions involves making judgement by the sole director of the Target Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Please refer to note 1 in relation to the going concern assumptions adopted by the sole director of the Target Company.

Key sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Target Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015 and 2016, the carrying amounts of goodwill were approximately nil and nil respectively, net of accumulated impairment of nil and approximately HK$4,459,000 respectively.

Impairment allowance for trade and other receivables

The policy for impairment allowance for trade and other receivables of the Target Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial condition of debtors of the Target Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 December 2015 and 2016, the carrying amounts of trade and other receivables were approximately nil and HK$43,853,000 respectively, No accumulated impairment loss was recognised for trade and other receivables as at 31 December 2015 and 2016.

Estimated useful lives of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation based on historical experience. The Target Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period. As at 31 December 2015 and 2016, the carrying values of plant and equipment were HK$ nil and approximately HK$4,024,000 respectively.

Estimated impairment of plant and equipment and intangible assets

The Target Group determines whether the plant and equipment are impaired whenever there is indication of impairment presented. The impairment loss for plant and equipment and intangibles assets with finite useful lives are recognised for the amounts by which the carrying values exceed their recoverable amounts, in accordance with the Target Group's accounting policy. The recoverable amounts of plant and equipment and intangibles assets with finite useful lives have been determined based on value-in-use calculations. These calculations require the use of estimates such as future revenue and discount rates. No plant and equipment and intangible assets with finite useful lives as at 31 December 2015. The carrying amounts of plant and equipment and intangible assets with finite useful lives as at 31 December 2016 were approximately HK$4,024,000 and HK$7,978,000 respectively. No accumulated impairment was recognised for plant and equipment and intangible assets as at 31 December 2015 and 2016.

5. Capital risk management

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Target Group consists of net debt, which includes amount due to immediate holding company net of cash and cash equivalents and equity attributable to shareholder of the Target Group, comprising issued capital and accumulated losses.

The sole director of the Target Company reviews the capital structure regularly. As part of this review, the sole director of the Target Company considers the cost of capital and risks associated with each class of capital. Based on recommendations of the sole director of the Target Company, the Target Group will balance its overall capital structure through the payment of dividends, new share issues and issue of new debt.

The sole director of the Target Company also endeavors to ensure the steady and reliable cash flow from normal business operation. The factors that may cast doubt on the Target Group's ability to act as a going concern and the related measures taken are set out in note 1.

Eternal Pearl is regulated by the Securities and Futures Commission (the "SFC") and is required to comply with certain minimum capital requirements according to the rules of the SFC. Management monitors, on a regular basis, Eternal Pearl's liquid capital to ensure it meets the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules.

6. Financial instruments

(a) Categories of financial instruments

The Target Group

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables (including cash and cash equivalents)	–	85,109
Financial liabilities		
At amortised cost	141	110,073

The Target Company

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables (including cash and cash equivalents)	–	10
Financial liabilities		
At amortised cost	141	76,022

(b) Financial risk management objectives and policies

The Target Group's and the Target Company's major financial instruments include trade and other receivables, deposits, bank balances and cash, trade and other payables; accruals and amount due to immediate holding company/a fellow subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. To mitigate the impact of interest rate fluctuations, the Target Group assesses and monitors the exposure to interest rate risk.

The Target Group is exposed to cash flow interest rate risk in relation to certain trade receivables.

The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market rates on bank balances.

In the opinions of the sole director of the Target Company, the expected change in interest rate on bank balances will not be significant in the near future, hence no sensitivity analysis is presented.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Target Group.

As at the end of the Relevant Periods, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Target Group's major financial assets include trade receivables and other receivables, bank balances and cash, which represent the Target Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the Target Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Target Group reviews the recoverable amount of each individual trade receivable at the end of the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the sole director of the Target Company considers that the Target Group's credit risk is significantly reduced.

The Target Group's concentration of credit risk by geographical locations is mainly in Hong Kong.

In respect of trade receivables due from clients, individual credit evaluations are performed on all clients including cash and margin clients. Cash clients are required to place deposits as prescribed by the Target Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted by the relevant market convention, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the trade receivables due from cash clients is considered to be minimal. For margin clients, the Target Company normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation will be made where necessary in order to recover the outstanding debts. As at 31 December 2016, the top and top 5 of margin clients constitute approximately 26% and 78% of trade receivables from margin clients. The total market value of securities pledged as collateral in respect of these top and top 5 margin clients were approximately HK$17,262,000 and HK$ 56,925,000 respectively.

In respect of trade receivables from clearing house, credit risks are considered to be limited as the Target Company normally enters into transactions with clearing house which are registered with regulatory bodies and with sound reputation in the industry.

The credit risk on liquid funds which are deposited with several banks with high credit ratings is considered to be minimal.

Liquidity risk

The Target Group was exposed to liquidity risk. As at 31 December 2016, the Target Group had net current liabilities of approximately HK$29,102,000. The ability of the Target Group to operate as a going concern for the Relevant Periods depended on the ongoing support from its immediate holding company whereas the immediate holding company has agreed not to demand for any repayment of the amount due to immediate holding company of approximately HK$76,010,000 as at 31 December 2016 for a period of at least 12 months.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

The Target Group

	On demand or within one year	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2015			
Non-derivative financial liabilities			
Accruals and other payables	64	64	64
Amount due to a fellow subsidiary	77	77	77
	141	141	141

	On demand or within one year	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2016			
Non-derivative financial liabilities			
Trade payables	33,462	33,462	33,462
Accruals and other payables	601	601	601
Amount due to immediate holding company	76,010	76,010	76,010
	110,073	110,073	110,073

The Target Company

	On demand or within one year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2015			
Non-derivative financial liabilities			
Accruals and other payables	64	64	64
Amount due to a fellow subsidiary	77	77	77
	141	141	141

	On demand or within one year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2016			
Non-derivative financial liabilities			
Accruals and other payables	12	12	12
Amount due to immediate holding company	76,010	76,010	76,010
	76,022	76,022	76,022

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The sole director of the Target Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

7. Revenue and segment information

Revenue

The following is an analysis of the Target Group's revenue for the Relevant Periods.

	From 18 August 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
Commission income from dealing in securities and futures	–	1,614
Commission income from placing and underwriting	–	2,850
Handling fee income	–	60
Interest income from margin clients	–	750
	–	5,274

Segment information

The Target Group's operation is mainly derived from provision of future contracts dealing, securities dealing and provision of margin financing services. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") (i.e. the sole director of the Target Company) reviews the overall results and financial position of the Target Group as a whole prepared in accordance with accounting policies which conform to HKFRSs. Accordingly, the Target Group has only one single operating segment and no further analysis of this single segment is presented.

a) Geographical information

The Target Group's operations are located in Hong Kong (country of domicile) during the Relevant Periods.

During the Relevant Periods, the Target Group's revenue is derived solely in Hong Kong. As at 31 December 2015 and 2016, the Target Group's non-current assets by location of assets are all located in Hong Kong.

b) Information about major customers

During the Relevant Periods, there is no customer contributing over 10% of the total revenue of the Target Group.

8. Other operating income

	From 18 August 2015 (date of incorporation) to 31 December 2015 *HK$'000*	**Year ended 31 December 2016** *HK$'000*
Recoveries on impaired losses on trade receivables previously written off	–	175
Interest income from bank deposits	–	1
Sundry income	–	51
	–	227

9. Loss before tax

	From 18 August 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
Loss for the period/year has been arrived after charging:		
Director's emoluments *(Note 11(a))*	–	–
Staff costs (excluding directors' emoluments)		
– staff salaries, allowances and benefits in kind	–	5,170
– retirement benefits scheme	–	158
Total staff costs	–	5,328
Auditors' remuneration	–	167
Depreciation of plant and equipment	–	854
Write-off of property and equipment	–	783
Minimum lease rental payments paid under operating lease in respect of office premises	–	2,016
Legal and professional fee	5	399
Recoveries on impaired losses on trade receivables previously written off	–	(175)

10. Income tax credit

	From 18 August 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
Deferred taxation *(Note 22)*	–	(131)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

No provision for Hong Kong Profits Tax has been made as the Target Group did not have any assessable profits subject to Hong Kong Profits Tax for the Relevant Periods.

The income tax credit for the Relevant Periods can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	From 18 August 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
Loss before tax	(141)	(13,637)
Tax at Hong Kong Profits Tax rate of 16.5% (2015:16.5%)	(23)	(2,250)
Tax effect of expenses not deductible for tax purpose	23	740
Tax effect of tax loss not recognised	–	1,379
Income tax credit	–	(131)

11. Director's and employees' emoluments

(a) Director's emoluments

The emoluments paid or payable to the sole director of the Target Company during the Relevant Periods were as follows:

	Mr. Ting Pang Wan Raymond	
	From 18 August 2015 (date of incorporation) to 31 December 2015	**For the year ended 31 December 2016**
	HK$'000	*HK$'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking		
Fees	–	–
Other emoluments		
Salaries and other benefits	–	–
Contribution to retirement benefits scheme	–	–
	–	–

None of the director waived or agreed to waive any emoluments paid by the Target Group during the Relevant Periods.

The Target Group did not appoint a chief executive during the Relevant Periods.

There were no performance related incentive payments to the director during the Relevant Periods.

No emoluments were paid by the Target Group to any directors of the Target Company as an inducement to join or upon joining the Target Company, or as compensation for loss of office for the Relevant Periods.

(b) Employees' emoluments

Other than the sole director, the Target Group did not have any other employee during the period from 18 August 2015 (date of incorporation) to 31 December 2015 and his emolument is included in the disclosures in note 11(a) above.

Of the five individuals with the highest emoluments in the Target Group for the year ended 31 December 2016, none was the director and the chief executive of the Target Company. The aggregate emoluments of these five individuals were as follows:

	For the year ended 31 December 2016 *HK'000*
Salaries and other benefits	1,617
Contribution to retirement benefits scheme	89
	1,706

No emoluments were paid by the Target Group to the five highest paid individuals as an inducement to join or upon joining the Target Group, or as compensation for loss of office for the Relevant Periods.

Their emoluments were within the following bands:

	For the year ended 31 December 2016 *No. of employees*
Nil to HK$1,000,000	4
HK$1,000,000 to HK$2,000,000	1

12. Dividends

No dividends were paid, declared or proposed during the Relevant Periods, nor has any dividend been proposed since the end of the Relevant Periods.

13. Plant and equipment

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At date of incorporation and 31 December 2015	–	–	–	–	–
Acquired upon acquisition of a subsidiary	940	37	191	1,026	2,194
Addition	2,322	231	29	885	3,467
Write-off	(940)	(37)	(124)	(64)	(1,165)
At 31 December 2016	2,322	231	96	1,847	4,496
ACCUMULATED DEPRECIATION					
At date of incorporation and 31 December 2015	–	–	–	–	–
Provided for the year	540	29	58	227	854
Write-off	(320)	(10)	(26)	(26)	(382)
At 31 December 2016	220	19	32	201	472
CARRYING VALUES					
At 31 December 2015	–	–	–	–	–
At 31 December 2016	2,102	212	64	1,646	4,024

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	20%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	20% – 33.33%

14. Goodwill

	2015	2016
	HK$'000	*HK$'000*
Cost		
At the beginning of the financial period/year	–	–
Arising on acquisition of a subsidiary *(Note 27)*	–	4,459
At the end of the financial period/year	–	4,459
Impairment		
At the beginning of the financial period/year	–	–
Impairment loss recognised during the period/year	–	4,459
At the beginning and end of the financial period/year	–	4,459
Carrying amounts		
At the end of the financial period/year	–	–

Impairment testing of goodwill

As at the end of the Relevant Periods, the amount represents goodwill arising from acquisition of subsidiaries, including the entire equity interest in Eternal Pearl of approximately HK$22,356,000 acquired during the year ended 31 December 2016. Eternal Pearl is engaged in the provision of future contracts dealing, securities dealing and provision of margin financing services.

For the purpose of impairment testing, goodwill has been allocated to one cash generating unit ("CGU"). The carrying amount of goodwill arising from acquisition of Eternal Pearl as at 31 December 2016 of approximately HK$4,459,000 is allocated to that CGU.

During the year ended 31 December 2016, the Target Group recognised an impairment loss of HK$4,459,000 in relation to goodwill arising on acquisition of Eternal Pearl.

The recoverable amount of Eternal Pearl of nil has been determined based on value in use calculation. In assessing the valuation of the CGU, the management adopted the income approach. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 16.74%. Eternal Pearl's cash flows beyond the five-year period are extrapolated using a 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its recoverable amount.

Due to worsening of business, the sole director of the Target Company considered that the entire amount of goodwill attributable to Eternal Pearl was irrecoverable. As such, an impairment loss on goodwill of approximately HK$4,459,000 has been recognised during the year ended 31 December 2016.

15. Other intangible assets

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Trading rights		
The Stock Exchanges of Hong Kong Limited (the "SEHK")	–	7,928
The Hong Kong Futures Exchange Limited (the "HKFE")	–	50
	–	7,978

Trading rights mainly comprise the trading rights in the SEHK and the HKFE. These rights allow the Target Group to trade securities and futures contracts on or through these exchanges.

Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Target Group are considered by the sole director of the Target Company as having indefinite useful lives because they are expected to contribute to net cash inflow indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and wherever there is an indication that they may be impaired.

No impairment loss has been recognised during the year ended 31 December 2016 as the sole director of the Target Company is of the opinion that the recoverable amount was higher than the carrying amount.

16. Trade receivables

The followings are the balances of trade receivable, net of impairment losses:

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Trade receivables arising from the business of securities dealing and broking:		
– Cash clients	–	741
– Margin clients	–	42,153
– Hong Kong Securities Clearing Company Limited ("HKSCC")	–	54
	–	42,948
Trade receivables arising from the business of futures dealing and broking:		
– Hong Kong Exchanges and Clearing Limited	–	509
	–	43,457

The settlement terms of trade receivable, except for secured margin clients, arising from the business of dealing in securities are two days after trade date.

No aged analysis is disclosed for the Target Group's margin clients as these margin clients were carried on an open account basis, the sole director of the Target Company considers that the ageing analysis does not give additional value in the view of the nature of business of margin financing.

The following is an aged analysis of trade receivables (excluding margin clients), net of impairment losses, at the end of the reporting period based on the trade date which approximated the respective revenue recognition dates was as follows:

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
0 – 30 days	–	1,304

As at 31 December 2015 and 2016, trade receivables from cash and margin clients are secured by the clients' pledged securities at fair values of nil and approximately HK$169,007,000 respectively which can be sold at the Target Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The trade receivables from cash and margin clients are repayable on demand and bear interest at commercial rates. As at 31 December 2015 and 2016, included in the total trade receivables, nil and approximately HK$42,502,000 respectively were interest bearing whereas nil and approximately HK$955,000 respectively were non-interest bearing. There is no repledge of the collateral from margin clients in the Relevant Periods.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

Included in the Target Group's trade receivables from cash clients are debtors with aggregate carrying amount of nil and approximately HK$349,000 respectively which were past due as at 31 December 2015 and 2016 for which the Target Group has not provided for impairment loss.

In respect of trade receivables (excluding margin clients) which are past due but not impaired at the end of respective reporting period, the aged analysis (subsequent to the settlement date) is as follows:

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
0 – 30 days	–	178
Over 30 days	–	171
	–	349

As at 31 December 2015 and 2016, the trade receivables (excluding margin clients) with a carrying amount of nil and approximately HK$955,000 respectively were neither past due nor impaired at the reporting date, for which the sole director of the Target Company believes that the amounts are considered recoverable.

Trade receivables from cash clients that were past due but not impaired relate to a number of independent customers that either have a good track record for repayment with the Target Group or fully settled the outstanding balances subsequently. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at 31 December 2015 and 2016, the Target Group holds the pledged securities at fair values of nil and approximately HK$547,327,000 respectively over these balances.

Trade receivables from HKSCC and Hong Kong Exchanges and Clearing Limited is current which represent pending trades arising from the business of dealing in securities and futures, normally due within two days after the trade date in accordance with the settlement requirements in Hong Kong market.

For the cash clients overdue, interest was charged at prime rate basis plus a spread.

17. Other receivables, deposits and prepayments

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Other receivables	–	396
Deposits		
– SEHK deposit	–	530
– HKFX deposit	–	2,500
– Central Clearing and Settlement System ("CCASS") Admission fee deposit	–	250
– CCASS Guarantee fund	–	250
– Rental and utility deposits	–	754
– Sundry deposits	–	194
	–	4,478
Prepayments	–	146
	–	5,020
Analysed as:		
Non-current	–	4,284
Current	–	736
	–	5,020

18. Bank balances and cash

The Target Group

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Bank balances		
General accounts *(Notes (i))*	–	6,276
Cash in hand	–	11
	–	6,287
Bank balances		
Segregated accounts *(Notes (ii))*	–	30,491
Bank balances and cash	–	36,778

The Target Company

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Bank balances		
General accounts *(Note (i))*	–	10

Notes:

(i) Bank balances had not pledged with loan and facilities granted to the Target Group and Target Company.

(ii) The Target Group maintains segregated accounts with licensed banks to hold clients' monies arising from its securities and futures brokerage business. The Target Group has classified the clients' monies as "bank balances – segregated accounts" under current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Target Group is restricted to use the clients' monies to settle its own obligations.

(iii) Bank balances carries interest at prevailing market rate for the year ended 31 December 2016.

19. Trade payables

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Trade payables arising from the business of securities dealing and broking:		
– Cash clients	–	7,745
– Margin clients	–	24,826
	–	32,571
Trade payables arising from the business of futures dealing and broking	–	891
	–	33,462

For trade payables arising from the business of securities dealing and broking, no aged analysis is disclosed for the Target Group's margin and cash clients as these clients were carried on an open account basis, the aging analysis does not give additional value in the view of the nature of business of margin financing.

For trade payables arising from the business of futures dealing and broking, no aged analysis is disclosed as in the opinion of the sole director of the Target Company, the aging analysis does not give additional value in the view of the nature of business of margin financing.

For the trade payables arising from securities and futures dealing activities, there is no interest for the balance of each account higher than a prescribed amount.

The settlement terms of trade payables arising from the business of dealing in securities and futures are required to be settled in accordance with the relevant market practices in Hong Kong and overseas. The trade payables to certain cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date.

As at 31 December 2015 and 2016, trade payables of securities clients amounting to nil and approximately HK$30,491,000 respectively were payable to clients in respect of the segregated bank balances received and held for clients in the course of conducting the regulated activities. The Target Group currently does not have an enforceable right to offset these payables with the deposits placed.

20. Accruals and other payables

The Target Group

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Accruals	64	162
Other payables	–	439
	64	601

The Target Company

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Accruals	64	12

21. Amounts due to immediate holding company/a fellow subsidiary

The Target Group and the Target Company

The amounts are unsecured, interest-free and repayable on demand.

22. Deferred tax liabilities

The following are the major deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	Fair value adjustments arising from acquisition of a subsidiary *HK$'000*	Accelerated tax depreciation *HK$'000*	Total *HK$'000*
At 31 December 2015	–	–	–
Acquisition of a subsidiary	813	149	962
Credited to profit or loss *(Note 10)*	–	(131)	(131)
At 31 December 2016	813	18	831

As at 31 December 2015 and 2016, the Target Group has unused tax losses of nil and approximately HK$37,173,000 respectively available for offset against future profits. No deferred tax asset has been recognised in respect of such unused tax losses as the tax losses are subject to the final assessment by the tax authorities in the respective jurisdictions where the tax losses arising from. All tax losses may be carried forward indefinitely.

23. Share capital

The Target Group and the Target Company

	Number of shares	*HK$*	*Presented in HK$'000*
Issued and fully paid:			
Issued upon incorporation, at 31 December 2015 and 2016	1	1	–*

* *The balance represents an amount less than 1,000/HK$1,000.*

On 18 August 2015, the Target Company was incorporated in Hong Kong with limited liability. On the date of incorporation, the Target Company issued and allotted 1 ordinary share at HK$1 to the shareholder to provide for initial capital to the Target Company.

24. Operating lease commitments

At the end of the Relevant Periods, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

The Target Group as lessee

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Within one year	–	1,920
In the second to fifth year inclusive	–	2,560
Total	–	4,480

Operating lease payments represent rentals payable by the Target Group for certain of its office premises. Leases are negotiated for terms ranged from one to three years and rentals are fixed over the term of lease. No provision for contingent rent and terms of renewal was established in the leases.

25. Retirement benefits scheme

Hong Kong

The Target Group participates in a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Target Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees. The contributions from each of the employer and employees are subject to a cap of HK$1,500 per month.

The only obligation of the Target Group with respect to the retirement benefit plans is to make the statutory specified contributions. During the year ended 31 December 2015 and 2016, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to nil and approximately HK$158,000 respectively.

26. Related party transactions

Apart from the balances with related parties disclosed in note 21 in the Financial Information, during the Relevant Periods, the Target Group had the following transactions with its related parties:

Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods are as follows:

	From 18 August 2015 (date of incorporation) to 31 December 2015	Year ended 31 December 2016
	HK$'000	*HK$'000*
Short-term benefits	–	4,662
Post-employment benefits	–	146
	–	4,808

27. Acquisition of a subsidiary

Acquisition of Eternal Pearl

On 30 March 2016, the Target Company acquired 100% of the issued share capital of Eternal Pearl from an independent third party at a consideration of approximately HK$26,815,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK$4,459,000.

Eternal Pearl is engaged in the provision of future contracts dealing, securities dealing and provision of margin financing services. Eternal Pearl is a licensed corporation under the Hong Kong Securities and Futures Ordinance and is licensed for the following regulated activity:

Type 1: Dealing in securities

Type 2: Dealing in futures contracts

The licenses were obtained to carry on type 1 and type 2 regulated activity of dealing in securities and futures contracts.

Eternal Pearl was acquired so as to continue the expansion of the Target Group's business.

Consideration Transferred

	HK$'000
Cash consideration	26,815

The fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Plant and equipment	2,194
Deposits	4,382
Other intangible assets	7,978
Trade receivables	27,490
Other receivables, deposits and prepayments	256
Bank balances – segregated accounts	14,670
Bank balances and cash – general accounts	5,262
Trade payables	(38,355)
Accruals and other payables	(559)
Deferred tax liability	(962)
	22,356

Acquisition-related costs amounting to approximately HK$43,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Goodwill arising on acquisition:	*HK$'000*
Consideration transferred	26,815
Less: net assets acquired	(22,356)
Goodwill arising on acquisition	4,459

Goodwill arose in the acquisition of Eternal Pearl because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Eternal Pearl. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition of Eternal Pearl:

	HK$'000
Cash consideration paid	(26,815)
Less: cash and cash equivalent balances acquired	5,262
	(21,553)

Included in the loss for the year is approximately HK$9,135,000 attributable to the additional business generated by Eternal Pearl. Revenue for the year includes approximately HK$5,274,000 generated from Eternal Pearl.

Had the acquisition been completed on 1 January 2016, revenue for the year of approximately HK$6,614,000 would be attributed to the Target Group and loss for the year would have been approximately HK$10,602,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Target Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

C. SUBSEQUENT FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements of the Target Group have been prepared in respect of any period subsequent to 31 December 2016.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614
Hong Kong

Set out below is the management discussion and analysis on CVP Asset Management, which is based on the financial information of CVP Asset Management as set out in Appendix IIA to this circular.

(I) FOR THE PERIOD FROM 31 JULY 2015 (DATE OF INCORPORATION OF CVP ASSET MANAGEMENT) TO 31 DECEMBER 2015

Business Review and Financial Review of Operations

Change of company's name

CVP Asset Management Limited, a company incorporated in Hong Kong with limited liability in July 2015, formerly known as Starfort Holdings Limited, changed to its current name in August 2015.

Investment management and advising on securities business

For the period from 31 July 2015 to 31 December 2015, CVP Asset Management had been in the process of applying to the SFC for licenses to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. As such, business operation had not been commenced during the period.

Revenue and gross profit/loss

CVP Asset Management did not have any operation and had not recorded any revenue and gross profit/loss for the period from 31 July 2015 to 31 December 2015.

Loss for the period

CVP Asset Management recorded a loss of approximately HK$180,000 for the period from 31 July 2015 to 31 December 2015. It was mainly attributable to (i) the payment of consultancy services of approximately HK$136,000 for applying to the SFC for regulated activities licenses; and (ii) business registration fee and other company secretariat costs of approximately HK$25,000 incurred during the period.

Liquidity and Financial Resources

Net current assets

As at 31 December 2015, the net current assets of CVP Asset Management amounted to approximately HK$1,440,000 which were mainly cash. The current ratio, represented by current assets divided by current liabilities, was approximately 7.05.

For the period from 31 July 2015 to 31 December 2015, CVP Asset Management mainly financed its working capital through shareholder's capital. To manage liquidity risk, the management of the company closely monitored the liquidity position to ensure that the liquidity structure of the company's assets, liabilities and commitments could meet its working capital requirement.

Capital Structure and Gearing Ratio

As at 31 December 2015, CVP Asset Management had an unsecured, interest-free and repayable on demand borrowings from a fellow subsidiary in the aggregate amount of approximately HK$232,000. As disclosed in the "Letter from the board" of this circular, the entire amount of the indebtedness due by CVP Asset Management to CVP Holdings and its associates shall be capitalised into shares in CVP Asset Management prior to CVP Completion, and shall be fully acquired by CVP Financial at CVP Completion.

As at 31 December 2015, the gearing ratio of CVP Asset Management, represented by total liabilities as a percentage of total assets, was approximately 14.18%.

Charges of Assets

As of 31 December 2015, none of CVP Asset Management's assets was pledged.

Contingent Liabilities

CVP Asset Management did not have any material contingent liability as at 31 December 2015.

Capital Commitments

CVP Asset Management did not have any capital commitments as at 31 December 2015.

Employees

CVP Asset Management had no employee as at 31 December 2015. No staff cost had been incurred for the period from 31 July 2015 to 31 December 2015.

Foreign Currency Exposure

As at 31 December 2015, CVP Asset Management had no material exposure to foreign exchange risk as majority of the company's assets were denominated in its functional currency of Hong Kong dollars.

Significant Investment, Material Acquisition and Disposal

CVP Asset Management did not have any significant investment, material acquisition or disposal for the period from 31 July 2015 to 31 December 2015.

(II) FOR THE YEAR ENDED 31 DECEMBER 2016

Business Review and Financial Review of Operations

Investment management and advising on securities business

CVP Asset Management obtained required licenses to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO on 15 February 2016.

The company entered into a non-legally binding cooperating arrangement with a Hong Kong subsidiary of a PRC state-owned enterprise in December 2016 to co-raise and co-manage an investment fund with an intended AUM of approximately HK$1.5 billion to HK$2 billion at initial stage and a target AUM of HK$5 billion. The exact terms and conditions will be subject to further negotiation between the parties to the arrangement.

Revenue and gross profit/loss

For the year ended 31 December 2016, CVP Asset Management recorded a revenue of approximately HK$350,000 as compared to zero revenue for the period from 31 July 2015 to 31 December 2015. The revenue was generated from asset management services during the period.

In addition, CVP Asset Management recorded a gross profit of approximately HK$350,000 for the year ended 31 December 2016 as compared to zero gross loss for the period from 31 July 2015 to 31 December 2015. The gross profit for the year ended 31 December 2016 was the same as the revenue for the same period was due to the fact that no cost of revenue was incurred from providing asset management services.

Loss for the year

CVP Asset Management recorded a loss after tax of approximately HK$1.2 million for the year ended 31 December 2016 as compared to a loss after tax for the period from 31 July 2015 to 31 December 2015 of approximately HK$180,000. The increase was mainly attributable to the salary expenses of approximately HK$1.3 million incurred during the period.

Liquidity and Financial Resources

Net current assets

As at 31 December 2016, the net current assets of CVP Asset Management amounted to approximately HK$707,000, which were mainly cash. The current ratio, represented by current assets divided by current liabilities, was approximately 3.79.

For the year ended 31 December 2016, CVP Asset Management financed its working capital through shareholder's capital and an interest-free advance from the shareholder and/or its associates. To manage liquidity risk, the management of the company closely monitored the liquidity position to ensure that i) the liquidity structure of the company's assets, liabilities and commitments could meet its working capital requirements; and ii) the company's liquid capital (as defined in the Financial Resources Rules of the SFO) is in accordance with the statutory requirements.

Capital Structure and Gearing Ratio

As at 31 December 2016, CVP Asset Management had an unsecured, interest-free and repayable on demand borrowings from a fellow subsidiary in the aggregate amount of approximately HK$232,000. As disclosed in the "Letter from the board" of this circular, the entire amount of the indebtedness due by CVP Asset Management to CVP Holdings and its associates shall be capitalised into shares in CVP Asset Management prior to CVP Completion, and shall be fully acquired by CVP Financial at CVP Completion.

As at 31 December 2016, the gearing ratio of CVP Asset Management, represented by total liabilities as a percentage of total assets, was approximately 26.03%.

Charges of Assets

As of 31 December 2016, none of CVP Asset Management's assets was pledged.

Contingent Liabilities

CVP Asset Management did not have any material contingent liability as at 31 December 2016.

Capital Commitments

CVP Asset Management did not have any capital commitments as at 31 December 2016.

Employees

CVP Asset Management had 2 employees as at 31 December 2016. Total staff costs for the year ended 31 December 2016 amounted to approximately HK$1.3 million. The company's employee benefits and remuneration policy was in line with prevailing market practice, as salary increments were assessed based on the performance of individual staff. Apart from the above, discretionary bonus would also be granted to certain employees as awards in accordance with individual performance. The company had no share option scheme. The company would provide in-house or out-sourced training to the employees as and when necessary.

Foreign Currency Exposure

As at 31 December 2016, CVP Asset Management had no material exposure to foreign exchange risk as majority of the company's assets were denominated in its functional currency of Hong Kong dollars.

Significant Investment, Material Acquisition and Disposal

CVP Asset Management did not have any significant investment, material acquisition or disposal for the year ended 31 December 2016.

Set out below is the management discussion and analysis on Bartha Group, which is based on the financial information of Bartha Group as set out in Appendix IIB to this circular.

(I) FOR THE PERIOD FROM 18 AUGUST 2015 (DATE OF INCORPORATION OF BARTHA INTERNATIONAL) TO 31 DECEMBER 2015

Business Review and Financial Review of Operations

Business and Financial Summary

For the period from 18 August 2015 to 31 December 2015, the consolidated financial statements of the Bartha Group comprises only the financial performance of Bartha International. Bartha International had no business operation during the period.

Revenue and gross profit/loss

The Bartha Group did not have any operation and had not recorded any revenue and gross profit/loss for the period from 18 August 2015 to 31 December 2015.

Loss for the period

The Bartha Group recorded a loss of approximately HK$141,000 for the period from 18 August 2015 to 31 December 2015. It was mainly attributable to the payment of consultancy services of HK$128,000 and other expenses of approximately HK$13,000 in relation to the setup costs incurred during the period.

Liquidity and Financial Resources

Net current liabilities

As at 31 December 2015, the net current liabilities of the Bartha Group amounted to approximately HK$141,000, which were substantially the accumulated losses generated for the period from 18 August 2015 to 31 December 2015. The current ratio, represented by current assets divided by current liabilities, was zero (0), as the Bartha Group comprised entirely liabilities.

For the period from 18 August 2015 to 31 December 2015, the Bartha Group financed its working capital through an advance from a fellow subsidiary. To manage liquidity risk, the management of the Bartha Group closely monitored the liquidity position to ensure that the liquidity structure of the company's assets, liabilities and commitments could meet its funding requirements.

Capital Structure and Gearing Ratio

As at 31 December 2015, the Bartha Group did not have any borrowings. Thus, the gearing ratio of the Bartha Group was not applicable.

Charges of Assets

As of 31 December 2015, none of the Bartha Group's assets was pledged.

Contingent Liabilities

The Bartha Group did not have any material contingent liability as at 31 December 2015.

Capital Commitments

The Bartha Group did not have any capital commitments as at 31 December 2015.

Employees

The Bartha Group had no employee as at 31 December 2015. No staff cost had been incurred for the period from 18 August 2015 to 31 December 2015.

Foreign Currency Exposure

As at 31 December 2015, the Bartha Group had no material exposure to foreign exchange risk as majority of the company's assets were denominated in its functional currency of Hong Kong dollars.

Significant Investment, Material Acquisition and Disposal

The Bartha Group did not have any significant investment, material acquisition or disposal for the period from 18 August 2015 to 31 December 2015.

(II) FOR THE YEAR ENDED 31 DECEMBER 2016

Business Review and Financial Review of Operations

Dealings in securities and futures contracts business

Prior to Bartha International's acquisition on Eternal Pearl on 30 March 2016, Bartha International had no business operation. Since 30 March 2016, the financial information of Bartha Group consolidated Eternal Pearl's financial performance as a licensed corporation conducting Type 1 (Dealing in securities) and Type 2 (Dealing in futures contracts) regulated activities under the SFO.

Revenue and gross profit

For the year ended 31 December 2016, the Bartha Group recorded a revenue of approximately HK$5.3 million which was mainly attributable to commission income generated from dealing in securities and futures and commission income generated from placing and underwriting interest income generated from margin financing services. In addition, the Bartha Group recorded gross profit of approximately HK$5.0 million.

Loss for the year

The Bartha Group recorded a loss after income tax credit for the year of approximately HK$13.5 million for the year ended 31 December 2016. The loss was mainly attributable to (i) the staff salaries including director's salaries of approximately HK$5.3 million; (ii) office rent and rates of approximately HK$2.0 million; and (iii) the impairment of goodwill of approximately HK$4.5 million.

Other intangible assets

Other intangible assets of approximately HK$8.0 million represents the carrying value of trading rights of the Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited.

Trade receivables arising from the business of securities dealing and broking

It mainly represents the receivables from margin trading clients of approximately HK$42.2 million and receivables from cash clients of approximately HK$741,000.

Amount due to immediate holding company

It represents the amount due to Bartha Holdings of approximately HK$76.0 million in relation to the outstanding balance due from Bartha International to Bartha Holdings in relation to the cost of acquisition of and subsequent capital contribution to Eternal Pearl (the "Bartha Loan"). Such amounts are unsecured, interest-free and repayable on demand. Pursuant to the Subscription Agreement, Bartha Holdings undertakes to CVP Financial that it shall procure the assignment of all Bartha Loan to it by its associates or affiliates and it shall subscribe for new Bartha Shares by way of capitalising the Bartha Loan at the request of CVP Financial at any time when CVP Financial is entitled to exercise the Exchange Rights attached to the Exchangeable Bonds. Please refer to the section headed "Post-completion undertaking" of this circular for further details.

Liquidity and Financial Resources

Net current liabilities

As at 31 December 2016, the net current liabilities of Bartha Group amounted to approximately HK$29.1 million. The current ratio, represented by current assets divided by current liabilities, was approximately 0.74.

For the year ended 31 December 2016, Eternal Pearl, being the sole operating subsidiary of Bartha Group, financed its working capital by shareholders' equity and cash generated from operation. For the Eternal Pearl, the Bartha Group ensures that it maintains sufficient liquidity to meet its working capital requirements and to ensure the liquid capital (as defined in the Financial Resources Rules of the SFO) in accordance with statutory requirements. For the period from 31 March 2016 (the date immediately after the acquisition of Eternal Pearl by Batha International) to 31 December 2016, Eternal Pearl had complied with all the statutory requirements.

Capital Structure and Gearing Ratio

As at 31 December 2016, the Bartha Group did not have any borrowings. Thus, the gearing ratio of Bartha Group was not applicable.

Charges of Assets

As of 31 December 2016, none of the Bartha Group's assets was pledged.

Contingent Liabilities

The Bartha Group did not have any material contingent liability as at 31 December 2016.

Capital Commitments

The Bartha Group did not have any capital commitments as at 31 December 2016.

Employees

The Bartha Group had a total of 16 employees as at 31 December 2016. Total staff costs comprise staff salaries, allowance and benefit in kind and retirement benefits scheme amounted to approximately HK$5.3 million for the period from 31 March 2016 to 31 December 2016. The group's employee benefits and remuneration policy was in line with prevailing market practice, as salary increments were assessed based on the performance of individual staff. Apart from the above, discretionary bonus would also be granted to certain employees as awards in accordance with individual performance. The group had no share option scheme. The group would provide in-house or out-sourced training to the employees as and when necessary.

Foreign Currency Exposure

As at 31 December 2016, the Bartha Group had no material exposure to foreign exchange risk as majority of the group's assets were denominated in its functional currency of Hong Kong dollars.

Significant Investment, Material Acquisition and Disposal

Save for disclosed above the acquisition of Eternal Pearl by Bartha International on 30 March 2016, the Bartha Group did not have any significant investment, material acquisition or disposal for the year ended 31 December 2016.

Future Plan

Eternal Pearl is now applying to the China Securities Regulatory Committee ("CSRC") to set up the JV Securities Company with 廣東粵財投資控股有限公司 (Guangdong Yuecai Investment Holdings Limited*) and several other co-investors (together with Eternal Pearl and Guangdong Yuecai Investment Holdings Limited, the "Co-Investors") in Guangzhou Pilot Free Trade Zone, Nansha area in the PRC, whose proposed scope of business includes provision of securities brokerage services, securities underwriting and sponsor services, asset management, proprietary trading business, advising on securities investments, securities financing services and corporate finance advisory services in the PRC. Within 30 days of obtaining the approval from the relevant regulatory authorities in relation to the formation of the JV Securities Company, the Co-Investors shall contribute capital in cash to the JV Securities Company in proportion to their respective equity interests as agreed in an agreement entered into by the Co-Investors. It is the Bartha Group intention to leverage the brand-name of the Co-Investors to expand its business to the PRC market while maintaining its existing businesses in Hong Kong.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants.

信永中和 ShineWing

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

30 June 2017

The Board of Directors
Madison Wine Holdings Limited
Flat A & B, 10/F., North Point Industrial Building,
499 King's Road,
North Point,
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Madison Wine Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 September 2016, and related notes as set out on pages IV-5 to IV-10 of the circular in connection with (i) the proposed acquisition of CVP Asset Management Limited (the "Proposed Acquisition") and, (ii) the proposed subscription of exchangeable bonds for shares in Bartha International Limited (the "Proposed Subscription") issued by Bartha Holdings Limited. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Note 1 to 4 to the unaudited pro forma financial information.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition and the Proposed Subscription on the Group's financial position as at 30 September 2016 as if the Proposed Acquisition and the Proposed Subscription had taken place at 30 September 2016. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's condensed consolidated financial statements for six months ended 30 September 2016, which has been included in the interim report for the six months ended 30 September 2016 published by the Company.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of the Proposed Acquisition and the Proposed Subscription on unadjusted financial information of the Group as if the Proposed Acquisition and the Proposed Subscription had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition and the Proposed Subscription at 30 September 2016 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 unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31 of Chapter 7 of the GEM Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of Madison Wine Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and CVP Assets Management Limited (the "Target Company") (the Group including the Target Company hereinafter referred to as the "Enlarged Group") has been prepared by the directors of the Company (the "Directors") to illustrate the effect of the following proposed transactions.

i) Proposed acquisition of the Target Company (the "Acquisition").

ii) Proposed subscription of exchangeable bonds ("Exchangeable Bonds") for shares in Bartha International Limited ("Bartha International") (the "Subscription").

As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the above transactions.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of illustrating the effect of the Acquisition and Subscription as if the Acquisition and Subscription had been completed on 30 September 2016.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group as at 30 September 2016 or at any future date had the Acquisition and the Subscription been completed on 30 September 2016.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the Company's published interim report for the six months ended 30 September 2016 and the historical financial information of the Target Company sets out in Appendix IIA to the circular and other financial information included elsewhere in the circular.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 SEPTEMBER 2016

	The Group as at 30 September 2016	The Target Company as at 31 December 2016	Pro forma adjustments				The Enlarged Group as at 30 September 2016
	HK$'000	*HK$'000*		*HK$'000*		*HK$'000*	*HK$'000*
	(Notes 1)	*(Notes 2)*		*(Notes 3)*		*(Notes 4)*	
Non-current assets							
Plant and equipment	4,431	31					4,462
Exchangeable bonds	–	–			*(i), (iii)*	121,172	121,172
Deposits	1,219	–					1,219
Deferred tax asset	494	–					494
	6,144	31					127,347
Current assets							
Inventories	56,668	–					56,668
Trade and other receivables	50,392	–					50,392
Amount due from ultimate holding company	11	–					11
Amount due from a fellow subsidiary	–	–	*(d)*	428			428
Amount due from immediate holding company	24	428	*(d)*	(428)			24
Tax recoverable	1,202	–					1,202
Bank balances and cash	11,665	532					12,197
	119,962	960					120,922
Current liabilities							
Trade and other payables	4,352	21	*(a), (b)*	830	*(ii)*	940	6,143
Amounts due to fellow subsidiaries	–	232	*(c)*	(232)			–
Convertible bonds	–	–			*(ii)*	98,623	98,623
Tax payable	319	–					319
	4,671	253					105,085
Net current assets	115,291	707					15,837
Total assets less current liabilities	121,435	738					143,184
Equity							
Share Capital	4,000	2,120	*(c)*	(2,120)			4,000
Reserve	117,072	(1,387)	*(c)*	(9,325)	*(ii)*	215,471	127,969
					(iii)	(193,862)	
Non-controlling interest	360	–					360
Total equity	121,432	733					132,329
Non-current liabilities							
Promissory note	–	–		10,847			10,847
Deferred tax liability	3	5					8
	3	5					10,855
	121,435	738					143,184

Notes:

1. The financial information of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2016 as set out in the Company's published interim report for the six months ended 30 September 2016.

2. The financial information of the Target Company is extracted from audited statement of financial position of the Target Company as at 31 December 2016 as set out in Appendix IIA to the circular.

3. The pro forma adjustment represents combined effect of the Acquisition:

    a) Pursuant to the acquisition agreement in relation to the Acquisition (the "Acquisition Agreement"), CVP Financial Holdings Limited (formerly known as Perfect Zone Holdings Limited) ("CVP Financial") conditionally agreed to acquire, and CVP Holdings Limited ("CVP Holdings") conditionally agreed to sell, the entire issued share capital of the Target Company for a consideration of HK$14,000,000, which shall be satisfied by the Company issuing an interest-free promissory note (the "Promissory Note").

       The Promissory Note is a three-year interest-free note with principal amount of HK$14,000,000 to be issued by the Company to CVP Holdings.

       The assumed fair value of the Promissory Note of approximately HK$10,947,000 represents the carrying value of the Promissory Note carried at amortised cost with effective interest rate of 8.55% per annum determined by the Directors of the Company.

       The estimated legal and professional fee for issue of Promissory Note of approximately HK$100,000 is borne by the Group, which will be deducted from the fair value of the Promissory Note.

       The fair value of the Promissory Note will be assessed upon issue at the date of the Completion and the actual fair value at the date of the Completion may be substantially different from the fair value used in the preparation of the Unaudited Pro Forma Financial Information.

    b) The estimated legal and professional fee of approximately HK$730,000 is borne by the Group, which will be recognised in profit or loss and as a payable upon completion of Acquisition.

c) Upon completion of the Acquisition, the assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and the Target Company are both under the control of Ting Pang Wan Raymond ("Mr. Ting"), the controlling shareholder of the Group and ultimate shareholder of the Target Company before and after the date of acquisition, and that control is not transitory. The adjustment represents the recognition of deemed contribution from Mr. Ting under merger accounting, representing the differences amongst the investment cost and the share capital of the Target Company.

The Target Company is indebted to CVP Holdings and its associates in the aggregate amount of approximately HK$232,000. Pursuant to the Acquisition Agreement, the entire amount of the indebtedness due by the Target Company to CVP Holdings and its associates shall be capitalised into shares in the Target Company prior to completion of the Acquisition, and shall be fully acquired by CVP Financial at date of completion.

The reserve is determined as follows:

	HK$'000
Promissory Note issued	10,847
Add: Estimate legal and professional for issue of Promissory Note *(notes 3a)*	100
Add: Estimate legal and professional for issue of the Acquisition *(notes 3b)*	730
Less: Capitalisation of indebtedness to CVP Holdings *(notes 3c)*	(232)
Less: Elimination of share capital in the Target Company	(2,120)
Adjustment to reserve	9,325

d) The pro forma adjustment represents the reclassification of amounts due to immediate holding company of the Target Company of approximately HK$428,000 will be reclassified as "amount due from a fellow subsidiary" upon the completion of the Acquisition as that immediate holding company of the Target Company will be considered as a fellow subsidiary to the Group.

4. The pro forma adjustment represents the combined effect of the Subscription:

Pursuant to the Subscription agreement, CVP Financial conditionally agreed to subscribe for, and Bartha Holdings Limited ("Bartha Holdings") conditionally agreed to issue, the Exchangeable Bonds for a consideration of HK$150,000,000. The consideration shall be satisfied by CVP Financial procuring the Company to issue the convertible bonds (the "Convertible Bonds") to Bartha Holdings (or its nominees) to convert into 136,363,636 conversion shares in the Company at the conversion price of HK$1.1 per conversion share. The Exchangeable Bonds will entitle CVP Financial to exchange for all of the shares in Bartha International ("Bartha Shares") owned by Bartha Holdings as at the date of exercising the exchange rights to exchange the principal amount of the Exchangeable Bonds into Bartha Shares which were beneficially owned by Bartha Holdings ("Exchangeable Rights"). Assuming that no new Bartha Shares will be issued to any person other than Bartha Holdings from the date of the Subscription Agreement and up to the date of exercising the Exchange Rights, the entire issued share capital of Bartha International shall be wholly-owned by CVP Financial upon exercise of the Exchangeable Rights.

(i) The Group's investment – Consistent with the Group's accounting policies and under Hong Kong Accounting Standard 32 "Financial Instruments: Presentation" ("HKAS 32") and HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"), the Exchangeable Bonds, which are recognised as available-for-sale financial asset, are measured at fair value with changes in fair value recognised in other comprehensive income. The fair value of the Exchangeable Bonds of approximately HK$121,172,000 is based on the valuation conducted by an independent valuer, Roma Appraisals Limited ("Roma') on the Exchangeable Bonds as at 30 September 2016 ("EB Valuation"). The fair value of the Exchangeable Bonds as a whole is determined by using the Expected Value Model. The major assumption of the Expected Value Model included the probabilities where the profit guarantee amounted HK$15,000,000 for the 24 months ending 31 March 2019 ("Profit Guarantee") can be fulfilled.

For valuing the Exchangeable Bonds, Roma had considered two scenarios to obtain the fair value of the Exchangeable Bonds. The first scenario ("Scenario 1"), where the Issuer can fulfill the Profit Guarantee and the second scenario ("Scenario 2"), where the Issuer cannot fulfill the Profit Guarantee. As advised by the management of the Company (the "Management"), the scenario probabilities were assumed to be 80% for Scenario 1 and 20% for Scenario 2.

Under the Scenario 1, the projected enterprise value of Bartha International has been adopted as the fair value of the Exchangeable Bonds.

Under the Scenario 2, where the guaranteed profit cannot be met, the Exchangeable Bonds shall be redeemed by the holder of the Exchangeable Bonds. The fair value of the Exchangeable Bonds is the present value of the principal amount of the Exchangeable Bonds.

The fair value of the Exchangeable Bonds is weighted average, with respect to the probabilities of Scenario 1 and Scenario 2 as provided by the Management, of the expected fair values under Scenario 1 and Scenario 2.

The fair value of the Exchangeable Bonds will have to be reassessed as at the date of completion which may be different from that presented above.

(ii) The fair value of the Convertible Bonds as at 30 September 2016 is as follows:

	HK$'000
Fair value of Convertible Bonds issued	315,034
Less: Fair value of equity component	(215,471)
Less: Estimated legal and professional fee	(940)
Fair value of liabilities component	98,623

Note: The Convertible Bonds are accounted for as compound financial instruments in accordance with HKAS 32. The Group has to recognise separately the components of the compound financial instruments that (i) creates a financial liability of the Group and (ii) grants an option to the holder of the instrument to convert it into an equity instrument of the Company.

The estimated legal and professional fee for issue of Convertible Bonds of approximately HK$940,000 is borne by the Group, which will be deducted from the liabilities component of the Convertible Bonds.

The fair value of the Convertible Bonds is determined based on the valuation conducted by an independent valuer, Roma Appraisals Limited on the Convertible Bonds as at 30 September 2016 ("CB Valuation"). The Convertible Bonds contain two components, the liability and equity components. The fair value of the Convertible Bonds as a whole is determined by using the Binomial Option Pricing Model. The fair value of the liability component of the Convertible Bonds is calculated using cash flows discounted at a rate based on an equivalent market interest rate of 8.55% per annum for equivalent non-convertible bonds using market comparable approach. The initial carrying amount of the equity component is determined by deducting the estimated legal and professional fee and fair value of the liability component from the fair value of the Convertible Bonds, which is included in the "Convertible bonds – equity conversion reserve" under Reserve of the Company.

The fair value of the Convertible Bonds (including the values of the liability component and equity component) will have to be reassessed as at the date of completion which may be different from that presented above.

(iii) For the purpose of the preparation of the unaudited pro forma statement of financial position, CB Valuation and EB Valuation have been performed.

The consideration for Exchangeable Bonds amounted HK$315,034,000 is equal to fair value of the Convertible Bonds issued. Based on the EB valuation, the fair value of the Exchangeable Bonds is HK$121,172,000 and a fair value loss of available-for-sale financial asset amounted to HK$193,862,000 was recognised in other comprehensive income and accumulated under "Investment revaluation reserve".

In accordance with HKAS 39, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

The significant decline in the fair value of the Exchangeable Bonds resulted the Exchangeable Bonds are considered as impaired. Investment revaluation reserve amounted to HK$193,862,000 are reclassified to profit or loss as an impairment loss.

The directors of the Company confirm that they will apply consistent accounting policies and principal assumptions to assess the fair value of the Exchangeable Bonds and the respective impairment in subsequent reporting periods.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. 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 aspects 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

As at the Latest Practicable Date

Authorised:		*HK$*
10,000,000,000	Shares at nominal value of HK$0.001 each	10,000,000
Issued and fully-paid or credited as fully-paid:		
4,000,000,000	Shares at nominal value of HK$0.001 each	4,000,000

Immediately after the allotment and issue of Conversion Shares upon exercise in full of the conversion rights attaching to the Convertible Bonds

Authorised:		
10,000,000,000	Shares at nominal value of HK$0.001 each	10,000,000
Issued and fully-paid or credited as fully-paid:		
4,000,000,000	Shares at nominal value of HK$0.001 each	4,000,000
136,363,636	Conversion Shares at nominal value of HK$0.001 each	136,363.636
Total: 4,136,363,636	Shares at nominal value of HK$0.001 each	4,136,363.636

All the Shares in issue and the Conversion Shares (when allotted and fully-paid) to be issued rank *pari passu* with each other in all respects including as regards to dividends and voting rights. The Conversion Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, save for the 181,000,000 outstanding share options which confer holders thereof the rights to subscribe for 181,000,000 Shares, Company had no outstanding warrants, options or convertible or exchangeable securities in issue which would otherwise confer any right to subscribe for, convert or exchange into existing Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Conversion Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are/will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares, underlying Shares and debentures of the Company and associated corporations

Name of Director	Capacity/nature of interest	Number of Shares	Number of underlying Shares *(Note 1)*	Aggregate interest	Approximate percentage of interest
Mr. Ting *(Note 2)*	Interest in controlled corporations	1,968,000,000	142,363,636	2,110,363,636	52.76%

Notes:

1. These interests represent the underlying Shares comprised in the share options granted by the Company on 17 December 2015.

2. The entire issued share capital in Royal Spectrum is legally and beneficially wholly-owned as to 96.63% by Devoss Global and 3.37% by Montrachet Holdings Ltd., Devoss Global is legally and beneficially owned by Mr. Ting. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum and Mr. Ting is deemed to be interested in the Shares and underlying Shares held by Devoss Global respectively under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long position in the Shares, underlying Shares and debentures of the Company and associated corporations

Name of Substantial Shareholder	Capacity/nature of interest	Number of Shares	Number of underlying Shares *(Note 7)*	Aggregate interest	Approximate percentage of interest
Royal Spectrum *(note 1)*	Beneficial owner	1,968,000,000	–	1,968,000,000	49.20%

Name of Substantial Shareholder	Capacity/nature of interest	Number of Shares	Number of underlying Shares *(Note 7)*	Aggregate interest	Approximate percentage of interest
Devoss Global *(note 1)*	Interest in controlled corporations	1,968,000,000	6,000,000	1,974,000,000	49.35%
Ms. Luu Huyen Boi ("**Ms. Luu**") *(note 2)*	Interest of spouse	1,968,000,000	142,363,636	2,110,363,636	52.76%
Mr. Ding Lu ("**Mr. Ding**") *(notes 3 & 4)*	Beneficial owner and Interest in controlled corporation	315,550,000	–	315,550,000	7.89%
Timebase Holdings Limited ("**Timebase**") *(note 5)*	Beneficial owner	240,000,000	40,000,000	280,000,000	7.00%
Ms. Lu Mengjia ("**Ms. Lu**") *(note 5)*	Interest in controlled corporation	240,000,000	40,000,000	280,000,000	7.00%
Keywood Limited ("**Keywood**") *(note 6)*	Beneficial owner	180,000,000	40,000,000	220,000,000	5.50%
Mr. Han Hanting ("**Mr. Han**") *(note 6)*	Interest in controlled corporation	180,000,000	40,000,000	220,000,000	5.50%

Notes:

1. The entire issued share capital in Royal Spectrum is legally and beneficially wholly-owned as to 96.63% by Devoss Global and 3.37% by Montrachet Holdings Ltd., Devoss Global is legally and beneficially owned by Mr. Ting. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum.

2. Ms. Luu is the spouse of Mr. Ting. Ms. Luu is deemed to be interested in all the shares in which Mr. Ting is interested in under Part XV of the SFO.

3. Mr. Ding is personally interested in 306,950,000 Shares.

4. The entire issued share capital in Flying Bridge Investment Limited ("**Flying Bridge**") is legally and beneficially owned by Mr. Ding. Mr. Ding is deemed to be interested in the 8,600,000 Shares which Flying Bridge is interested in under Part XV of the SFO.

5. The entire issued share capital in Timebase is legally and beneficially owned by Ms. Lu. Ms. Lu is deemed to be interested in the 240,000,000 Shares in which Timebase is interested in under Part XV of the SFO.

6. The entire issued share capital in Keywood is legally and beneficially owned by Mr. Han. Mr. Han is deemed to be interested in the 180,000,000 Shares in which Keywood is interested in under Part XV of the SFO.

7. These interests represent the underlying Shares comprised in the share options granted by the Company on 17 December 2015.

Save as disclosed above and as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

5. EXPERTS

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

SHINEWING (HK) CPA Limited	Certified Public Accountants
Red Sun Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, valuation certificate, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Enlarged Group.

As at the Latest Practicable Date, each of above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 March 2016 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware of, no member of the Enlarged Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the share purchase agreement dated 21 September 2015 and entered into between our Company, as purchaser, and Royal Spectrum, Keywood and Timebase, as vendors, pursuant to which our Company agreed to acquire the entire issued share capital in Madison International Wine Company Limited, from Royal Spectrum, Keywood and Timebase, in consideration of the Company allotting and issuing 819 Shares, 100 Shares and 80 Shares to Royal Spectrum, Keywood and Timebase, respectively, all credited as fully paid;

(b) a deed of indemnity dated 29 September 2015 executed by Royal Spectrum, Devoss Global and Mr. Ting as indemnifiers in favour of the Company (for itself and as trustee for our subsidiaries);

(c) the deed of non-competition dated 29 September 2015 executed by Royal Spectrum, Devoss Global and Mr. Ting in favour of the Company (for itself and as trustee of each of our subsidiaries from time to time);

(d) the underwriting agreement dated 29 September 2015 entered into, among others, the Company, the executive Directors, Innovax Capital Limited, Haitong International Securities Company Limited and the underwriters relating to the placing of the Shares (the "**Placing**") on the Stock Exchange;

(e) the subscription agreement dated 9 February 2017 entered into between CVP Financial as the subscriber and CVP Capital as the issuer in relation to the subscription of shares in CVP Capital;

(f) the deed dated 9 February 2017 entered into between CVP Financial and Star Beauty Holdings Limited, an Independent Third Party, in relation to the grant of right of first refusal, tag along and the put option;

(g) the deed dated 9 February 2017 entered into between CVP Financial and Mr. Samuel Lin Jr., an ex-director in certain subsidiaries of the Company in the past 12 months, in relation to the grant of right of first refusal, tag along and the put option;

(h) the Acquisition Agreement;

(i) the Supplemental Acquisition Agreement;

(j) the Subscription Agreement; and

(k) the Supplemental Subscription Agreement.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which competed or might compete with the businesses of the Enlarged Group or had any other conflict of interests with the Enlarged Group.

9. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2016 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. AUDIT COMMITTEE

Audit committee

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions in the Corporate Governance Code of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and financial statements, interim reports and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing the accounting principles and practices adopted by the Group and also the auditing, internal control and financial reporting matters.

The audit committee of the Company comprises three independent non-executive Directors, namely

Mr. Chu Kin Wang Peleus ("Mr. Chu")

Mr. Chu, aged 52, has been appointed as an independent non-executive Director since September 2015. He is also the chairman of the audit committee and a member of each of the remuneration committee and the nomination and corporate governance committee of the Company. Since December 2008, he has been an executive director of Chinese People Holdings Company Limited (Stock code 0681:HK), a company listed on the Main Board of the Stock Exchange. From August 2015 to February 2017, he was a non-executive director of Perfect Group International Holdings Limited (Stock code 3326:HK), a company listed on the Main Board of the Stock Exchange. Mr. Chu has/had been an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange or GEM:

- China Huishan Dairy Holdings Company Limited (Stock code 6863:HK) since June 2017
- PT International Development Corporation Limited (formerly known as ITC Corporation Limited) (Stock code 372:HK) since March 2017
- Mingfa Group (International) Company Limited (Stock code 846:HK) since November 2016
- National Agricultural Holdings Limited (Stock code 1236:HK) from June 2015 to September 2015

- Telecom Service One Holdings Limited (Stock code 8145:HK) since May 2013
- EDS Wellness Holdings Limited (Stock code 8176:HK, now known as SkyNet Group Limited) since March 2012
- China Vehicle Components Technology Holdings Limited (Stock code 1269:HK, now known as China First Capital Group Limited) since October 2011
- Flyke International Holdings Ltd. (Stock code 1998:HK) since February 2010
- Huayu Expressway Group Limited (Stock code 1823:HK) since May 2009
- EYANG Holdings (Group) Co., Limited (Stock code 0117:HK) since April 2007

Mr. Chu graduated from The University of Hong Kong with a master's degree in business administration in December 1998. Mr. Chu is a fellow practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and the Institute of Chartered Secretaries and Administrators.

Ms. Fan Wei ("Ms. Fan")

Ms. Fan, aged 61, has been appointed as an independent non-executive Director since September 2015. She is also the chairlady of the remuneration committee and a member of each of the audit committee and the nomination and corporate governance committee of the Company. Since September 2013, Ms. Fan has been the general secretary responsible for arranging charity activities of 深圳市博雅文化研究基金會 (in English, for identification purpose only, as Boya Culture Foundation), which is committed to improving quality of academic researches, popularizing traditional Chinese culture, facilitating the cultural exchange with its foreign counterparts, and funding activities which promote traditional Chinese culture. She served at Dong Yuan (Hong Kong) International Limited, which principally engaged in strategic investments, consulting, financial services, logistics and trading business, and held the position of executive vice president responsible for the operation management of the company from March 2011 to June 2012.

Ms. Fan graduated from Murdoch University in Australia with a master's degree in business administration in March 2001.

Mr. Ip Cho Yin J.P. ("Mr. Ip")

Mr. Ip Cho Yin, *J.P.*, aged 66, was appointed as an independent non-executive Director on 1 February 2017. He is also a member of the Audit Committee, Nomination and Corporate Governance Committee and Remuneration Committee. Mr. Ip possesses extensive experience in education. He is a registered teacher, an educational consultant and a teacher development expert. He is also a guest speaker of universities and educational bodies in Hong Kong. Mr. Ip is the Guest Professor of Hong Kong Financial Services Institute from 2014 to 2017, the Project Coordinator of the Education Bureau of the Government of the Hong Kong Special Administrative Region (the "**Education Bureau**") from 2010 to 2017. He was the Deputy Project Director of the Education Bureau from 2004 to 2010 and the Chief School Development Officer of the Education Bureau from 2002 to 2004. Mr. Ip was a teacher of Pui Kiu Middle School from 1973 to 1997 and became the principal from 1997 to 2002.

Mr. Ip was a member of Appeals Board (Education) from 2000 to 2001, a member of Board of Education from 1998 to 2002, an elected member of Council on Professional Conduct in Education from 1998 to 2002, a member of Quality Education Fund Steering Committee from 1997 to 2001, a Standing Committee member of the Hong Kong Federation of Education Workers from 1993 to 1999. Mr. Ip was an elected member of District Board (Islands) from 1994 to 1999.

Mr. Ip obtained his bachelor's degree in Mathematics at University of Waterloo in Canada in 1972 and a Diploma in Education at the School of Education of The Chinese University of Hong Kong in 1982.

11. MISCELLANEOUS

(1) Mr. Zhu Qin, an executive Director, is the compliance officer of the Company.

(2) Ms. Tse Ka Yan is the company secretary. She is an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of Institute of Chartered Secretaries and Administrators.

(3) The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(4) The head office and principal place of business of the Company in Hong Kong is at Flat A & B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong.

(5) The principal share registrar and transfer office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(6) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(7) This circular and the accompanying proxy form have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Flat A & B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association and articles of association of the Company;

(b) the listing document of the Company dated 29 September 2015;

(c) the interim report of the Company for the six months ended 30 September 2015;

(d) the third quarterly report of the Company for the nine months ended 31 December 2015;

(e) the annual report of the Company for the year ended 31 March 2016;

(f) the first quarterly report of the Company for the three months ended 30 June 2016;

(g) the interim report of the Company for the six months ended 30 September 2016;

(h) the third quarterly report of the Company for the nine months ended 31 December 2016;

(i) the letter from the Independent Board Committee, the text of which is set out on page IBC-1 of this circular;

(j) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-56 of this circular;

(k) the accountant's report from SHINEWING (HK) CPA Limited on CVP Asset Management, the text of which is set out in Appendix IIA to this circular;

(l) the accountant's report from SHINEWING (HK) CPA Limited on Bartha International, the text of which is set out in Appendix IIB to this circular;

(m) the accountant's report from SHINEWING (HK) CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix IV to this circular;

(n) the written consents referred to in the paragraph headed "Experts" in this appendix;

(o) copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(p) this circular.

MADISON WINE®

Madison Wine Holdings Limited

麥迪森酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Madison Wine Holdings Limited (the "**Company**") will be held on Thursday, 27 July 2017 at 10:30 a.m. at Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:–

   (a) the sale and purchase agreement dated 9 February 2016 (as amended and supplemented by the supplemental acquisition agreement dated 28 June 2017)(the "**Acquisition Agreement**" and the "**Supplemental Acquisition Agreement**" respectively) and entered into between CVP Holdings Limited as the vendor ("**CVP Holdings**") and CVP Financial Holdings Limited (formerly known as Perfect Zone Holdings Limited) ("**CVP Financial**") as the purchaser in relation to the sale and purchase of the entire issued share capital of CVP Asset Management Limited (the "**Proposed Acquisition**", a copy of the Acquisition Agreement dated 9 February 2016 has been produced to the meeting and marked "A" and a copy of the Supplemental Acquisition Agreement has been produced to the meeting and marked "B" and initialed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, including but not limited to the issue of promissory note to settle the consideration, be and are hereby approved, confirmed and ratified; and

   (b) any one director (the "**Director**") of the Company be and is hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Acquisition Agreement and the Supplemental Acquisition Agreement and the transactions contemplated thereunder."

2. "**THAT**:–

(a) the subscription agreement dated 17 February 2016 (as amended and supplemented by the supplemental subscription agreement dated 28 June 2017) (the "**Subscription Agreement**" and the "**Supplemental Subscription Agreement**" respectively) and entered into between Bartha Holdings Limited as issuer ("**Bartha Holdings**") and CVP Financial as subscriber in relation to the subscription of exchangeable bonds that entitles CVP Financial to exchange for the entire equity interest of Bartha International Limited held by Bartha Holding at the consideration of HK$150,000,000. The consideration shall be satisfied by CVP Financial procuring the Company to issue the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$150,000,000 to Bartha Holdings (or its nominee(s)) which entitling the holders of the Convertible Bonds to convert into 136,363,636 shares of the Company (the "**Conversion Shares**") at the initial conversion price of HK$1.1 per Conversion Share (subject to adjustment) (a copy of the Subscription Agreement has been produced to the meeting and marked "C" and a copy of the Supplemental Subscription Agreement has been produced to the meeting and marked "D" and initialed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) subject to the fulfillment or waiver of the conditions precedent set out in the Subscription Agreement, the issue of the Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement and the Supplemental Acquisition Agreement be and is hereby approved;

(c) the Directors be and are hereby granted a specific mandate to allot and issue all the Conversion Shares upon full conversion of the Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement and the Supplemental Acquisition Agreement; and

(d) any one Director be and is hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things, as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Subscription Agreement and the Supplemental Acquisition Agreement and the transactions contemplated thereunder."

Yours faithfully,
For and on behalf of the Board
Madison Wine Holdings Limited
Ting Pang Wan Raymond
Chairman and executive Director

Hong Kong, 30 June 2017

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong
Flat A&B, 10/F
North Point Industrial Building
499 King's Road
North Point, Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. In the case of joint holders of shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at http://www.madison-wine.com and on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page to notify shareholders of the Company of the date, time and place of the rescheduled meeting.