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.

IN VINO CONFIDIMUS

MADISON GROUP®

Madison Holdings Group Limited
麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

(1) CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE DEED OF MODIFICATION TO ALTER THE TERMS AND CONDITIONS OF THE EXCHANGEABLE BONDS; (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED EXERCISE OF THE EXCHANGE RIGHTS ATTACHED TO THE EXCHANGEABLE BONDS; AND (3) 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 26 of this circular. A letter from the Independent Board Committee is set out on page IBC-1 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-24 of this circular.

A notice convening the EGM to be convened at Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong on Friday, 16 March 2018 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked.

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

28 February 2018

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

"Amendment"	the proposed amendment in relation to the exchange period of the Exchangeable Bonds pursuant to the Deed of Modification
"associates"	has the meaning ascribed to that term under the GEM Listing Rules
"Bartha Group"	together, Bartha International and Eternal Pearl
"Bartha Holdings"	Bartha Holdings Limited, a company incorporated in Hong Kong with limited liability, which owns the entire issued share capital 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 Loan"	the aggregate amount of approximately HK$76 million indebted to Bartha Holdings by Bartha International
"Bartha Share(s)"	share(s) of Bartha International
"Board"	the board of Directors
"Business Day"	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
"Company"	Madison Holdings Group Limited, a company incorporated in the Cayman Islands, whose Shares are listed on GEM of the Stock Exchange (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
"CVP Financial"	CVP Financial Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect non wholly-owned subsidiary of the Company, the holder of the Exchangeable Bonds
"Convertible Bonds"	the convertible bonds issued by the Company to Bartha Holdings pursuant to the Subscription Agreement
"Conversion Shares"	the new Shares to be allotted and issued by the Company upon exercise of the conversion rights attached to the Convertible Bonds
"CVP Holdings"	CVP Holdings Limited, a company incorporated in Hong Kong with limited liability, the controlling shareholder of Bartha Holdings
"Deed of Modification"	the deed dated 17 November 2017 entered into between CVP Financial and Bartha Holdings in relation to the Amendment
"Director(s)"	the director(s) of the Company
"EB Conditions"	the terms and conditions of the Exchangeable Bonds
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Proposed Transactions and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Proposed Exercise

"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
"Exchange Rights"	the rights of the holder of the Exchangeable Bonds to exchange the principal amount of the Exchangeable Bonds into Bartha Shares which are beneficially owned by Bartha Holdings as at the date of exercising of the Exchange Rights
"Exchangeable Bonds"	the exchangeable bonds issued by Bartha Holdings to CVP Financial, which entitle CVP Financial to exchange for the Bartha Shares which are beneficially owned by the Bartha Holdings as at the date of exercising the Exchange Rights
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM 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 Transactions
"Independent Financial Adviser" or "Red Sun Capital"	Red Sun Capital Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Transactions
"Independent Shareholders"	Shareholders other than Mr. Ting and his associates

"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 Guangdong Pilot Free Trade Zone, Nansha area in the PRC
"Latest Practicable Date"	23 February 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Loan Capitalisation"	the subscription of new Bartha Shares by Bartha Holdings by capitalising all the indebtedness due by Bartha International to Bartha Holdings and its associates
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"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
"Mr. Ting"	Mr. Ting Pang Wan Raymond, an executive Director, chairman of the Board and an indirect substantial shareholder of Bartha Holdings
"Original Exchange Period"	the period from 3 years from the date of issue of the Exchangeable Bonds up to and including the Maturity Date, during which the Exchangeable Bonds can be exercised pursuant to the EB Conditions

"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
"Previous Circular"	the circular of the Company dated 30 June 2017 in relation to, among other things, the Subscription
"Proposed Exercise"	the proposed exercise of the Exchange Rights attached to the Exchangeable Bonds to exchange for 49% equity interest in Bartha International by CVP Financial
"Proposed Transactions"	collectively, the entering into of the Deed of Modifications and the Proposed Exercise
"Put Option"	the option to be granted by Bartha Holdings to CVP Financial pursuant to which CVP Financial shall have the right to require Bartha Holdings to purchase from it all the Bartha Shares held by it immediately prior to exercise of the Put Option
"Put Option Deed"	the deed to be entered into upon the completion of the Proposed Exercise between CVP Financial and Bartha Holdings in respect of the grant of right of the Put Option
"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)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscription"	the subscription of the Exchangeable Bonds pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 17 February 2017 (as supplemented by the supplemental agreement dated 28 June 2017) entered into between Bartha Holdings and CVP Financial in relation to the Subscription of the Exchangeable Bonds
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"JPY"	Japanese yen, the lawful currency of Japan
"%"	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 GROUP®

Madison Holdings Group Limited

麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

Executive Directors:
Mr. Ting Pang Wan Raymond *(Chairman)*
Mr. Zhu Qin
Mr. Teoh Ronnie Chee Keong
Ms. Kuo Kwan

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

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Cayman Islands

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

28 February 2018

To the Shareholders

Dear Sir/Madam,

(1) CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE DEED OF MODIFICATION TO ALTER THE TERMS AND CONDITIONS OF THE EXCHANGEABLE BONDS; (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED EXERCISE OF THE EXCHANGE RIGHTS ATTACHED TO THE EXCHANGEABLE BONDS; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

BACKGROUND

References are made to the Previous Circular in relation to, among other things, the subscription of the Exchangeable Bonds and the announcement of the Company dated 17 November 2017 in relation to the alteration of the terms of the Exchangeable Bonds.

On 17 February 2017, CVP Financial entered into the Subscription Agreement with Bartha Holdings in relation to the subscription of the Exchangeable Bonds in an aggregate principal amount of HK$150,000,000. CVP Financial, as holder of the Exchangeable Bonds, is entitled to exchange for all the Bartha Shares owned by Bartha Holdings upon exercise of the Exchange Rights during the Original Exchange Period. The Exchangeable Bonds were issued on 28 July 2017 and will mature on 27 July 2022 pursuant to the EB Conditions.

On 17 November 2017, CVP Financial entered into the Deed of Modification with Bartha Holdings to amend the Original Exchange Period of the Exchangeable Bonds.

As at the Latest Practicable Date, none of the Exchangeable Bonds has been redeemed nor converted, in whole or in part.

The purpose of this circular is to provide you with, among other things, further details of the Proposed Transactions, 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 the Bartha Group and the notice of the EGM.

(I) THE DEED OF MODIFICATION RELATING TO THE EXCHANGEABLE BONDS

On 17 November 2017, CVP Financial and Bartha Holdings entered into the Deed of Modification pursuant to which, the parties conditionally agreed to amend the Original Exchange Period, allowing CVP Financial, as holder of the Exchangeable Bonds, to exchange (i) for the number of Bartha Shares up to 49% of the entire issued share capital in Bartha International during the period from the date of issue of the Exchangeable Bonds up to and including 31 March 2020, and (ii) all outstanding Exchangeable Bonds from 1 April 2018 up to and including the Maturity Date.

Set out below is the Amendment under the Deed of Modification.

The Deed of Modification

Date: 17 November 2017

Parties: (1) CVP Financial; and

(2) Bartha Holdings

The Amendment

Pursuant to the EB Conditions, the Exchange Rights attached to the Exchangeable Bonds can be exercised after 3 years from the date of the issue of the Exchangeable Bonds up to and including the Maturity Date.

Pursuant to the Deed of Modification, the parties conditionally agreed to amend the Original Exchange Period with effect from 17 November 2017, allowing CVP Financial, as holder of the Exchangeable Bonds, to exchange (i) for the number of Bartha Shares up to 49% of the entire issued share capital in Bartha International during the period from the date of issue of the Exchangeable Bonds up to and including 31 March 2020, and (ii) all outstanding Exchangeable Bonds from 1 April 2018 up to and including to the Maturity Date. As at the Latest Practicable Date, none of the Exchangeable Bonds has been redeemed or exchanged.

Conditions precedent

The Deed of Modification shall take effect upon the satisfaction of the following conditions:

(i) the passing by the Independent Shareholders at the EGM of the necessary resolutions to approve the Deed of Modification and the transactions contemplated thereunder, including the Amendment; and

(ii) all necessary consents and approvals required to be obtained on the part of CVP Financial and Bartha Holdings in respect of the Amendment having been obtained.

None of the above conditions could be waived by the parties to the Deed of Modification. The effective date of the Deed of Modification shall be on the date when all the above conditions are fulfilled.

As at the Latest Practicable Date, none of the above conditions have been satisfied.

Save as disclosed above, the principal terms of the Exchangeable Bond as disclosed in the Previous Circular remain unchanged and are still in full force and effect.

(II) THE PROPOSED EXERCISE OF THE EXCHANGE RIGHTS ATTACHED TO THE EXCHANGEABLE BONDS

Upon the Deed of Modification having become effective, the Board intends to exercise the Exchange Rights to exchange for 4,900 Bartha Shares to be owned by Bartha Holdings upon the Loan Capitalisation, representing 49% of the enlarged issued share capital of Bartha International upon the Loan Capitalisation.

Assets to be acquired

As at the Latest Practicable Date, Bartha International has one issued share which is owned by Bartha Holdings. Upon the Loan Capitalisation, Bartha Holdings shall own 10,000 Bartha Shares. CVP Financial intends to exercise the Exchange Rights attached to the Exchangeable Bonds to exchange for 4,900 Bartha Shares to be owned by Bartha Holdings, representing 49% of the enlarged issued share capital of Bartha International upon the Loan Capitalisation.

Conditions precedent

Upon the Deed of Modification having become effective, pursuant to the amended and restated EB Conditions, the Proposed Exercise 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 passing by the Independent Shareholders at an extraordinary general meeting of the Company approving the Proposed Exercise in accordance with the GEM Listing Rules and the applicable laws and regulations; and

(3) 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 Proposed Exercise.

None of the above conditions could be waived by the parties to the amended and restated EB Conditions.

Consideration

No additional consideration shall be payable in respect of the Proposed Exercise.

Upon the completion of the Proposed Exercise, 49% of the principal amount of the Exchangeable Bonds (i.e. HK$73,500,000) will be converted into Bartha Shares. Based on the profit forecast of HK$9,000,000 for the year ending 31 March 2018, the price-to-earnings ratio (the "**P/E ratio**") for acquiring the Bartha Shares by the Proposed Exercise amounts to approximately 8.2 times.

Prior to the entering into of the Deed of Modification, the Board has conducted a desktop search and identified the following companies (a) whose shares are listed on the Stock Exchange; and (b) the subsidiary(ies) of which are licensed to conduct Type 1 (dealing in securities) regulated activity under the SFO; and noted their implied P/E ratios, based on their market capitalisation as at 16 November 2017, range from approximately 6.21 times to 46.08 times.

Companies	**Stock code**	**Market capitalisation** *(HK$ million) (approximately)*	**Net profit** *(HK$ million) (approximately)*	**Implied P/E ratio**
Cinda International Holdings Ltd.	111	551.4	49.5	11.14
Shenwan Hongyuan (H.K.) Ltd.	218	2,109.8	82.3	25.64
China Fortune Financial Group Ltd.	290	1,424.3	30.9	46.08
Haitong International Securities Group Ltd.	665	24,166.4	1,680.2	14.38
Emperor Capital Group Ltd.	717	4,314.1	695.2	6.21
Bright Smart Securities & Commodities Group Ltd.	1428	4,277.2	271.9	15.73
Get Nice Financial Group Ltd.	1469	5,050.0	274.1	18.43
Guotai Junan International Holdings Ltd.	1788	17,433.8	1,026.1	16.99
BOCOM International Holdings Company Limited	3329	7,000.0	351.0	19.94
CL Group (Holdings) Ltd.	8098	398.2	42.7	9.32
PF Group Holdings Ltd.	8221	298.0	25.6	11.65
Astrum Financial Holdings Ltd.	8333	308.0	16.9	18.21
China Industrial Securities Int'l Financial Group Ltd.	8407	4,600.0	101.1	45.49
			Average:	19.93
			Median:	16.99
			Maximum:	46.08
			Minimum:	6.21

As the Bartha Shares are not listed on any stock exchanges and there is a lack of open market for the transfer of the Bartha Shares, in considering the P/E ratios of the above companies, the Directors are of the view that comparing the P/E ratio directly with that of the Bartha Group may not be meaningful. Thus, the Company made reference to the 2016 edition of the Companion Guide to the FMV Restricted Stock Study (the "**Guide**") issued by FMV Opinions, Inc., one of the national preeminent firms offering a broad range of financial advisory services to private and public companies. According to the Guide, a total of 736 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through September 2015 were examined, and the average and the median marketability discount for the 736 transactions, excluding premiums, is 20.89% and 16.11% respectively. Although the Guide is conducted for the United States market, given that (i) there is no widely used empirical study conducted on lack of marketability discount for private companies in Hong Kong; and (ii) the stock market system of the United States is similar to that of Hong Kong where both of their stocks can be freely traded in an open market, the Directors consider that the Guide is an appropriate reference in determining the discount rate for lack of marketability.

The Directors, having taken into account (i) the wide range of the implied P/E ratios of the above listed companies, (ii) the market capitalisation of the above listed companies being much greater than the size of the Bartha Group, and (iii) the suggested discount as stated in the Guide, considered it is appropriate to take a prudent approach to discount the value of the shares of these listed companies at a rate of approximately 50% (which is below the average and median discounts pursuant to the Guide) to reflect the lack of liquidity and ready market for the Bartha Shares before comparing with the P/E ratio of the Bartha Group. Out of the above 13 listed companies which have recorded a net profit, their implied P/E ratios range from approximately 3.10 times to 23.04 times, and the average P/E ratio is approximately 9.98 times. In view that the P/E ratio of 8.2 times for acquiring the Bartha Shares by converting 49% of the Exchangeable Bonds falls within the market range and below the market average, the Directors consider that the consideration (in terms of HK$73,500,000 being converted into 4,900 Bartha Shares) is fair and reasonable.

Shareholders' agreement

Upon completion of the Proposed Exercise, the shareholders of Bartha International, namely CVP Financial and Bartha Holdings will enter into a shareholders' agreement with Bartha International, to record the respective rights and obligations as shareholders of Bartha International with respect to finance, management and operations of Bartha International and its subsidiaries.

The proposed principal terms of the shareholders' agreement are set out below:

Scope of business

The business of Bartha International is to engage in the provision of (i) securities dealing and brokerage services; (ii) futures contracts dealing and brokerage services; and (iii) margin financing services, directly or through its subsidiaries, or other business(es) as the board of directors of Bartha International may consider appropriate from time to time.

Board composition and voting

CVP Financial and Bartha Holdings shall be entitled to appoint two (2) directors and one (1) director to the board of Bartha International respectively.

Each director of the Bartha International shall have one vote in the board and decisions of the Bartha International shall be made by majority vote.

Transfer of shares of Bartha International

If a shareholder (the "**Transferring Shareholder**") of Bartha International wishes to dispose of its interest in Bartha International to a third party, the other shareholder is entitled to a right of first refusal to purchase all (but not part thereof) the shares which the Transferring Shareholder intends to dispose of on the same or more favourable terms as offered by the third party. The right of first refusal is exercisable within a period of fifteen (15) days from the receipt of the transfer notice from the Transferring Shareholder.

Funding

The working capital requirements of Bartha International will be met as the board of directors of Bartha International may from time to time resolve, by means of advances and credit from financial institutions and other third party sources on the most favourable terms reasonably obtainable as to interest, repayment and security and when such advances and credit are exhausted or unavailable, by advances from the shareholders of Bartha International.

Any advances made by the shareholders of Bartha International shall, unless otherwise unanimously agreed between the shareholders of Bartha International, be unsecured and shall be made in proportion to their respective shareholdings in Bartha International. Any advances made by the shareholders of Bartha International thereunder shall be repaid on a pro-rata basis.

If any shareholder of Bartha International fails to contribute the amount of funds required, its rights under the shareholders' agreement shall be suspended until it so complies.

Completion

Completion of the Proposed Exercise shall take place upon the fulfillment of the conditions to exercise of Exchange Rights of the amended and restated EB Conditions.

Upon completion of the Proposed Exercise, Bartha International will become an indirect non wholly-owned subsidiary of the Company and the financial results of the Bartha Group will be consolidated into the Group's accounts.

Put Option

Upon completion of the Proposed Exercise, CVP Financial and Bartha Holdings will also enter into the Put Option Deed at nil consideration, pursuant to which Bartha Holdings shall grant to CVP Financial the right (but not obligation) to require Bartha Holdings to acquire all the Bartha Shares held by it immediately prior to the exercise of the Put Option at the purchase price equivalent to the aggregate of (i) the principal amount of the Exchangeable Bonds being exchanged, and (ii) any further investment made by CVP Financial and its associates after the Proposed Exercise. The Put Option right will be exercisable on the condition 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 is less than HK$15,000,000 (the "**Guaranteed Profit**").

The Put Option, when exercised by CVP Financial, will be subject to (i) the passing by the Independent Shareholders at an extraordinary general meeting of the Company of the resolutions to approve the proposed exercise of the Put Option in accordance with the GEM Listing Rules and the applicable laws and regulations; and (ii) the obtaining of approval from the SFC for the change in the indirect substantial shareholder of Eternal Pearl as a result of the exercise of Put Option.

Further announcement(s) will be made by the Company if the Guaranteed Profit is not met and when CVP Financial exercises the Put Option.

Lock up undertaking

Upon the Proposed Exercise, the terms and conditions of the Convertible Bonds, including the lock up undertaking, will remain valid. The undertaking made by Bartha Holdings pursuant to the Subscription Agreement 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, will also remain valid.

Impact of the Proposed Exercise on the Exchangeable Bonds and Convertible Bonds

The Convertible Bonds

The fair value of the Convertible Bonds (the "**CB Valuation**") was calculated by the Binomial Option Pricing Model which takes into account, among others, (i) the discount rate, which is the rate adopted to calculate the present values of the cash flows on the Convertible Bonds; (ii) the trading price of the Shares as at the date of valuation; (iii) the exercise price of the Convertible Bonds; (iv) the period for the Convertible Bond; (v) the expected volatility with reference to historical price volatilities of companies that are similar in business nature as the Company; and (vi) the expected dividend yield with reference to the historical dividend payout of the Company.

The fair value of the Convertible Bonds was first recognised on the issue date of the Convertible Bonds (i.e. 28 July 2017), which amounts to HK$271,290,000.

Pursuant to Hong Kong Accounting Standard ("**HKAS**") 32, since the number of shares to be issued under the Convertible Bonds is fixed without any embedded derivatives, no further CB Valuation will be required for the measurement of the Convertible Bonds in subsequent financial periods.

The Exchangeable Bonds

The fair value of the Exchangeable Bonds (the "**EB Valuation**") is a weighted average with respect to the probabilities of (a) the scenario under which the Guaranteed Profit can be met (the "**Scenario 1**") and (b) the scenario under which the Bartha Group fails to meet the Guaranteed Profit requirement (the "**Scenario 2**"). Scenario 1 will take into account the principal amount of the Exchangeable Bonds (i.e. HK$150,000,000), the estimated annualised profit of the Bartha Group and the price-to-earnings multiple of companies comparable to the Bartha Group, while Scenario 2 will be the principal amount of the Exchangeable Bonds (i.e. HK$150,000,000).

Hence, CB Valuation and EB Valuation are conducted independently but the fair value of the Convertible Bonds as at the date of issue was regarded as the consideration payable for the Exchangeable Bonds and recognised as the cost of the Exchangeable Bonds, which will then become the carrying value of the Exchangeable Bonds.

The Exchangeable Bonds is classified as available-for-sale financial asset, and will be assessed by an independent valuer annually and disclosed in the Company's annual report, up to and until the maturity date of the Exchangeable Bonds (i.e. 27 July 2022).

Based on HKAS 39, the Group has adopted the following accounting principles for recognising and measuring the Exchangeable Bonds for each financial year. The Company has conducted CB Valuation and EB Valuation independently on the completion date of the Subscription Agreement (i.e. 28 July 2017), being the date of issue of Convertible Bonds and the Exchangeable Bonds, to ascertain the fair value of the Convertible Bonds and the Exchangeable Bonds.

Financial impact of the Exchangeable Bonds to the Company's consolidated financial statement

– *As at the completion date of the Subscription Agreement (i.e. 28 July 2017)*

As at the completion date of the Subscription Agreement (i.e. 28 July 2017), the fair value of the Convertible Bonds (or the cost of the Exchangeable Bonds) and the fair value of the Exchangeable Bonds are as below:

	As at the completion date of the Subscription Agreement (i.e. 28 July 2017) *(approximately)*
Fair value of the Convertible Bonds/ cost of the Exchangeable Bonds	HK$271,290,000
Fair value of the Exchangeable Bonds	HK$117,564,000

– *As at 30 September 2017*

In preparing its interim results, the Company engaged an independent valuer to conduct EB Valuation to ascertain the fair value of the Exchangeable Bonds as at 30 September 2017.

	As at 30 September 2017 *(approximately)*
Fair value of the Convertible Bonds as at 28 July 2017 which represents the cost of the Exchangeable Bonds	HK$271,290,000
Fair value of the Exchangeable Bonds	HK$120,226,000
Impairment loss	HK$151,064,000

Based on the EB valuation, the fair value of the Exchangeable Bonds is HK$120,226,000 and, after comparing with the cost of the Exchangeable Bonds, a fair value loss of available-for-sale financial asset amounted to HK$151,064,000 was recognised in other comprehensive income and accumulated under "available-for-sale financial assets revaluation reserve".

In accordance with HKAS 39, a significant or prolonged decline in the fair value of the Exchangeable Bonds, below its cost is considered to be objective evidence of impairment.

As such, the significant decline in the fair value of the Exchangeable Bonds resulted in the Exchangeable Bonds being considered as impaired. Available-for-sale financial assets revaluation reserve amounted to HK$151,064,000 are reclassified to profit or loss as an impairment loss, and hence the carrying value of the Exchangeable Bonds as at 30 September 2017 became HK$120,226,000.

– *As at 31 March 2018*

To prepare its annual results, the EB Valuation will be conducted by the independent valuer using the original assessment method (i.e. the weighted average of Scenario 1 and Scenario 2) as at 31 March 2018.

The fair value of the Exchangeable Bonds as at 31 March 2018 will be compared with the carrying value of the Exchangeable Bonds as at 30 September 2017. If the fair value of the Exchangeable Bonds as at 31 March 2018 is significantly lower than the carrying value of the Exchangeable Bonds as at 30 September 2018, such decline in value will be recognised as an impairment loss on the Exchangeable Bonds for the year ending 31 March 2018. It is expected that by 31 March 2018, none of Exchangeable Bonds will be exercised. The carrying value of the Exchangeable Bonds as at 31 March 2018 after the deduction of the impairment loss will be regarded as the carrying value of the Exchangeable Bonds in the next financial year (i.e. 2019).

– *Upon completion of the Proposed Exercise*

Upon the completion of the Proposed Exercise, 49% of the principal amount of the Exchangeable Bonds (i.e. HK$73,500,000) will be exchanged into Bartha Shares. As CVP Financial will hold 49% of the share capital in the Bartha International, and CVP Financial will appoint majority of the directors to the board of Bartha International, the Bartha Group will become subsidiaries of the Company. Hence, such 49% Exchangeable Bonds are no longer be treated as an available-for-sale financial assets of the Company, but will be reflected as investment in a subsidiary, which will be eliminated when the financial results of the Bartha Group is consolidated into the Enlarged Group.

For the remaining 51% Exchangeable Bonds, for so long as it is outstanding, the independent valuer will conduct EB Valuation using the original assessment method (i.e. the weighted average of Scenario 1 and Scenario 2) and then take 51% of the results as the fair value of the remaining 51% Exchangeable Bonds.

The Company will compare (a) 51% of the carrying value of the Exchangeable Bonds of the financial year with (b) 51% of the fair value of the Exchangeable Bonds as at the then financial year end date. If there is a significant decline in the value of 51% of the Exchangeable Bonds, an impairment loss will be incurred. In the event that the decline is insignificant, it will be recognised directly in comprehensive income and accumulated in available-for-sale financial assets revaluation reserve of the Company.

– *Subsequent financial year end (if Conversion Rights of the outstanding Exchangeable Bonds remained unexercised)*

If the Conversion Rights of the outstanding Exchangeable Bonds remained unexercised, the independent valuer will conduct the EB Valuation using the original assessment method (i.e. the weighted average of Scenario 1 and Scenario 2) at each financial year end (i.e. 31 March), up to and until 27 July 2022, being the maturity date of the Exchangeable Bonds.

The Company will then compare (a) 51% of the carrying value of the Exchangeable Bonds of the financial year with (b) 51% of the fair value of the Exchangeable Bonds as at the then financial year end date. If there is a significant decline in the fair value of 51% of the Exchangeable Bonds, an impairment loss will be incurred. In the event that the decline is insignificant, it will be recognised directly in other comprehensive income and accumulated in available-for-sale financial assets revaluation reserve of the Company.

Since there will only be further negative impact to the future financial statements of the Company if the performance of the Bartha Group is worsen, with (i) the robust improvement in the performance of the Bartha Group; (ii) the strategic business plan of the Bartha Group with a positive prospect in the future; and (iii) the status of the application of the JV Securities Company which is expected to be completed in the year 2018, the Directors believe that the Bartha Group will improve their performance in the foreseeable future and hence minimise the negative impact incurred by any further impairment of the Exchangeable Bonds to the Company's financial statement.

Despite (a) the significant difference between the cost and the fair value of the Exchangeable Bonds as at 28 July 2017 and 30 September 2017 respectively; and (b) the potential impairment loss in the future financial statements, the Directors considered the issue of the Convertible Bonds is the results of arm's length negotiation with Bartha Holdings for the Subscription. During the negotiation, to minimise the impact to the Group's financial statement, the Group intended to use consideration shares as consideration for the Exchangeable Bonds, while Bartha Holdings intended to receive cash as consideration as Mr. Ting, its ultimate beneficial owner, directly and indirectly held more than 50% Shares at the material times. As the Group is unable to settle the consideration by cash at the material times, the parties agreed to use Convertible Bonds for the rights in the interest in Bartha International, which Bartha Holdings may receive cash at the maturity date if the Convertible Bonds is not converted into Conversion Shares.

During the negotiation for the Subscription, the Group intended to acquire all the shares in Bartha International at the same time when the application for setting up the JV Securities Company was approved. Moreover, if the Convertible Bonds and the Exchangeable Bonds were issued in more than one tranche based on the performance of the Bartha Group, Bartha Holdings shall request for higher consideration for the second tranche or subsequent tranches of the Exchangeable Bonds. As such, the Directors considered that it is fair and reasonable to the Company and its Shareholders if both the Exchangeable Bonds and the Convertible Bonds were issued in a single tranche.

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 a limited liability company established in Hong Kong, and 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 period from 18 August 2015 (date of incorporation) to 31 March 2016, for the year ended 31 March 2017 and the six months ended 30 September 2017 are as follows:

	For the period from 18 August 2015 (date of incorporation) 31 March 2016	**For the year ended 31 March 2017**	**For the six months ended 30 September 2017**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Turnover	–	–	459
(Loss)/profit before tax	(191)	5	(3)
(Loss)/profit after tax	(191)	5	(3)

The unaudited net liabilities of Bartha International as at 30 September 2017 was approximately HK$189,000.

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 services; (ii) futures contracts dealing and brokerage services; (iii) margin financing services; and (iv) placing and underwriting services.

Set out below is the unaudited financial information of Eternal Pearl prepared under the Hong Kong Financial Reporting Standards for the year ended 31 March 2016 and 2017 and the six months ended 30 September 2017:

	For the year ended		**For the six months ended 30 September**
	31 March 2016	**31 March 2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Turnover	6,502	6,693	12,316
(Loss)/profit before tax	(5,137)	(10,930)	5,230
(Loss)/profit after tax	(5,137)	(11,011)	5,230

The unaudited net asset of Eternal Pearl as at 30 September 2017 was approximately HK$61,610,000.

As at 30 September 2017, the net current liabilities and the net liabilities of the Bartha Group amounted to approximately HK$16.9 million and HK$2.3 million respectively. The Bartha Group shall record net current asset and the net asset of approximately HK$59.1 million and HK$73.7 million respectively, upon the capitalisation of the Bartha Loan of approximately HK$76 million at the request of CVP Financial before the Proposed Exercise.

As advised by Bartha Holdings, the trade payables of the Bartha Group arising from the business of securities dealing and brokerage were carried on an open account basis. The trade payables represent clients' money placed in the Bartha Group for the purpose of trading in securities. These clients can withdraw money at their own discretion. The Directors, having discussed with the auditors of the Company, are of the view that the absence of aging analysis in the accountants' report of Bartha International is in compliance with the relevant accounting standards.

PROFIT FORECAST OF THE BARTHA GROUP FOR THE YEAR ENDING 31 MARCH 2018

On the basis set out in Appendix IV to this circular, the directors of Bartha International estimate that the unaudited consolidated profit attributable to owners of the Bartha Group is as follows:

Estimated profit attributable to owners of the Bartha Group
for the year ending 31 March 2018 *(Note)* . . . . approximately HK$9 million

Note:

The basis on which the above profit forecast has been prepared are summarised in Appendix IV to this circular. The directors of Bartha International have prepared the estimated profit attributable to owners of the Bartha Group for the year ending 31 March 2018 based on (i) the total revenue of the Bartha Group for the eight months ended 30 November 2017 of approximately HK$15 million; (ii) the expected revenue of approximately HK$4 million from the margin financing business and the securities brokerage business for the four months ending 31 March 2018, with reference to the historical record of the revenue generated from the margin financing business and the securities brokerage business from April 2017 to November 2017 respectively; (iii) the expected revenue of approximately HK$7 million from the placing commission generated from the 5 legally binding placing agreements, (iv) the administrative expenses amounted to approximately HK$12 million for the eight months ended 30 November 2017; and (v) the expected administrative expenses of approximately HK$5 million for the four months ending 31 March 2018 with reference to the historical record of the administrative expenses incurred each month from April 2017 to November 2017.

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

The financial impact of the Proposed Transactions is set out in Appendix V to this circular. Please refer to the Appendix V to this 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 Completion.

Following completion of the Proposed Transactions, Bartha International will become subsidiaries of the Company.

Earnings

As shown in the pro forma financial information of the Enlarged Group contained in the Appendix V to this circular, there would be a gain of approximately HK$5.2 million arising from the Proposed Transaction as if the transaction was completed on 30 September 2017. The Proposed Transaction is expected to enhance the earnings of the Enlarged Group upon completion.

Assets

The Proposed Transactions would increase the total assets of the Group by the amount of approximately HK$174.4 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix V to this circular. The increase is mainly attributable to the consolidation of the financial statement of the Bartha Group which contains approximately HK$93.1 million of trade receivables and approximately HK$110.0 million of bank balance under the segregated accounts which are the clients' monies arising from its securities and futures brokerage business. The Proposed Transactions would increase the net asset value of the Group by the amount of HK$6.9 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix V to this circular.

Liabilities

The Proposed Transactions would increase the total liabilities of the Group by the amount of approximately HK$243.7 million as shown in the pro forma financial information of the Enlarged Group contained in the Appendix V to this circular. The increase is mainly due to the consolidation of the financial statement of the Bartha Group which contains approximately HK$116.8 million of trade and other payables arising from the business of securities dealing and brokerage and the convertible bonds of approximately HK$50 million in aggregate issued by the Bartha Group on 11 April 2017 and 18 April 2017 to three Independent Third Parties.

Financial and trading prospects of the Enlarged Group

As at the Latest Practicable Date, the Group did not, and had no intention or plan to, after Completion, and in the coming 12 months, enter into, any agreement, arrangement or undertaking, which will result in the scaling down and/or disposal of the retail and wholesale of wine products and alcoholic beverages (the "**Wine Business**") in the near future.

Upon completion of the Proposed Transactions, the Enlarged Group shall be entitled to 49% of the enlarged issued share capital of Bartha International upon the Loan Capitalisation; and will enable the Group to take part in Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO.

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

Moreover, an application has been submitted to the CSRC to set up the JV Securities Company with a proposed scope of business which 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.

In respect of the Wine Business, for the nine months ended 31 December 2017, the Group has record revenue and gross profits of HK$118.4 million and HK$23.1 million, representing an increase of 13.2% and 10.0% respectively, as compared to the same period in 2016.

To boost the retail business, in February 2018, the flagship store of the Enlarged Group has moved to a new location at a lower rent, of larger size and with better appearance, near the showrooms of luxury cars which target the same group of customers.

Currently, the Group has 10 sales representatives to sell and promote its wine products. The Enlarged Group targets to recruit two to three experienced sales representatives in the coming 12 months, to expand its sales network to the corporate clients which carry out event management business and thereby increase its revenue in order to boost the wholesale business.

The Directors noticed that many clients begin to sell or purchase their wine products through the online platform. The Enlarged Group will recruit a team to set up and to develop an online trading platform by itself to facilitate the wine trading business in a more systematic approach.

Apart from the traditional wine trading business, the Directors have been exploring different opportunities to enrich the wine business, including the expansion to the wine auction business, as it could enhance the Enlarged Group's wine business by fully utilising and leveraging its existing wine-related services and its existing sale channels without significant capital investment from the Enlarged Group. Further, given that the operation of wine auction does not require the auctioneer to pay for the wines to be auctioned, the Enlarged Group shall not be subject to additional cashflow pressure. In this regard, the Board considered that the expansion of this business line is in the interest of the Company and the shareholders as a whole.

As disclosed in the announcement of the Company dated 13 April 2016, the Enlarged Group intended to conduct wine auction business through the acquisition of a wine auctioneer. However, the non-legally binding memorandum of understanding in respect of the said acquisition was lapsed after the exclusivity period expired. Having considered that (i) the cost of acquiring a reputable auction company is usually high; (ii) there may have some inherent issues as a result of the long history of reputable auction company and which may delay or prolong the acquisition process as well as increase the acquisition cost; and (iii) the corporate culture of long history wine auction company will deter the Company from cooperation with the existing and experienced team members of the auction company and the Company will be in difficulty to take control without removing these team members, the Company is currently exploring the opportunity and recruiting a team, to set up and conduct wine auction business by itself in the coming 12 months.

At the same time, the Enlarged Group is considering to negotiate with the winery for exclusive distribution of their wines in Hong Kong to secure a stable source of wines and purchase these wine at a lower price. As at the Latest Practicable Date, the Enlarged Group was the exclusive distributor of 4 wineries from Australia, the United States and Spain. It has also commenced negotiation with several wineries, including a sake producer in Japan, regarding exclusive distribution of wines in Hong Kong. It is expected that 3 more exclusive distribution arrangements could be entered into during the year 2018. These wines are much popular in terms of pricing as compare to those top wineries from France and are getting much recognisable to the market in the recent 2 to 3 years. The Company will carry out some marketing events by inviting the owners of those wineries to introduce the characteristics of the wine to its clients. With the exclusive distribution arrangement, the Enlarged Group can obtain these wines at a lower cost which, in turn, will enhance the gross profit of the Enlarged Group.

REASONS FOR THE ENTERING INTO OF THE PROPOSED TRANSACTIONS

The Group is principally engaged in (i) 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; and (ii) the provision of financial services.

In view of the robust improvement of business of the Bartha Group through the margin financing business, and the placing and brokerage services conducted by Eternal Pearl for the 6 months ended 30 September 2017, with 26.0% of the Guaranteed Profit being met as at 30 September 2017, and the active retail and institutional participations in the initial public offerings in Hong Kong, the Directors are optimistic with the future performance of the Bartha Group.

The Directors, before deciding to exercise the Exchangeable Bonds, have compared the financial results of the Bartha Group for the six months ended 30 September 2016 and 2017 respectively, as below:

	For the six months ended 30 September 2016 (unaudited) *(approximately)* *HK$'000*	For the six months ended 30 September 2017 (audited) *(approximately)* *HK$'000*
Revenue		
– Futures and securities brokerage services	1,138	1,179
– Placing and underwriting	–	7,221
– Margin financing	8	3,798
– Other income	118	597
Administrative expenses*	(12,826)	(8,847)
(Loss)/profit after tax	(11,562)	3,948

* *inclusive of (i) administrative expenses; (ii) financial cost and (iii) impairment loss on goodwill*

According to the accountant's report of the Bartha Group, Eternal Pearl has generated a net profit of approximately HK$3.9 million for the 6 months ended 30 September 2017, changing the loss position of approximately HK$11.6 million to the profit of approximately HK$3.9 million. The significant increase in net profit was mainly incurred by (i) the enlarged working capital through certain fund raising activities which leads to the increase in the financing amount under margin financing business; (ii) the commencement of the placing and underwriting business; and (iii) the enhanced cost control policy which reduced the general expenditure of Eternal Pearl.

The Directors noted that the total revenue of the Bartha Group has tremendously increased from approximately HK$1.3 million to HK$12.3 million, representing the growth of approximately 800%, which means the business potentials of the Bartha Group have developed at an accelerating speed. At the same time, the administrative expenses has significantly reduced from approximately HK$12.8 million to HK$8.8 million.

As informed by Bartha Holdings, no placing agreement was entered into for the year ended 31 March 2017, but since 1 April 2017 and up to the Latest Practicable Date, Eternal Pearl has completed 8 placings for 7 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. Taking into account of the newly committed placement, the maximum aggregate amount raised under and the gross commission shall range from approximately HK$4.0 million to HK$850 million and from 1.0% to 2.0% of the fund raising amount respectively.

Currently, the management of Eternal Pearl is in negotiation with 8 potential corporate clients for placing shares or convertible bonds, being listed issuers in Hong Kong which plan to raise funds of maximum aggregate amount ranging from approximately HK$18 million to HK$672 million in the next six months. If all the above placing agreements materialise, it shall charge an average commission rate of approximately 1.40% of the fund raising amount, and accordingly shall receive an additional commission of, in aggregate, approximately HK$37 million. As at the Latest Practicable Date, 3 corporate clients have entered into a legally binding agreement with Eternal Pearl. It is expected that Eternal Pearl shall secure the remaining 5 corporate clients and enter into a legally binding agreement in the year ending 31 March 2019.

Considering that the robust improvement of performance of Eternal Pearl in the past few months and the business opportunities in the pipeline of the placing and underwriting services, together with the designated marketing team of Eternal Pearl continuously attending different social events organised by different trade unions, corporate presentations and road shows of listed issuers or potential listing applicants in order to expand their business network in the Hong Kong financial market to identify potential securities issuers, Bartha Holdings expected that Eternal Pearl shall receive an aggregate commission income of approximately HK$52 million.

According to the record of Eternal Pearl, over 2,300 clients have opened securities accounts (including cash and margin account) with Eternal Pearl as at the Latest Practicable Date. The financing amount and customers of the margin financing business was approximately HK$61.2 million and 43 clients, and generated interest income of approximately HK$4.9 million for the period from 1 April 2017 to the Latest Practicable Date and approximately HK$2.7 million for the period from 28 July 2017 (being the date of completion of the Subscription) to the Latest Practicable Date respectively.

Furthermore, in April 2017, Bartha International has raised approximately HK$50 million by way of issue of convertible securities to two Independent Third Parties and a relative of Mr. Ting, an executive Director and a director of Bartha International, all of which/whom do not hold shares of the Company and will not have the right to vote on the resolutions to approve the Deed of Modification and the Proposed Exercise. The fund raised was used for development of margin financing business which is expected to contribute an additional interest income of approximately HK$1.2 million for the period from January 2018 to March 2018, at the existing lending interest rate of 10% per annum.

Based on (i) the total revenue of the Bartha Group for the eight months ended 30 November 2017 of approximately HK$15 million; (ii) the expected revenue of approximately HK$4 million from the margin financing business and the securities brokerage business for the four months ending 31 March 2018, with reference to the historical record of the revenue generated from the margin financing business and the securities brokerage business from April 2017 to November 2017 respectively; and (iii) the expected revenue of approximately HK$7 million from the placing commission generated from the 5 legally binding placing agreements, it is expected that a revenue of approximately HK$26 million for the year ending 31 March 2018 can be received.

According to the Bartha Group's management accounts, the administrative expenses amounted to approximately HK$12 million for the eight months ended 30 November 2017. Assuming no material changes to the administrative expenses, it is expected that the administrative expenses shall be approximately HK$5 million for the four months ending 31 March 2018 with reference to the historical record of the administrative expenses incurred from April 2017 to November 2017. Based on the management accounts and estimation above, it is expected that the Bartha Group shall be able to achieve a revenue of approximately HK$26 million and a profit of approximately HK$9 million respectively for the year ending 31 March 2018, thereby 60% of the Guaranteed Profit shall be met as at 31 March 2018. For details, please refer to Appendix IV to this circular.

It is expected that, upon completion of the Proposed Exercise, the Bartha Group will become subsidiaries of the Company, whose financial results will be consolidated into the Group. Hence, the Group will be able to leverage on the experience and expertise of Eternal Pearl to further enhance its financial services, and at the same time enjoy the revenue and profit generated from the Bartha Group.

In respect of the application (the "**Application**") to apply for setting up the JV Securities Company in Nansha area of Guangdong Pilot Free Trade Zone, the PRC, as advised by Bartha Holdings, China Securities Regulatory Commission of the PRC has made further enquiries and therefore is still under review. In order not to affect the Application, the Board elects to exercise the Exchangeable Bonds to exchange for 49% equity interest in Bartha International, which will not substantially affect the shareholding structure of the JV Securities Company while the Proposed Exercise will allow the Group to consolidate the revenue and profit of the Bartha Group into the Group. If the Board elects to exercise the Exchange Rights of more than 49% equity interest in Bartha International, Mr. Ting cannot remain as the ultimate beneficial owner of Eternal Pearl, which will breach the requirement in relation to the shareholding of foreign shareholders of the JV Securities Company and hence, the Application may not be approved.

Given that the Application is still ongoing, the Directors do not expect any revenue or profit to be generated from the JV Securities Company for the year ending 31 March 2018. Further, as disclosed above, the management of Eternal Pearl is in negotiation with 8 potential corporate clients for placing of shares or convertible bonds which may take place in the next 6 months. Therefore, the Directors expected that the placing commission may or may not be received in the year ending 31 March 2018. Hence, the Directors considered it is more prudent not to take into account the placing commission and any income which may be generated from the JV Securities Company when the Application has been approved in the profit forecast of HK$9 million for the year ending 31 March 2018.

As disclosed above, the placing and underwriting business has commenced in only a few months, but have achieved a revenue of approximately HK7.2 million for the six months ended 30 June 2017 and is estimated to achieve a revenue of approximately HK$7 million for the second half year, turning a loss-making company to profit-making. In addition, underwriting of shares requires capital commitment which, the Bartha Group may leverage of the Group's capital support upon the completion of the Proposed Exercise, to further develop its underwriting business.

Further, after completion of the acquisition of CVP Capital Limited ("**CVP Capital**"), a corporation which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, on 30 June 2017, CVP Capital became indirectly non wholly-owned by the Company. However, the Type 1 licence of CVP Capital is subject to certain licensing conditions, e.g. it shall not hold client assets and it shall not engage in securities dealings not related to corporate finance advisory. Hence, it has been unable to provide a full scope of financial services under Type 1 (dealing in securities) regulated activities under the SFO (e.g. securities settlement and margin financing) to clients referred by the Company. During the past few months after the completion of the acquisition of CVP Capital, due to the licensing conditions of the Type 1 licence of CVP Capital, the Company has referred some clients to Eternal Pearl for Type 1 (dealing in securities) regulated activities under the SFO, such as clients who required margin financing.

In view of the recent surge of stock market and the initial public offer exercise, the Directors are optimistic on the future prospects of the Bartha Group, in particular that (i) the management team of the Bartha Group shall fully develop their potentials and push for full-gear development of the placing and underwriting business; and (ii) the Bartha Group can offer more comprehensive financial services to complement the limited scope of services provided by CVP Capital Limited. The Directors (including the independent non-executive Directors) consider that the exercise of 49% of the Exchangeable Bonds at this stage will bring immediate financial benefits and business synergy to the Group.

Notwithstanding the aforesaid benefits, in the event that the performance of Bartha Group is below expectation, the Put Option provides an exit to the Company and guarantees that the Group's position after the Proposed Exercise will not be worse than the existing condition. The Directors (including the independent non-executive Directors) take the view that the benefit of the Proposed Exercise is outweighing the drawback.

Based on the above reasons, the Directors (including the independent non-executive Directors) consider that (i) the entering into of the Deed of Modification which allows the Group to early exercise the Exchangeable Bonds, (ii) the Proposed Exercise which would not affect the Application, and (iii) the Put Option Deed, the exercise of which would provide the Group an exit in the event that the Guaranteed Profit is not met, are fair and reasonable and the Proposed Transactions is in the interests of the Company and the Shareholders as a whole.

Bartha Holdings is owned as to 85.25% by CVP Holdings, which, in turn is wholly-owned by Mr. Ting. Accordingly, Mr. Ting has material interest under the Proposed Transactions and has abstained from voting on the relevant issues at the Board meeting for approving the Proposed Transactions.

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. As Bartha Holdings is owned as to 85.25% by CVP Holdings, which, in turn is wholly-owned by Mr. Ting, Bartha Holdings is an associate of Mr. Ting and therefore a connected person of the Company. Accordingly, the Proposed Transactions constitute connected transactions on the part of the Company under the GEM Listing Rules.

As certain applicable percentage ratios for the Proposed Exercise are more than 25% but less than 100%, the Proposed Exercise constitutes a major transaction on the part of the Company under the GEM Listing Rules, and therefore is subject to reporting, announcement and Independent Shareholders' approval requirements.

As Mr. Ting is having material interest in the Proposed Transactions, Mr. Ting and his close associates are required to abstain from voting on the resolutions at the EGM to approve the Proposed Transactions at the EGM. As at the Latest Practicable Date, Mr. Ting and his close associates are, directly and indirectly, in aggregate, interested in 1,968,000,000 Shares, representing approximately 49.2% 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 Proposed Transactions 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 Proposed Transactions and the 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 16 March 2018 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

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

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

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page IBC-1 of this 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-24 of this circular, considers that the Proposed Transactions are entered into upon normal commercial terms following arm's length negotiations between the parties thereto and that the terms of the Proposed Transactions are fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Transactions 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 Proposed Transactions 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 Proposed Transactions are in the best interests of the Company and its Shareholders as a whole and therefore recommends the Shareholders to vote in favour of the resolutions approving (i) the Deed of Modification; and (ii) the Proposed Exercise and the respective transactions contemplated thereunder 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 Holdings Group Limited
Ting Pang Wan Raymond
Chairman and executive Director

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

IN VINO CONFIDIMUS

MADISON GROUP®

Madison Holdings Group Limited
麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

28 February 2018

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 28 February 2018 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in this Circular.

We have been appointed by the Board as members to form the Independent Board Committee to consider the Proposed Transactions and the respective transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Proposed Transactions 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-24 of this Circular. Your attention is also drawn to the letter from the Board set out on pages 1 to 26 to this Circular and the additional information set out in the appendices of this Circular.

Yours faithfully,
the Independent Board Committee

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

Independent non-executive Directors

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Shareholders for inclusion in this circular.

红日资本有限公司
RED SUN CAPITAL LIMITED

28 February 2018

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

Dear Sirs,

(1) CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE DEED OF MODIFICATION TO ALTER THE TERMS AND CONDITIONS OF THE EXCHANGEABLE BONDS; (2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED EXERCISE OF THE EXCHANGE RIGHTS ATTACHED TO THE EXCHANGEABLE BONDS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) Deed of Modification dated 17 November 2017; (ii) the Proposed Exercise; and (iii) the entering into of the Put Option Deed and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 28 February 2018 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 17 November 2017, CVP Financial and Bartha Holdings entered into the Deed of Modification pursuant to which, the parties conditionally agreed to amend the Original Exchange Period, allowing CVP Financial, as holder of the Exchangeable Bonds, to exchange (i) for the number of Bartha Shares up to 49% of the entire issued share capital in Bartha International during the period from the date of issue of the Exchangeable Bonds up to and including 31 March 2020, and (ii) all outstanding Exchangeable Bonds from 1 April 2018 up to and including the Maturity Date.

Upon the Deed of Modification having become effective, the Board intends to exercise the Exchange Rights to exchange for 4,900 Bartha Shares to be owned by Bartha Holdings upon the Loan Capitalisation, representing 49% of the enlarged issued share capital of Bartha International upon the Loan Capitalisation.

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. As Bartha Holdings is owned as to 85.25% by CVP Holdings, which, in turn is wholly-owned by Mr. Ting, Bartha Holdings is an associate of Mr. Ting and therefore a connected person of the Company. Accordingly, the Proposed Transactions constitute connected transactions on the part of the Company under the GEM Listing Rules.

As certain applicable percentage ratios for the Proposed Exercise are more than 25% but less than 100%, the Proposed Exercise constitutes a major transaction on the part of the Company under the GEM Listing Rules, and therefore is subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

As Mr. Ting is having material interest in the Proposed Transactions, Mr. Ting and his associates are required to abstain from voting on the resolution(s) at the EGM to approve the Proposed Transactions at the EGM.

The Board currently comprises four Executive Directors, namely Mr. Ting Pang Wan Raymond as chairman; Mr. Zhu Qin as deputy chairman, Mr. Teoh Ronnie Chee Keong as chief executive officer and Ms. Kuo Kwan, and three independent non-executive Directors, namely Ms. Fan Wei, Mr. Chu Kin Wang Peleus and Mr. Ip Cho Yin, *J.P.*.

The Independent Board Committee comprising all the above mentioned Independent Non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the Deed of Modification, the Proposed Exercise, the Put Option Deed and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, respectively.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee the terms of the Deed of Modification, the Proposed Exercise, the Put Option Deed and the transactions contemplated thereunder, for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

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 acted twice as the independent financial adviser to the independent board committee and the independent shareholders of the Company. The dates of each of the relevant circulars and our letters of advice were 30 June 2017 and 5 July 2017 respectively. The nature of the transactions for the circular dated 30 June 2017 was (i) proposed acquisition of CVP Asset Management Limited; and (ii) proposed subscription of exchangeable bonds for shares in Bartha International, while the nature of the transaction for the circular dated 5 July 2017 was issue of consideration shares upon exercise of put option under specific mandate.

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 13.84 of the 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 the entering into of the Deed of Modification, together with the Proposed Exercise and the Put Option Deed, 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 terms of the transactions contemplated under the Deed of Modification and the Proposed Exercise, we have taken into consideration the following principal factors and reasons:

1. Background of the Exchangeable Bonds and the Proposed Exercise of the Exchange Rights

Reference is made to the circular of the Company dated 30 June 2017 in relation to, among other things, the subscription of the Exchangeable Bonds.

CVP Financial entered into the Subscription Agreement with Bartha Holdings in relation to the subscription of the Exchangeable Bonds in an aggregate principal amount of HK$150,000,000. CVP Financial, as holder of the Exchangeable Bonds, is entitled to exchange for all the Bartha Shares owned by Bartha Holdings upon exercise of the Exchange Rights during the Original Exchange Period. The Exchangeable Bonds were issued on 28 July 2017 and will mature 27 July 2022 pursuant to the EB Conditions.

1.1 Conditions precedent to the Deed of Modification

The Deed of Modification shall take effect upon the satisfaction of the following conditions:

(i) the passing by the Independent Shareholders at an extraordinary general meeting of the Company of the necessary resolutions to approve the Deed of Modification and the transactions contemplated thereunder, including the Amendment; and

(ii) all necessary consents and approvals required to be obtained on the part of CVP Financial and Bartha Holdings in respect of the Amendment having been obtained.

1.2 Conditions precedent to the Proposed Exercise of the Exchange Rights

Upon the Deed of Modification having become effective, pursuant to the amended and restated EB Conditions, the Proposed Exercise is subject to the fulfillment of the following conditions:

(i) the obtaining of approval from the SFC for the change in ultimate substantial shareholder of Eternal Pearl;

(ii) if applicable, the passing by the Independent Shareholders at an extraordinary general meeting of the Company approving the Proposed Exercise in accordance with the GEM Listing Rules and the applicable laws and regulations; and

(iii) 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 Proposed Exercise.

None of the above conditions could be waived by the parties to the amended and restated EB Conditions.

2. Background information of the Group

2.1 Principal business and financial information of the Group

The Group is principally engaged in (i) 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; and (ii) the provision of financial services.

Set out below is a summary of the Group's operating results extracted from the annual report and latest published interim report of the Company for the year ended 31 March 2017 (the "**2016/17 Annual Report**") and the six months ended 30 September 2017 (the "**2017 Interim Report**"), respectively:

	For the year ended 31 March		For the six months ended 30 September	
	2016	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	126,684	139,562	72,047	83,522
Gross profit	32,973	27,952	14,914	17,550
Impairment loss on exchangeable bonds	–	–	–	(151,064)
Loss before tax	(7,083)	(15,196)	(7,921)	(161,046)
Loss for the year/period	(9,304)	(14,816)	(7,789)	(160,884)
Loss for the year/period attributable to Owners of the Company	(9,447)	(14,619)	(7,765)	(140,114)

Comparison of financial year ended 31 March 2016 versus financial year ended 31 March 2017

Based on the 2016/17 Annual Report, the Group's revenue increased by approximately 10.2% from approximately HK$126.7 million for the financial year ended 31 March 2016 to approximately HK$139.6 million for the financial year ended 31 March 2017. According to the 2016/17 Annual Report, the increase in revenue was mainly due to the result of expanded sales network by adopting a competitive pricing strategy of wine products.

The loss for the year ended 31 March 2017 was approximately HK$14.8 million which increased by approximately 59.1% when compared to that of approximately HK$9.3 million for the year ended 31 March 2016. The increase in the loss was mainly due to (i) the economic downturn in the retail market; (ii) the decrease of consignment income in other income and (iii) the decrease in the gross profit margin for the purpose to maintain the competitiveness in the market which led to a drop in gross profit.

Comparison of six months ended 30 September 2016 versus six months ended 30 September 2017

As stated in the 2017 Interim Report, for the six months ended 30 September 2017, the revenue of the Group was approximately HK$83.5 million, which represents approximately 16.0% increase over the corresponding period of approximately HK$72.0 million in 2016. With reference to the 2017 Interim Report, the increase in the Group's revenue was mainly the result of (i) the expanded sales network by adopting a competitive pricing strategy on the sales of alcoholic beverages, which contributed approximately HK$81.7 million and (ii) provision of financial services, which contributed approximately HK$1.8 million respectively.

The loss for the six months ended 30 September 2017 was approximately HK$160.9 million which increased by approximately 1,962.8% when compared to that of approximately HK$7.8 million for the six months ended 30 September 2016. The increase in the loss for the period was mainly due to the non-cash impairment loss on unlisted exchangeable bonds of approximately HK$151.0 million, without taking into account of the effect of the impairment loss, the adjusted loss for the period would be approximately HK$9.3 million, representing an increase in loss of approximately 19.2% which was mainly due to (i) the economic downturn in the retail market and (ii) the increase in professional fee incurred by the completed subscription and acquisition.

The Group has been experiencing challenging operating environment for the Hong Kong retail market over the financial year ended 31 March 2017 and the six months ended 30 September 2017, which was mainly due to the economic downturn in Hong Kong's retail market. Therefore, the Group has been actively looking for suitable acquisition opportunities to maximise the return of shareholders of the Company in a more suitable manner. The acquisition of CVP Capital Limited and CVP Asset Management Limited provided the Group with a platform to expose to the business opportunities brought by the prospective financial market of Hong Kong by offering the corporate finance advisory and securities placement services.

2.2 *Principal 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 a limited liability company established in Hong Kong, and is wholly-owned by Bartha Holdings. Bartha International is principally engaged in investment holding. Bartha International has no business operation except being the immediate holding company of Eternal Pearl.

Set out below is a summary of the unaudited financial information of Bartha International prepared under the Hong Kong Financial Reporting Standards for the period from 18 August 2015 (date of incorporation) to 31 March 2016 and for the year ended 31 March 2017 and the six months ended 30 September 2017 as set out in the Letter from the Board:

	For the period from 18 August 2015 (date of incorporation) to 31 March 2016	**For the year ended 31 March 2017**	**For the six months ended 30 September 2017**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Turnover	–	–	459
(Loss)/profit before tax	(191)	5	(3)
(Loss)/profit after tax	(191)	5	(3)

For each of the period from 18 August 2015 to 31 March 2016 and the year ended 31 March 2017, Bartha International did not record any revenue, the net loss (before and after tax) for the period from 18 August 2015 to 31 March 2016 was approximately HK$191,000 was mainly attributable to the payment of consultancy services of HK$128,000 and other expenses of approximately HK$64,000 in relation to the setup costs incurred during the period. Bartha International recorded profit of approximately HK$5,000 for the year ended 31 March 2017. As at 30 September 2017, the unaudited net liabilities of Bartha International was approximately HK$189,000.

As at 30 September 2017, the net current liabilities and the net liabilities of Bartha Group amounted to approximately HK$16.9 million and HK$2.3 million respectively. As disclosed in the Appendix V headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in the Circular, the Bartha Group is indebted to Bartha Holdings in the aggregate amount of approximately HK$76,010,000 ("**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 or by its associates or affiliates and it shall subscribe for new shares in the Target Company by way of capitalizing the Bartha Loan at the request of CVP Financial at any time when CVP Financial is entitled to exercise the Exchange Rights attached to Exchangeable Bonds. Upon the capitalisation of the Bartha Loan of approximately HK$76 million at the request of CVP Financial before the Proposed Exercise, the Bartha Group shall record net current asset and net asset of approximately HK$59.1 million and HK$73.7 million respectively.

As disclosed in the Letter from the Board and advised by the Company, the trade payables of the Bartha Group arising from the business of securities dealing and broking were carried on an open account basis. The trade payables represent clients' money placed in the Bartha Group for the purpose of trading in securities. These clients can withdraw money at their own discretion. We also noted that the trade payables from HKSCC are current liabilities which represent pending trades arising from the business of dealing in securities, normally due within two days after the trade date in accordance with the settlement requirements in Hong Kong market. Taking into consideration that (i) the trade payables represent clients' money placed in the Bartha Group for the purpose of trading in securities; (ii) the nature of trade payables from HKSCC are pending trades arising from the dealing in securities, both of the items mentioned above related to the trade payables are normal business practice for companies principally engaged in the provision of securities dealing and brokerage service and it is also an industry norm to have a relatively large proportion of trade payables; and (iii) there will be the capitalisation of the Bartha Loan of approximately HK$76 million at the request of CVP Financial before the Proposed Exercise, therefore we are of the view that the debts and liabilities position of Bartha Group is acceptable.

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; (iii) margin financing services; and (iv) placing and underwriting services.

Set out below is a summary of the unaudited financial information of Eternal Pearl prepared under the Hong Kong Financial Reporting Standards for the year ended 31 March 2016 and 2017 and the six months ended 30 September 2017 as set out in the Letter from the Board:

	For the year ended		**For the six months ended 30 September**
	31 March 2016	**31 March 2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Turnover	6,502	6,693	12,316
(Loss)/profit before tax	(5,137)	(10,930)	5,230
(Loss)/profit after tax	(5,137)	(11,011)	5,230

For each of the two years ended 31 March 2016 and 2017, Eternal Pearl recorded an unaudited revenue of approximately HK$6.5 million and HK$6.7 million respectively, representing a year-on-year increase of approximately 2.9% as compared to the preceding financial year. Eternal Pearl also recorded an unaudited net loss (after tax) of approximately HK$5.1 million and HK$11.0 million for each of the two years ended 31 March 2016 and 2017 respectively. As advised by the Company, such increase in net loss was mainly attribute to the significant increase in staff costs. For loss of each financial year, it was mainly because Eternal Pearl did not have sufficient capital to fully develop the high-margin margin financing business, but focuses on low margin labour-intensive traditional brokerage services with no online brokerage. During late 2016 and ongoing, Eternal Pearl has shifted its focus to margin financing and placement businesses. As at 30 September 2017, the unaudited net asset of Eternal Pearl was approximately HK$61,610,000.

2.3 Prospects and outlook

Upon Completion, Bartha International will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Bartha Group will be consolidated into the Group's accounts and considering that Bartha International has no business operation except being the immediate holding company of Eternal Pearl, therefore the business of Eternal Pearl would be considered in assessing the future prospects and outlook. Considering that Eternal Pearl is principally engaged in the provision of (i) securities and brokerage service; (ii) futures contracts dealing and brokerage service; (iii) margin financial services; and (iv) placing and underwriting services, we have conducted research from the public information in assessing the prospects and outlook of the financial market. As extracted from the HKEx monthly market highlights, the total turnover of the securities market (including the Main Board and the Growth Enterprise Market of the Stock Exchange) as of November 2017, has increased to approximately HK$19,722,712 million, representing an increase of approximately 20.3% as compared to the total turnover of the securities market of approximately HK$16,396,425 million in 2016. The total market capitalization of the securities market (including the Main Board and the Growth Enterprise Market of the Stock Exchange) as of November 2017 was approximately HK$33,002.6 billion, representing an increase of approximately 33.3% as compared to approximately HK$24,761.3 billion at the end of 2016. For the number of newly listed companies as of November 2017, the number was 151 which have been increased for approximately 39% as compared to 109 for the same period in 2016. As extracted from the section headed "Statistical information and financial position of the Hong Kong securities industry" of the SFC Annual Report 2016-17, the number of active margin clients were 267,132 as at 31 December 2016, representing an increase of approximately 10.4% as compared to that of 241,948 as at 31 December 2015, the amounts receivable from margin clients were approximately HK$171,633 million as at 31 December 2016, representing an increase of approximately 18.1% as compared to that of approximately HK$145,307 million as at 31 December 2015. Based on the statistics mentioned above, it is expected that the overall financial market which include the turnover, market capitalization, the number of newly listed companies and the margin sector would be growing in the coming future.

As stated in the Letter from the Board and upon enquiry with the management of the Company, we were given to understand that Eternal Pearl had over 2,300 clients that have opened up securities accounts (including cash and margin account) in Eternal Pearl as at the Latest Practicable Date. The financing amount and number of clients of the margin financing business was approximately HK$61.2 million and 43 clients, and generated interest income of approximately HK$4.9 million for the period from 1 April 2017 to the Latest Practicable Date and approximately HK$2.7 million for the period from 28 July 2017 (being the date of completion of the Subscription) to the Latest Practicable Date respectively. We have also noted that the interest income from margin clients was approximately HK$1,858,000 for the year ended 31 March 2017 and increased for approximately 104.4% to approximately HK$3,798,000 for the six months ended 30 September 2017. For the placing and underwriting service, since 1 April 2017 and up to the Latest Practicable Date, Eternal Pearl has completed 8 placings for 8 separate independent clients and the management of Eternal Pearl is in negotiation with 8 potential corporate clients. Furthermore, Bartha Holdings has raised approximately HK$50 million by way of issue of convertible securities. The fund raised was used for development of margin financing business which is expected to contribute an additional interest income of approximately HK$1.2 million, at the existing lending interest rate of 10% per annum. The abovementioned performance and potential business opportunities for each of the business segments of Bartha International and Eternal Pearl would enable them to capture the potential growth in the overall financial market as discussed above.

In respect of the experience and expertise in managing the business of Eternal Pearl, we noted that Mr. Cheng Chi Ho is one of the responsible officer who has over 9 years of experience in dealing in securities and future contracts. With his profound knowledge and experience in the financial industry, we concur with the Directors' view that the Group will be able to leverage on the experience and expertise of Eternal Pearl to further enhance its financial services.

Notwithstanding Eternal Pearl has short history since establishment and loss making in the past two years, (i) based on the unaudited financial information, it recorded a turnaround from net loss of approximately HK$5.1 million and HK$11.0 million for the years ended 31 March 2016 and 2017, respectively, to net profit of approximately HK$5.2 million for the six months ended 30 September 2017, representing a significant improvement in financial performance mainly attributable to the increase in revenue from placing and underwriting business; (ii) Eternal Pearl can be able to benefit from the optimistic prospects and outlook of the financial market as set out in the paragraph headed "2.3 Prospects and outlook" as discussed above; (iii) the Proposed Exercise allows the Group to consolidate the revenue and profit generated from the Bartha Group in future; and (iv) the management of Eternal Pearl is in negotiation with 8 potential corporate clients for placing shares or convertible bonds as at the Latest Practicable Date which may lead to further improvement in its performance, we are of the view that Eternal Pearl can benefit to the Group and concur with the Directors' view that the Proposed Exercise is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. Background of the Proposed Transactions

3.1 The Deed of Modification relating to the Exchangeable Bonds

As set out in the Letter from the Board, pursuant to the EB Conditions, the Exchange Rights attached to the Exchangeable Bonds can be exercised after 3 years from the date of the issue of the Exchangeable Bonds up to and including the Maturity Date.

On 17 November 2017 (after trading hours), CVP Financial and Bartha Holdings entered into the Deed of Modification pursuant to which, the parties conditionally agreed to amend the Original Exchange Period, allowing CVP Financial, as holder of the Exchangeable Bonds, to exchange (i) for the number of Bartha Shares up to 49% of the entire issued share capital in Bartha International during the period from the date of issue of the Exchangeable Bonds up to and including 31 March 2020, and (ii) all outstanding Exchangeable Bonds from 1 April 2018 up to and including the Maturity Date. Please refer to the paragraph headed "THE DEED OF MODIFICATION RELATING TO THE EXCHANGEABLE BONDS" in the Letter from the Board of the Circular for further details.

3.2 The Proposed Exercise of the Exchange Rights attached to the Exchangeable Bonds

As set out in the Letter from the Board, as at the Latest Practicable Date, Bartha International has one issued share which is owned by Bartha Holdings and upon the Loan Capitalisation, Bartha Holdings shall own 10,000 issued shares in Bartha International. Upon the Deed of Modification having become effective, CVP Financial intends to exercise the Exchange Rights to exchange for 4,900 Bartha Shares to be owned by Bartha Holdings upon the Loan Capitalisation, representing 49% of the enlarged issued share capital of Bartha International upon the Loan Capitalisation.

Consideration

No additional consideration shall be payable in respect of the Proposed Exercise.

Shareholders' agreement

Upon completion of the Proposed Exercise, the shareholders of Bartha International, namely CVP Financial and Bartha Holdings will enter into a shareholders' agreement with Bartha International, to record the respective rights and obligations as shareholders of Bartha International with respect to finance, management and operations of Bartha International and its subsidiaries.

Under the shareholders' agreement, among other things, CVP Financial and Bartha Holdings shall be entitled to appoint 2 director(s) and 1 director(s) to the board of Bartha International respectively. Any transfer of shares or interest in shares by a shareholder thereafter will be subject to the first right of refusal of the other shareholders. Each director of the Bartha International shall have one vote in the board and decisions of the Bartha International shall be made by majority vote.

Put Option

Upon completion of the Proposed Exercise, CVP Financial and Bartha Holdings will also enter into the Put Option Deed at nil consideration, pursuant to which Bartha Holdings shall grant to CVP Financial the right (but not obligation) to require Bartha Holdings to acquire all the Bartha Shares held by it immediately prior to the exercise of the Put Option at the purchase price equivalent to the aggregate of (i) the principal amount of the Exchangeable Bonds being exchanged, and (ii) any further investment made by CVP Financial and its associates after the Proposed Exercise. The Put Option right will be exercisable on the condition 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 is less than HK$15,000,000 (the "**Guaranteed Profit**").

The Put Option, when exercised by CVP Financial, will be subject to (i) the passing by the Independent Shareholders at an extraordinary general meeting of the Company of the resolutions to approve the proposed exercise of the Put Option in accordance with the GEM Listing Rules and the applicable laws and regulations; and (ii) the obtaining of approval from the SFC for the change in the indirect substantial shareholder of Eternal Pearl as a result of the exercise of Put Option.

Further details of the Proposed Exercise of the Exchange Rights attached to the Exchangeable Bonds are outlined in the Letter from the Board.

Regarding the methodology used in determining the fair value of the Exchangeable Bonds, we have discussed with reporting accountants that they have reviewed and do not disagree on the methodology and the Directors are of the view that it complies with the Hong Kong Accounting Standards.

As mentioned in the Letter from the Board, the fair value of the Convertible Bonds was calculated by the Binomial Option Pricing Model and no further CB Valuation will be required for the measurement of the Convertible Bonds in subsequent financial periods, representing the fair value of the Convertible Bonds will not change in subsequent financial periods. Shareholders should note that the fair value of the Exchangeable Bonds would not increase even the estimated annualised profit of Bartha Group has a significant increase, however, if the estimated annualised profit of Bartha Group decline, a further decrease in the fair value of the Exchangeable Bonds may be recognised and lead to a further increase in impairment loss. As mentioned above, we have discussed with reporting accountants that they have reviewed and do not disagree on the methodology adopted for the valuation of Convertible Bonds and Exchangeable Bonds and the Directors are of the view that it complies with the Hong Kong Accounting Standards.

4. Benefits/reasons for the entering into of the Proposed Transactions

Pursuant to the terms of the Exchangeable Bonds as set out in the circular dated 30 June 2017, 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.

As set out in the Letter from the Board, Eternal Pearl has generated a net profit of approximately HK$5.2 million for the 6 months ended 30 September 2017. The increase in net profit was mainly incurred by (i) the enlarged working capital through certain fund raising activities which leads to the increase in the financing amount under margin financing business; (ii) the increase in placing and underwriting business; and (iii) the enhanced cost control policy which reduced the general expenditure of Eternal Pearl. Since 1 April 2017 and up to the Latest Practicable Date, Eternal Pearl has completed 8 placings for 7 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. Upon completion of the Proposed Exercise, the Bartha Group will become subsidiaries of the Group, whose financial results will be consolidated into the Group and the Group can enjoy the revenue and profit generated from the Bartha Group. We are of the view that the Group can benefit from the Proposed Exercise by sharing the revenue and profit generated from the Bartha Group and strengthen the financial performance of the Group.

As disclosed in the Letter from the Board, based on (i) the total revenue of the Bartha Group for the eight months ended 30 November 2017 of approximately HK$15 million; (ii) the expected revenue of approximately HK$4 million from the margin financing business and the securities brokerage business for the four months ending 31 March 2018, with reference to the historical record of the revenue generated from the margin financing business and the securities brokerage business from April 2017 to November 2017 respectively; and (iii) the expected revenue of approximately HK$7 million from the placing commission and service fee generated from the 5 legally binding placing agreements, it is expected that a revenue of approximately HK$26 million for the year ending 31 March 2018 can be received. According to the Bartha Group's management accounts, the administrative expenses amounted to approximately HK$12 million for the eight months ended 30 November 2017. Assuming no material changes to the administrative expenses, it is expected that the administrative expenses shall be approximately HK$5 million for the four months ending 31 March 2018 with reference to the historical record of administrative expenses incurred each month from April 2017 to November 2017. Based on the management accounts and estimation above, it is expected that the Bartha Group shall be able to achieve a revenue of approximately HK$26 million and a profit of approximately HK$9 million respectively for the year ending 31 March 2018.

We have (i) reviewed the management accounts for the eight months ended 30 November 2017 of the Bartha Group; (ii) discussed with the Company on the basis of the expected revenue of approximately HK$4 million from the margin financing business and the securities business for the four months ending 31 March 2018; (iii) further discussed the outstanding balance of the margin financing with Company as at 31 January 2018 with an interest rate of approximately 10% per annum charging on the margin financing clients and the Company also advised that the commission income generated from the securities business was approximately HK$300,000 per month; and (iv) reviewed 5 legally binding placing agreements, 3 of them can already generate approximately HK$6.5 million of revenue and considering the remaining 2 placing agreements in relation to initial public offering can generate more than HK$0.5 million, we concur with the Directors that the expected revenue of HK$7 million would be achievable. Taking into consideration of the work done performed as mentioned above, we concur with the Directors' view that the estimation of profit of approximately HK$9 million for the year ending 31 March 2018 can be achieved.

Moreover, we have noted that the Proposed Exercise only exchange for 49% equity interest in Bartha International by CVP Financial, which will not substantially affect the shareholding structure of the JV Securities Company since the application to apply for setting up the JV Securities Company in Nansha area of Guangdong Pilot Free Trade Zone in the PRC is still under review. We are of the view that since the JV Securities Company is a key for the Bartha Group to explore the PRC's vast securities market, and the Group can benefit from the prospective development of the comprehensive securities business in the PRC if the JV Securities Company is approved to be setup, thus by not affecting the shareholding structure of the JV Securities Company is suitable at current stage. Given that the application to apply for setting up the JV Securities Company in Nansha area of Guangdong Pilot Free Trade Zone is still ongoing, the Directors do not expect any revenue or profit will be generated from the JV Securities Company in short run, and therefore the formation of the JV Securities Company was not considered as a material factor for the exercise of the Exchange Rights.

Based on the Rules for the Change in Shareholder Holding 5% or above of Equity in Securities Company or Modify of Actual Controller（證券公司變更持有5%以上股權的股東、實際控制人審批）as listed out in the website of China Securities Regulatory Commission (http://www.csrc.gov.cn), the ultimate beneficial owner of the foreign shareholder of the joint venture securities company should maintain over 50% of shareholding, therefore the potential exercise of the Exchangeable Bonds to exchange for 49% equity interest in Bartha International will not be subject to any legal or administrative restriction of its equity interest in Bartha International.

We have also noted that upon completion of the Proposed Exercise, CVP Financial and Bartha Holdings will also enter into the Put Option Deed which grants, CVP Financial the right to require Bartha Holdings to acquire all the Bartha Shares held by it if 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 is less than HK$15,000,000. The Put Option Deed would provide the Group an exit in the event that the Guaranteed Profit is not met, taking into consideration that the Group will not bare any loss provided with the Put Option Deed, we are of the view that the Put Option Deed is fair and reasonable.

As mentioned in the Letter from the Board, upon completion of the Proposed Exercise, the shareholders of Bartha International, namely CVP Financial and Bartha Holdings will enter into a shareholders' agreement with Bartha International. We have reviewed the draft shareholders' agreement and the terms in relation to the (i) scope of business, (ii) board composition and voting, (iii) transfer of shares of Bartha International, and (iv) funding. Furthermore, considering that the shareholders' agreement can solicit control by the Group, we are therefore of the view that the terms are fair and reasonable between CVP Financial and Bartha Holdings. For further details of the shareholders' agreement please refer to section headed "Shareholders' agreement" in the Letter from the Board.

Having considered that (i) the prospect of overall financial market in Hong Kong would be optimistic as supported by the statistics compared with previous year and Bartha International and Eternal Pearl would be benefited from the growth; (ii) the recent proven track record of Eternal Pearl on the increase under margin financing business and the increasing trend in placing and underwriting business; (iii) the Group can benefit from the Proposed Exercise by sharing the revenue and profit generated from the Bartha Group and strengthen the financial performance of the Group; (iv) the Proposed Exercise exchange for 49% equity interest will not be substantially affect the shareholding structure of the JV Securities Company thus not affecting the current application in Nanshan area; and (v) if the Guaranteed Profit cannot to be achieved, the Put Option Deed is in place for CVP Financial to require Bartha Holdings to acquire all the Bartha Shares at the purchase price equivalent to the principal amount of the Exchangeable Bonds being exchanged and any further investment made by CVP Financial, thus the Group will not have material adverse impact even the Guaranteed Profit cannot to be achieved.

5. Trading multiples analysis

In assessing the fairness and reasonableness of the terms of the Deed of Modification and the Proposed Exercise, we have compared the principal amount of the Exchangeable Bonds (assumed to be exchanged into 49% of the enlarged issued share capital of Bartha International) with the considerations of recent selected transactions in the market (the "**Comparison**"). To perform the Comparison, we have considered various valuation approaches, including price-to-earnings ratio ("**P/E ratio**") and price-to-book ratio ("**P/B ratio**"). We have compared the P/B ratio and P/E ratio of Bartha International with the P/B ratio and P/E ratio of other companies engaged in business similar to Eternal Pearl, companies for comparison are selected based on the following criteria: (i) companies being acquired by or disposed to another listed company and such acquisition or disposal 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 Proposed Transactions. We have identified and made references to five companies that meet the aforesaid criteria (the "**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)*	Net profit/(loss) *(c)* *(Note 1)* *(HK$'000)*	P/B ratio *(d) = (b)/(a)* *(times)*	P/E ratio *(e) = (b)/(c)* *(times)*
1 September 2017	China Soft Power Technology Holdings Limited (139)	IAL Group *(Note 2)*	13,639	16,000	4,762	1.78 *(Note 2)*	3.4
31 May 2017	KSL Holdings Limited (8170)	GuoKing (HK) Securities & Futures Co., Limited	11,670	17,900	(5,784)	1.53	N/A
19 May 2017	Great Wall Pan Asia Holdings Limited (583)	Great Wall Pan Asia Asset Management Limited	38,075	38,702	13,416	1.02	2.9
29 March 2017	iOne Holdings Limited (982)	Huajin Financial (International) Holdings Limited	43,508	76,468	(31,549)	1.76	N/A
13 February 2017	Kong Shum Union Property Management (Holding) Limited (8181)	Dakin Holdings Inc. *(Note 3)*	10,691	31,500	N/A *(Note 4)*	9.82 *(Note 3)*	N/A
				Maximum		9.82	3.4
				Minimum		1.02	2.9
				Average		3.18	3.1
				Median		1.76	3.1
	Bartha International		65,687 *(Note 5)*	150,000 *(Note 6)*	9,000 *(Note 7)*	2.28	8.2

Source: www.hkex.com.hk

Notes:

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

2. The stake acquired was 66% and the consideration was adjusted to 100% for comparison purpose.

3. The stake acquired was 30% and the consideration was adjusted to 100% for comparison purpose.

4. Given that the figure of net profit for full year was not available in the respective announcement, the figure would not be included for comparison purpose.

5. The stake obtained through the Proposed Exercise was 49%, the net asset value and consideration of 100% were applied for comparison purpose. Calculated by adding back the amount due to immediate holding company (approximately HK$76.0 million) to the net liability of Bartha International as at 31 March 2017 as a result of Loan Capitalisation adjustment. As disclosed in the Appendix V headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in the Circular, the Bartha Group is indebted to Bartha Holdings in the aggregate amount of approximately HK$76,010,000 ("**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 or by its associates or affiliates and it shall subscribe for new shares in the Target Company 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 Exchangeable Bonds. As there were no similar loan capitalisation arrangements mentioned in the announcements of the Comparables, we believe the comparable analysis can provide a meaningful comparison of the P/B ratio after the adjustment for Loan Capitalisation.

6. The principal amount of the Exchangeable Bond.

7. Given that Bartha International has no business operation except being the immediate holding company of Eternal Pearl and Bartha International did not record profit in the year ended 31 March 2017, we conducted analyses on P/E ratio of Bartha Group based on the profit forecast of HK$9,000,000 for the year ending 31 March 2018. The figure is the profit forecast of HK$9 million as extracted from "Appendix IV profit forecast of the Bartha Group".

As illustrated in the analysis above, the P/B ratio of the Comparables ranged from the low end of approximately 1.02 times to the high end of approximately 9.82 times with the average being approximately 3.18 times. The P/B ratio of Bartha International is approximately 2.28 times, which falls within the range of the P/B ratio of the Comparables and lower than the average P/B ratio of the Comparables.

The P/E ratio of the Bartha International based on the profit forecast would be approximately 8.2 times which is higher than the average P/E ratio of the Comparables of approximately 3.1 times, and also out of the range of the Comparables from approximately 2.9 times to 3.4 times.

Taking into account that (i) two out of the five Comparables' target companies recorded loss while Bartha International is expected to be profit-making according to the profit forecast; (ii) the P/B ratio of the Bartha International falls below the average P/B ratio of the Comparables; (iii) the accelerating speed of development in relation to the business potentials of the Bartha Group based on the comparison of financial results (the total revenue of the Bartha Group has tremendously increased from approximately HK$1.3 million to HK$12.3 million, representing the growth of approximately 800%); (iv) the setting up of the JV Securities Company in Nansha area of Guangdong Pilot Free Trade Zone of the PRC may bring in extra revenue and synergy effect to the Bartha Group in future; and (v) in the event that the performance of Bartha Group is below expectation (the Guaranteed Profit is not met), the Put Option also provides an exit to the Group to require Bartha Holdings to purchase from it all the Bartha Shares held by it immediately prior to exercise of the Put Option, despite the fact that the P/E ratio is higher than all of the Comparables, we are of the view that the Proposed Exercise is fair and reasonable so far as the Independent Shareholders are concerned.

As the proposed exercise of the Exchange Rights attached to the Exchangeable Bonds will be conducted by CVP Financial (holder of the Exchangeable Bonds), there will not be any dilution effect to the shareholding interest of the existing public Shareholders.

6. Possible financial effects on the Group

Upon completion of the Proposed Exercise, Bartha International will become an indirect non-wholly owned subsidiary of the Company.

6.1 Net assets value

As disclosed in the 2017 Interim Report, the Group's unaudited net assets as at 30 September 2017 were approximately HK$162.2 million. Based on the unaudited pro forma financial information as set out in Appendix V of the Circular, after pro forma adjustment, the Group's consolidated net assets would decrease to approximately HK$147.2 million as a result of the Proposed Exercise.

6.2 Earnings

As disclosed in the 2017 Interim Report, the loss attributable to owners of the Company for the six months ended 30 September 2017 is amounted to approximately HK$140.1 million. As the Proposed Exercise represents 49% of equity interest in Bartha International by CVP Financial, Bartha International will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Bartha Group will be consolidated into the Group's accounts. Based on the optimistic prospects of the overall financial market in Hong Kong and the proven track record of Eternal Pearl on its growth of its business segments as mentioned above, it is expected that the Proposed Exercise would bring positive impact to the earnings of the Group in the future.

6.3 Gearing

According to the 2017 Interim Report, as at 30 September 2017, the gearing ratio of the Group, represented by total liabilities as a percentage of total assets, was approximately 42.4%. Based on the unaudited pro forma financial information of the Enlarged Group as at 30 September 2017 as set out in Appendix V of the Circular, the gearing ratio of the Group will be increased to approximately 61.4%. Taking into consideration that (i) the Group can share the profit after the Proposed Exercise; (ii) the Group has no interest-bearing borrowings; and (iii) the Enlarged Group will have sufficient working capital for its present requirement, we are of the view that the increase in gearing ratio due to the Proposed Exercise is acceptable.

6.4 Working Capital

As at 30 September 2017, the Group had bank balances and cash of approximately HK$31.6 million. Given that the Company's bank balances and cash will not be utilised for the exercise of Exchange Rights, the Proposed Exercise will allow the Group to reserve cash resources for business operations and business development opportunities. We are of the view that the Company's bank balances and cash will not be utilised for the exercise of Exchange Rights and will be available for business operations and accordingly, the Proposed Transactions are in the interests of the Company and its Shareholders as a whole.

Having considered that (i) the financial results of the Bartha Group will be consolidated into the Group's accounts and would bring positive impact to the earnings and working capital of the Group in the future after the Proposed Exercise; (ii) there is no material cash outflow for the Group; (iii) the deterioration of the net asset value and the gearing ratio will have no material impact to the Group; and (iv) the Enlarged Group will have sufficient working capital for its present requirement, we are of the view that the deterioration in net asset value and gearing ratio are acceptable and the Proposed Transactions are in the interests of the Company and the Shareholders as a whole.

OPINION AND RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the opinion that the Proposed Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interest 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 approve the (i) the Deed of Modification, (ii) the Proposed Exercise and (iii) the Put Option Deed and the respective transactions contemplated thereunder, as detailed in the notice of EGM set out at the end of the Circular.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and Responsible Officer of Red Sun Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 19 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 2017 can be referred to in appendix I of the listing document of the Company dated 29 September 2015, the annual report of the Company for the year ended 31 March 2016 (pages 50 to 104) published on 24 June 2016 and the annual report of the Company for the year ended 31 March 2017 (pages 57 to 108) published on 30 June 2017 respectively, and the financial information of the Group for the six and nine months ended 30 September 2017 and 31 December 2017 are disclosed on pages 6 to 40 of the 2017 interim report published on 14 November 2017 and pages 6 to 21 of the 2017 third quarterly report published on 13 February 2018 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.madison-wine.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

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

2017 annual report:
http://www.hkexnews.hk/listedco/listconews/GEM/2017/0629/GLN20170629051.pdf

2017 interim report:
http://www.hkexnews.hk/listedco/listconews/GEM/2017/1114/GLN20171114107.pdf

2017 third quarterly report:
http://www.hkexnews.hk/listedco/listconews/GEM/2018/0213/GLN20180213177.pdf

2. INDEBTEDNESS STATEMENT

Statement of indebtedness

As at the close of business on 31 December 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 (i) an amount due to a fellow subsidiary of approximately HK$76.0 million, which was unsecured, interest free and repayable on demand; (ii) an amount due to a director of approximately HK$193,000, which was unsecured, interest free and repayable on demand; (iii) a loan from a director of HK$800,000, which was unsecured, interest free and repayable on 10 October 2018; (iv) a convertible bond issued to an independent third party with principle amount of HK$5 million with maturity date on 11 April 2020; (v) a convertible bond issued to an independent party with principle amount of HK$5 million with the maturity date on 11 April 2020; (vi) a convertible bond issued to an independent third party with principle amount of HK$40 million with the maturity date on 18 April 2020; (vii) a convertible bond issued to Bartha Holdings Limited (or its nominees) with principle amount of HK$150 million; and (viii) an interest-free promissory note issued to CVP Holdings Limited (or its nominee(s)) with principle amount of HK$14 million.

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

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 2017, 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, the existing available banking facilities and the estimated net proceeds from the Disposal, 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 2017, revenue was increased by approximately 19.7% from approximately HK$104.6 million to approximately HK$125.2 million during the nine months ended 31 December 2016 and 2017 respectively. The Group is engaged in (i) 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; and (ii) the provision of financial services upon the completion of the subscription and acquisition of CVP Capital Limited and CVP Asset Management Limited on 30 June 2017 and 28 July 2017 respectively. The increase in revenue was mainly the result of (i) the expanded sales network by adopting a competitive pricing strategy on the sales of alcoholic beverages, which contributed approximately HK$118.4 million; and (ii) provision of financial services, which contributed approximately HK$6.8 million.

(2) Financial Review – Revenue

Revenue of the Group increased by approximately 19.7% from approximately HK$104.6 million to approximately HK$125.2 million for the nine months ended 31 December 2016 and 2017 respectively. The increase in revenue was mainly the result of (i) the expanded sales network by adopting a competitive pricing strategy on the sales of alcoholic beverages, which contributed approximately HK$118.4 million; and (ii) provision of financial services, which contributed approximately HK$6.8 million.

(3) Outlook and Prospects

In view of (a) Hong Kong being 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; and (b) many of the Group's clients being members of senior management, directors, substantial shareholders or controlling shareholders of listed and private companies who have great demand in getting quality advice on merger and acquisitions, corporate restructuring as well as fund raising activities, the Group entered into (i) a subscription agreement (the "**Share Subscription Agreement**") to subscribe for new shares in CVP Capital Limited at the subscription price of HK$14 million on 9 February 2017 (the "**Proposed Subscription**"); (ii) an acquisition agreement (the "**Acquisition Agreement**") to acquire the entire issued share capital of CVP Asset Management Limited at a consideration of HK$14 million on 9 February 2017 (the "**Proposed Acquisition**"); and

(iii) the Subscription Agreement to subscribe for the Exchangeable Bonds (the "**EB Subscription**") issued by Bartha Holdings at a consideration of HK$150 million on 17 February 2017. As at the date of this circular, all of the Proposed Subscription, the Proposed Acquisition and the EB Subscription have been completed. For details of the Proposed Subscription, the Proposed Acquisition and the EB Subscription, please refer to the circulars dated 30 June 2017 and 5 July 2017 respectively.

After completion of the above mentioned acquisition and subscriptions, many of the Group's clients have expressed their interest in the Group's financial services. As at the date of this circular, CVP Capital Limited and CVP Asset Management Limited has entered into 27 and 35 letters of intent respectively with the Group's clients, for provision of financial advisory and corporate financing services as well as discretionary account management.

The management believed that the synergy between the two main businesses could enhance the Shareholders' value of the Company in long term.

Looking forward, with the expanded business area into the financial market of Hong Kong upon the completion of the Proposed Subscription, the Proposed Acquisition together with the Proposed Exercise, the Board believes that the Group could benefit from the diversified business. At the same time, the Group will also 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.

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

28 February 2018

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF BARTHA INTERNATIONAL LIMITED AND ITS SUBSIDIARY TO THE DIRECTORS OF MADISON HOLDINGS GROUP LIMITED

Introduction

We report on the historical financial information of Bartha International Limited (the "Target Company") and its subsidiary (together, the "Target Group") set out on pages II-4 to II-66, which comprises the consolidated statements of financial position of the Target Group as at 31 March 2016, 2017 and 30 September 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 18 August 2015 (date of incorporation) to 31 March 2016, the year ended 31 March 2017 and the six months ended 30 September 2017 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-66 forms an integral part of this report, which has been prepared for inclusion in the circular of Madison Holdings Group Limited (the "Company") dated 28 February 2018 (the "Circular") in connection with (i) the entering into of the deed of modifications to alter the terms and conditions of the exchangeable bonds; and (ii) the proposed exercise of the exchangeable rights attached to the exchangeable bonds.

Directors' responsibilities for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Target Company determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement. Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's consolidated financial position as at 31 March 2016, 2017 and 30 September 2017 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to note 1 to the Historical Financial Information, which indicates that the Target Group had net current liabilities and capital deficiency of approximately HK$16,910,000 and HK$2,329,000 as at 30 September 2017, 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 on the Target Group's ability to continue as a going concern.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the statements of consolidated profit or loss and other comprehensive income, changes in equity and cash flows for the six months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-5 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,

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

A. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

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

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

I. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	From 18 August 2015 (date of incorporation) to 31 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016	Six months ended 30 September 2017
		HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	*7*	–	6,692	1,252	12,316
Cost of sales		–	(343)	(170)	(64)
Gross profit		–	6,349	1,082	12,252
Other income	*8*	–	355	30	495
Administrative expenses		(192)	(17,629)	(8,367)	(7,151)
Finance cost	*9*	–	–	–	(1,696)
Impairment loss recognised on goodwill	*15*	–	(4,459)	(4,459)	–
(Loss)/profit before tax	*10*	(192)	(15,384)	(11,714)	3,900
Income tax credit	*11*	–	69	152	48
(Loss)/profit and total comprehensive (expense)/income for the year/period		(192)	(15,315)	(11,562)	3,948

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

II. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March 2016 HK$'000	As at 31 March 2017 HK$'000	As at 30 September 2017 HK$'000
Non-current assets				
Plant and equipment	14	2,194	3,817	3,344
Goodwill	15	4,459	–	–
Deposits	18	4,382	4,113	4,104
Other intangible assets	16	7,978	7,978	7,978
		19,013	15,908	15,426
Current assets				
Trade receivables	17	27,488	41,931	92,582
Other receivables, deposits and prepayments	18	256	221	501
Bank balances – segregated accounts	19	14,670	41,880	109,904
Bank balances and cash – general accounts	19	5,262	4,043	14,938
		47,676	88,075	217,925
Current liabilities				
Trade payables	20	38,346	41,918	115,764
Accruals and other payables	21	573	669	1,052
Amounts due to fellow subsidiaries	22	18,955	–	–
Amount due to ultimate holding company	22	–	–	2
Amount due to immediate holding company	22	8,045	76,010	76,010
Convertible bonds	27	–	–	42,007
		65,919	118,597	234,835

	Notes	As at 31 March 2016 HK$'000	As at 31 March 2017 HK$'000	As at 30 September 2017 HK$'000
Net current liabilities		(18,243)	(30,522)	(16,910)
Total assets less current liabilities		770	(14,614)	(1,484)
Capital and reserves				
Share capital	24	–*	–*	–*
Convertible bonds				
– equity conversion reserve		–	–	9,230
Accumulated losses		(192)	(15,507)	(11,559)
Total equity		(192)	(15,507)	(2,329)
Non-current liability				
Deferred tax liabilities	23	962	893	845
		770	(14,614)	(1,484)

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

III. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Accumulated losses *HK$'000*	Convertible bonds – equity conversion reserve *HK$'000*	Total *HK$'000*
Issue of ordinary share upon incorporation *(Note 24)*	–*	–	–	–*
Loss and total comprehensive expense for the year	–	(192)	–	(192)
At 31 March 2016 and 1 April 2016	–*	(192)	–	(192)
Loss and total comprehensive expense for the year	–	(15,315)	–	(15,315)
At 31 March 2017 and 1 April 2017	–*	(15,507)	–	(15,507)
Profit and total comprehensive income for the year	–	3,948	–	3,948
Issue of convertible bonds *(Note 27)*	–	–	9,230	9,230
At 30 September 2017	–*	(11,559)	9,230	(2,329)

	Share capital *HK$'000*	Accumulated losses *HK$'000*	Convertible bonds – equity conversion reserve *HK$'000*	Total *HK$'000*
At 1 April 2016	–*	(192)	–	(192)
Loss and total comprehensive expense for the period (Unaudited)	–	(11,562)	–	(11,562)
At 30 September 2016 (Unaudited)	–*	(11,754)	–	(11,754)

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

IV. CONSOLIDATED STATEMENTS OF CASH FLOWS

	From 18 August 2015 (date of incorporation) to 31 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016	Six months ended 30 September 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
OPERATING ACTIVITIES				
(Loss)/profit before tax	(192)	(15,384)	(11,714)	3,900
Adjustments for:				
Depreciation of plant and equipment	–	1,062	586	510
Recoveries on impaired losses on trade receivables previously written off	–	(279)	(30)	(31)
Interest expense on convertible bonds	–	–	–	1,696
Interest income	–	(1,859)	(8)	(3,800)
Write-off of plant and equipment	–	783	–	–
Impairment loss recognised on goodwill	–	4,459	4,459	–
Operating cash flows before movements in working capital	(192)	(11,218)	(6,707)	2,275
(Increase)/decrease in trade receivables	–	(14,164)	12,558	(50,620)
Decrease/(increase) in other receivables, deposits and prepayments	–	304	(266)	(271)
Increase/(decrease) in trade payables	–	3,572	(15,738)	73,846
Increase/(decrease) in accruals and other payables	7	96	(79)	(76)
(Increase)/decrease in bank balances – segregated accounts	–	(27,210)	734	(68,024)

	From 18 August 2015 (date of incorporation) to 31 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016	
				2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
NET CASH USED IN OPERATING ACTIVITIES	(185)	(48,620)	(9,498)	(42,870)
INVESTING ACTIVITIES				
Purchases of plant and equipment	–	(3,468)	(3,463)	(37)
Interest received	–	1,859	8	3,800
Acquisition of a subsidiary *(Note 30)*	(21,553)	–	–	–
NET CASH USED IN/(FROM) INVESTING ACTIVITIES	(21,553)	(1,609)	(3,455)	3,763
FINANCING ACTIVITIES				
Proceeds from issuance of convertible bonds	–	–	–	50,000
Advance from ultimate holding company	–	–	–	2
Advance from immediate holding company	8,045	67,965	46,200	–
Advance from fellow subsidiaries	18,955	2,810	2,810	–
Repayment to fellow subsidiaries	–	(21,765)	–	–
NET CASH FROM FINANCING ACTIVITIES	27,000	49,010	49,010	50,002
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,262	(1,219)	36,057	10,895
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	–	5,262	5,262	4,043
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, Represented by bank balances and cash – general accounts	5,262	4,043	41,319	14,938

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information and basis of preparation and presentation

General information

The Target Company is incorporated in Hong Kong with limited liability. The principal activity of the Target Company is investment holding. Details of the principal activities of its subsidiary, Eternal Pearl Securities Limited ("Eternal Pearl"), are set out in note 30.

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.

As at the end of the Relevant Periods, the Target Company has the following subsidiary:

Name of subsidiary	Date and place of incorporation	Issued and fully paid share capital	Equity attributable to the Target Company	Principal activities
Eternal Pearl	24 October 2013, Hong Kong	HK$100,000,000	100% *(Note 1)*	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 the 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 auditor of Eternal Pearl for the year ended 31 December 2015 and for period from 1 January 2016 to 31 March 2017 was T. O. Yip & Co. Ltd.

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 18 August 2015 (date of incorporation) to 31 December 2016 was prepared in accordance with HKFRSs issued by the HKICPA and were audited by SHINEWING (HK) CPA Limited, certified public accountants registered in Hong Kong.

The Historical 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 had net current liabilities and capital deficiency of approximately HK$16,910,000 and HK$2,329,000 as at 30 September 2017. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern. The Historical 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 30 September 2017 for a period of at least 12 months from 30 September 2017. The directors of the Target Company are therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. The Historical 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 Historical Financial Information during the Relevant Periods, the Target Company has consistently applied all the applicable HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("Ints") (hereinafter collectively referred to as "new and revised HKFRSs"), issued by the HKICPA which are effective for the financial year beginning on 1 April 2017 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[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Lease[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensations[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]

1 *Effective for annual periods beginning on or after 1 January 2018.*
2 *Effective for annual periods beginning on or after 1 January 2019.*
3 *Effective date not yet been determined.*

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

New and revised HKFRSs issued but not yet effective

HKFRS 9 (2014) Financial Instrument

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 HKFRS 9 (2014) 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 assessed the impact of the HKFRS 9 (2014) to the Target Group's Historical Financial Information as follows:

Classification and measurement

The directors of the Target Company do not expect the adoption of HKFRS 9 (2014) will have a significant impact on the classification and measurement of its financial assets.

Impairment

The directors of the Target Company expect to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The directors of the Target Company will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9 (2014).

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 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 Group as at 30 September 2017.

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 25, total operating lease commitment of the Target Group in respect of leased premise as at 30 September 2017 amounted to approximately HK$3,040,000. Upon the adoption of HKFRS 16, the directors of the Target Company expect 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 Historical Financial Information of the Target Group in future as right-of-use assets and lease liabilities and the directors of the Target Company do 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.

3. Significant accounting policies

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

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

The principle accounting policies are set out below.

Basis of consolidation

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

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

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

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

Income and expenses of subsidiary are included in the consolidated 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-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 clients 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.

Borrowing costs

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

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 Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary 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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Cash and cash equivalents

Bank balances and cash – general accounts in the consolidated statements 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 statements 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 consolidated statements of 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 receivables 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 receivables 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 receivable or 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 amounts due to 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 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.

Convertible bonds

Convertible bonds issued by the Target Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Target Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity ("convertible bonds – equity conversion reserve").

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in "convertible bonds – equity conversion reserve" until the embedded option is exercised (in which case the balance stated in "convertible bonds – equity conversation reserve" will be transferred to share capital. Where the option remains unexercised at the expiry date, the balance stated in "convertible bonds – equity conversation reserve" will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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 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 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.

Critical judgements in applying accounting policies

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

Going concern and liquidity

The assessment of the going concern assumptions involves making judgement by the directors 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 directors 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 period.

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 March 2016, 2017 and 30 September 2017, the carrying amounts of goodwill were HK$4,459,000, nil and nil respectively, net of accumulated impairment of approximately nil, HK$4,459,000 and 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 March 2016, 2017 and 30 September 2017, the carrying amounts of trade and other receivables were approximately HK$27,614,000, HK$41,931,000 and HK$92,773,000 respectively. No accumulated impairment loss was recognised for trade and other receivables as at 31 March 2016, 2017 and 30 September 2017.

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 period and the estimate will be changed in the future period. As at 31 March 2016, 2017 and 30 September 2017, the carrying values of plant and equipment were approximately HK$2,195,000, HK$3,817,000 and HK$3,436,000 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 infinite 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 infinite 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. The carrying amounts of plant and equipment and intangible assets with infinite useful lives as at 31 March 2016, 2017 and 30 September 2017 were approximately HK$2,195,000 and HK$7,978,000, HK$3,817,000 and HK$7,978,000, HK$3,344,000 and HK$7,978,000 respectively. No accumulated impairment was recognised for plant and equipment and intangible assets as at 30 September 2017.

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 period.

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

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

The directors of the Target Company also endeavor 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 are required to comply with certain minimum capital requirements according to the rules of SFC. Management monitors, on a daily 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

	As at 31 March 2016	As at 31 March 2017	As at 30 September 2017
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loan and receivables (including cash and cash equivalents)	51,928	92,044	221,792
Financial liabilities			
At amortised cost	65,919	118,597	234,835

(b) Financial risk management objectives and policies

The Target Group's and the Target Company's major financial instruments include trade receivables and other receivables, deposits, bank balances and cash, trade and other payables, accruals, amount due to fellow subsidiaries and immediate holding company and convertible bonds. 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 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 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 statements of financial position.

The Target Group's major financial assets include trade receivables, other receivables, deposits, 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 directors of the Target Company consider 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 March 2016, 31 March 2017 and 30 September 2017, the top and top 5 of margin clients constitute 23% and 68%, 28% and 79%, 33% and 70% of trade receivables from margin clients respectively. The total market value of securities pledged as collateral in respect of the top and these top 5 margin clients were approximately HK$3,011,000 and HK$4,747,000, HK$26,612,000 and HK$66,899,000, HK$34,888,000 and HK$79,683,000 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 30 September 2017, the Target Group had net current liabilities of approximately HK$16,910,000. 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 30 September 2017 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 Target 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 Target 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

	On demand or within one year	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2016			
Non-derivative financial liabilities			
Trade payables	38,346	38,346	38,346
Accruals and other payables	573	573	573
Amount due to fellow subsidiaries	18,955	18,955	18,955
Amount due to immediate holding company	8,045	8,045	8,045
	65,919	65,919	65,919
At 31 March 2017			
Non-derivative financial liabilities			
Trade payables	41,918	41,918	41,918
Accruals and other payables	669	669	669
Amount due to immediate holding company	76,010	76,010	76,010
	118,597	118,597	118,597

	On demand or within one year *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 30 September 2017					
Non-derivative financial liabilities					
Trade payables	115,764	–	–	115,764	115,764
Accruals and other payables	1,052	–	–	1,052	1,052
Amount due to ultimate holding company	2	–	–	2	2
Amount due to immediate holding company	76,010	–	–	76,010	76,010
Convertible bonds	1,000	1,000	50,541	52,541	42,007
	193,828	1,000	50,541	245,369	234,835

(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 directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values due to their immediate or short-term maturities.

7. Revenue

The following is an analysis of the Target Group's revenue for the period.

	From 18 August 2015 (date of incorporation) to 31 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016	Six months ended 30 September 2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Commission income from dealing in securities and futures	–	1,859	1,138	1,179
Commission income from placing and underwriting	–	2,850	–	7,221
Handling fee income	–	125	106	118
Interest income from margin clients	–	1,858	8	3,798
	–	6,692	1,252	12,316

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 directors of the Target Company) review 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 the 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. At the end of the Relevant Periods, the Target Group's non-current assets by location 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 income

	From 18 August 2015 (date of incorporation) to 31 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016	2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Recoveries on impaired losses on trade receivables previously written off	–	279	30	31
Interest income from bank deposits	–	1	–	2
Sundry income	–	75	–	462
	–	355	30	495

9. Finance cost

	From 18 August 2015 (date of incorporation) to 31 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016	2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Effective interest expense on convertible bonds	–	–	–	1,696

10. (Loss)/profit before tax

	From 18 August 2015 (date of incorporation) to 31 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016	2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
(Loss)/profit for the period/year has been arrived after charging:				
Sole director's emoluments	–	–	–	–
Staff costs (excluding sole director's emoluments)				
– staff salaries, allowances and benefits in kind	–	6,826	3,430	3,780
– retirement benefits scheme	–	215	105	110
Total staff costs	–	7,041	3,535	3,890
Auditor's remuneration	7	157	–	–
Depreciation of plant and equipment	–	1,062	586	510
Write-off of plant and equipment	–	783	–	–
Minimum lease payments paid under operating leases in respect of office premises	–	2,528	1,411	1,005

11. Income tax credit

	From 18 August 2015 (date of incorporation) to 31 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016	2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Deferred taxation *(Note 23)*	–	69	152	48

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 period from 18 August 2015 (date of incorporation) to 31 March 2016, the year ended 31 March 2017 and six months ended 30 September 2016.

No tax is payable on the profit for the six months ended 30 September 2017 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Tax losses carried forward amount to approximately HK$33,685,000.

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

	From 18 August 2015 (date of incorporation) to 31 March	Year ended 31 March	Six months ended 30 September	
	2016	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
(Loss)/profit before tax	(192)	(15,384)	(11,714)	3,900
Tax at Hong Kong Profits Tax rate of 16.5%	(32)	(2,539)	(1,932)	643
Tax effect of expenses not deductible for tax purpose	32	568	553	220
Tax effect of tax loss not recognised	–	1,902	1,227	–
Utilisation of tax losses previously not recognised	–	–	–	(911)
Income tax credit	–	(69)	(152)	(48)

12. Sole director's and employees' emoluments

(a) Sole 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 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016	2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Target 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 sole director during the Relevant Periods.

No emoluments were paid by the Target Group to the sole director 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) *Employee's emoluments*

Of the five individuals with the highest emoluments in the Target Group for the period from 18 August 2015 (date of incorporation) to 31 March 2016, year ended 31 March 2017 and six months ended 30 September 2016 (unaudited) and 2017, none was the director and the chief executive of the Target Company. The aggregate emoluments of these five individuals were as follows:

	From 18 August 2015 (date of incorporation) to 31 March	Year ended 31 March	Six months ended 30 September	
	2016	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Salaries, allowances and benefits in kinds	–	3,992	1,956	2,299
Retirement benefits scheme contributions	–	92	48	45
	–	4,084	2,004	2,344

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 March 2016 and his emolument is included in the disclosures in note 12(a) above.

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:

	From 18 August 2015 (date of incorporation) to 31 March	Year ended 31 March	Six months ended 30 September	
	2016	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Nil to HK$1,000,000	–	4	5	5
HK$1,000,001 to HK$2,000,000	–	1	–	–
	–	5	5	5

13. 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.

14. 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	–	–	–	–	–
Acquired upon acquisition of a subsidiary *(Note 30)*	940	37	191	1,026	2,194
At 31 March 2016 and 1 April 2016	940	37	191	1,026	2,194
Addition	2,322	231	29	886	3,468
Write-off	(940)	(37)	(124)	(64)	(1,165)
At 31 March 2017 and 1 April 2017	2,322	231	96	1,848	4,497
Addition	–	–	–	37	37
At 30 September 2017	2,322	231	96	1,885	4,534
ACCUMULATED DEPRECIATION					
At date of incorporation, 31 March 2016 and 1 April 2017	–	–	–	–	–
Provided for the year	657	40	63	302	1,062
Write-off	(320)	(10)	(26)	(26)	(382)
At 31 March 2017 and 1 April 2017	337	30	37	276	680
Provided for the period	232	23	10	245	510
At 30 September 2017	569	53	47	521	1,190
CARRYING VALUES					
At 31 March 2016	940	37	191	1,027	2,195
At 31 March 2017	1,985	201	59	1,572	3,817
At 30 September 2017	1,753	178	49	1,364	3,344

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%

15. Goodwill

	As at 31 March 2016	As at 31 March 2017	As at 30 September 2017
	HK$'000	*HK$'000*	*HK$'000*
COST			
At the beginning of the financial year/period	–	4,459	4,459
Arising on acquisition of a subsidiary *(Note 30)*	4,459	–	–
At the end of the financial year/period	4,459	4,459	4,459
IMPAIRMENT			
At the beginning of the financial year/period	–	–	4,459
Impairment loss recognised during the year/period	–	4,459	–
At the end of the financial year/period	–	4,459	4,459
CARRYING AMOUNTS			
At the end of the financial year/period	4,459	–	–

Impairment testing of goodwill

At the end of the Relevant Periods, the amount represents goodwill arising from acquisition of subsidiary, including the entire equity interest in Eternal Pearl of approximately HK$22,356,000 acquired during the period from 18 August 2015 (date of incorporation) to 31 March 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 March 2016 of approximately HK$4,459,000 is allocated to that CGU.

During the year ended 31 March 2017, the Target Group recognised an impairment loss of approximately HK$4,459,000 in relation to goodwill arising on acquisition of Eternal Pearl.

The recoverable amount of Eternal Pearl of approximately HK$11,998,000 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 directors 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 March 2017.

16. Other intangible assets

	Trading rights		
	As at 31 March 2016	**As at 31 March 2017**	**As at 30 September 2017**
	HK$'000	*HK$'000*	*HK$'000*
COST			
At the beginning of the financial year/period	–	7,978	7,978
Arising on acquisition of a subsidiary *(Note 30)*	7,978	–	–
At the end of the financial year/period	7,978	7,978	7,978
CARRYING AMOUNTS			
At the end of the financial year/period	7,978	7,978	7,978

Trading rights mainly comprise the trading rights in The Stock Exchange of Hong Kong Limited (the "SEHK") and the Hong Kong Futures Exchange Limited (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 directors 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 Relevant Periods as the directors of the Target Company are of the opinion that the recoverable amount was higher than the carrying amount. The recoverable amount has been determined based on fair value of trading rights.

The fair values of the Target Group's intangible assets at the end of Relevant Periods have been determined by the directors of the Target Company. The valuation performed by the directors of the Target Company were arrived at by reference to recent market prices for similar assets in similar transaction and conditions.

17. Trade receivables

The followings are the balances of trade receivable, net of impairment losses:

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 30 September 2017 *HK$'000*
Trade receivables arising from the business of securities dealing and broking:			
– Cash clients	866	83	49
– Margin clients	3,568	41,103	92,515
– Hong Kong Securities Clearing Company Limited ("HKSCC")	5,419	291	–
	9,853	41,477	92,564
Trade receivables arising from the business of futures dealing and broking:			
– Hong Kong Exchanges and Clearing Limited	17,635	454	18
	27,488	41,931	92,582

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 directors of the Target Company consider 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 Relevant Periods based on the trade date which approximated the respective revenue recognition dates was as follows:

	As at 31 March 2016	**As at 31 March 2017**	**As at 30 September 2017**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	23,920	828	67

As at 31 March 2016, 31 March 2017 and 30 September 2017, trade receivables from cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK$9,009,000, HK$83,329,000 and HK$234,288,000 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 March 2016, 31 March 2017 and 30 September 2017 included in the total trade receivables, approximately HK$4,434,000, HK$41,186,000 and HK$92,564,000 respectively were interest bearing whereas approximately HK$23,054,000, HK$745,000 and HK$18,000 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 Target 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 approximately HK$113,000, HK$43,000 and HK$20,000 respectively which were past due as at 31 March 2016, 31 March 2017 and 30 September 2017 for which the Target Group has not provided for impairment loss.

In respect of trade receivables from cash 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 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 30 September 2017 *HK$'000*
Over 30 days	113	43	20

Trade receivables from cash client that were neither past due nor impaired at the each reporting date related to a wide range of clients for whom there was no recent history of default, for which the directors of the Target Company believe that the amounts are considered recoverable.

Trade receivables from cash clients and margin 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 March 2016, 31 March 2017 and 30 September 2017, the Target Group holds the pledged securities at fair values of approximately HK$9,009,000, HK$83,329,000 and HK$234,288,000 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. The directors of the Target Company considered that the amounts are recoverable by reference to the nature of the balances and credit history of counter parties.

For the cash clients overdue, interest was charged at prime rate basis plus a spread.

During the year ended 31 March 2017 and six months ended 30 September 2016 (unaudited) and 2017, trade receivables previously written off amounted to approximately HK$279,000, HK$30,000 and HK$31,000, respectively were recovered.

18. Other Receivables, Deposits And Prepayments

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 30 September 2017 *HK$'000*
Other receivables	126	–	191
Deposits			
– SEHK deposit	575	530	530
– HKFE deposit	2,635	2,509	2,500
– Central Clearing and Settlement System ("CCASS") Admission fee deposit	250	250	250
– CCASS Guarantee fund	250	250	250
– Rental and utility deposits	672	574	574
– Sundry deposits	–	77	73
	4,382	4,190	4,177
Prepayments	130	144	237
	4,638	4,334	4,605
Analysed as:			
Non-current	4,382	4,113	4,104
Current	256	221	501
	4,638	4,334	4,605

19. Bank balances and cash

	As at 31 March 2016	As at 31 March 2017	As at 30 September 2017
	HK$'000	*HK$'000*	*HK$'000*
Bank balances			
General accounts *(Note (i))*	5,260	4,036	14,929
Cash in hand	2	7	9
	5,262	4,043	14,938
Bank balances			
Segregated accounts *(Note (ii))*	14,670	41,880	109,904
	19,932	45,923	124,842

(i) Bank balances had not pledged with loan and facilities granted to the Target Group.

(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 statements 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 period from 18 August 2015 (date of incorporation) to 31 March 2016, year ended 31 March 2017 and six months ended 30 September 2017.

20. Trade payables

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 30 September 2017 *HK$'000*
Trade payables arising from the business of securities dealing and broking:			
– Cash clients	13,851	7,930	16,365
– Margin clients	1,465	33,139	92,336
– HKSCC	–	–	6,968
	15,316	41,069	115,669
Trade payables arising from the business of futures dealing and broking	23,030	849	95
	38,346	41,918	115,764

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.

Trade payables to HKSCC are current which represent pending trades arising from the business of dealing in securities, normally due within two days after the trade date in accordance with the settlement requirements in Hong Kong market.

For trade payables arising from the business of futures dealing and broking, no aged analysis is disclosed as in the opinion of the directors 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 March 2016, 31 March 2017 and 30 September 2017, trade payables of securities clients approximately HK$14,670,000, HK$41,880,000 and HK$109,904,000 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.

21. Accruals and other payables

	As at 31 March 2016	**As at 31 March 2017**	**As at 30 September 2017**
	HK$'000	*HK$'000*	*HK$'000*
Interest payable on convertible bonds	–	–	459
Accruals	87	162	56
Other payables	486	507	537
	573	669	1,052

22. Amounts due to fellow subsidiaries/ultimate holding company/immediate holding company

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

23. Deferred tax liabilities

The following are the major deferred tax liabilities recognised and movements thereon during the period:

	Fair value adjustments arising from acquisition of a subsidiary	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At incorporation	–	–	–
Acquisition of a subsidiary	813	149	962
At 31 March 2016 and 1 April 2016	813	149	962
Credited to profit or loss *(Note 11)*	–	(69)	(69)
At 31 March 2017 and 1 April 2017	813	80	893
Credited to profit or loss *(Note 11)*	–	(48)	(48)
At 30 September 2017	813	32	845

As at 31 March 2016, 31 March 2017 and 30 September 2017, the Target Group have unused tax losses of HK$27,929,000, HK$38,821,000 and HK$33,303,000 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.

24. Share capital

	Number of shares	*HK$*	*Presented in HK$'000*
Issued and fully paid:			
Issued upon incorporation and at 31 March 2016, 31 March 2017 and 30 September 2017	1	1	–*

* *The balance represents an amount less than 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.

25. Operating lease commitments

At the end of the reporting 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 March 2016 *HK$'000*	**As at 31 March 2017** *HK$'000*	**As at 30 September 2017** *HK$'000*
Within one year	1,624	1,920	1,920
In the second to fifth year inclusive	2,300	2,080	1,120
	3,924	4,000	3,040

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.

26. Retirement benefits scheme

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 Target 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 period from 18 August 2015 (date of incorporation) to 31 March 2016, year ended 31 March 2017 and six months ended 30 September 2016 (unaudited) and 2017, the total retirement benefits scheme contributions charged to the consolidated statements of profit or loss and other comprehensive income approximately to nil, HK$215,000, HK$105,000 and HK$110,000 respectively.

27. Convertible bonds

The Target Company has raised HK$50,000,000 by way of issuing convertible bonds with 2% coupon rate payable annually at a total principal value of HK$50,000,000 on 11 April 2017 ("CB1") and 18 April 2017 ("CB2") to three independent third parties. These convertible bonds will mature on 11 April 2020 and 18 April 2020 respectively at their principal amounts or can be converted into 12.5% of the issued share capital in the Target Company.

The proceeds from the issuance of these convertible bonds of HK$50,000,000 have been split into liability and equity components. The fair values of the liability component of these convertible bonds of approximately HK$40,770,000 was valued by an independent valuer, Roma Appraisals Limited as at 31 December 2017, using Binomial Option Pricing Model. These convertible bonds comprise a liability component and an equity conversion component. The fair values of the liability component of these convertible bonds are calculated using cash flows discounted at a rate based on an equivalent market interest rate of 9.0% for CB1 and 9.1% for CB2 per annum respectively for equivalent non-convertible bonds using market comparable approach. The residual amounts are assigned as the equity component and are included in the "Convertible bonds – equity conversion reserve" under reserve of the Target Company.

The convertible bonds recognised in the consolidated statement of financial position are as follows:

	CB1	**CB2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Fair value of liability component	8,142	32,628	40,770
Fair value of equity component	1,858	7,372	9,230
Fair value of the convertible bonds issued	10,000	40,000	50,000

The movement of the liability components of the convertible bonds are set out below:

	CB1	**CB2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Liability component on initial recognition	8,142	32,628	40,770
Add: Effective interest expense	353	1,343	1,696
Less: interest payable	(92)	(367)	(459)
Liability component at 30 September 2017	8,403	33,604	42,007

28. Related party transactions

Apart from the balances with related parties disclosed in note 22 in the Historical Financial Information, during the Relevant Periods, the Target Group had the following transactions with its related parties:

(i) Compensation of key management personnel

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

	From 18 August 2015 (date of incorporation) to 31 March	Year ended 31 March	Six months ended 30 September	
	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Short-term benefits	–	4,900	2,347	2,515
Post-employment benefits	–	130	63	59
	–	5,030	2,410	2,574

29. Reconciliation of liabilities arising from financing activities

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

	Amounts due to fellow subsidiaries *HK$'000*	Amount due to ultimate holding company *HK$'000*	Amount due to immediate holding company *HK$'000*	Convertible bonds *HK$'000*	Total *HK$'000*
At date of incorporation	–	–	–	–	–
Financing cash flows *(note)*	18,955	–	8,045	–	27,000
At 31 March 2016 and 1 April 2016	18,955	–	8,045	–	27,000
Financing cash flows *(note)*	(18,955)	–	67,965	–	49,010
At 31 March 2017 and 1 April 2017	–	–	76,010	–	76,010
Financing cash flows *(note)*	–	2	–	50,000	50,002
Non-cash changes:					
Equity component of convertible bond	–	–	–	(9,230)	(9,230)
Effective interest expense	–	–	–	1,696	1,696
Interest payable	–	–	–	(459)	(459)
At 30 September 2017	–	2	76,010	42,007	118,019
At 1 April 2016	18,955	–	8,045	–	27,000
Financing cash flows *(note)*	2,810	–	46,200	–	49,010
At 30 September 2016	21,765	–	54,245	–	76,010

Note: The financing cash flows represent the proceeds from issuance of convertible bonds, advance from/repayment to ultimate holding company/immediate holding company/fellow subsidiaries in the consolidated statements of cash flows.

30. 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	27,488
Other receivables, deposits and prepayments	256
Bank balances – segregated accounts	14,670
Bank balances and cash – general accounts	5,262
Trade payables	(38,346)
Accruals and other payables	(566)
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 statements 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)

Eternal Pearl did not contribute revenue and loss for the period from 18 August 2015 (date of incorporation) to 31 March 2016 to the Target Group after acquisition.

Had the acquisition been completed and the Target Company been set up on 1 April 2015, revenue for the year of approximately HK$1,338,000 would be attributed to the Target Group and loss for the year would have been approximately HK$1,630,000. 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 April 2015, nor is it intended to be a projection of future results.

31. Statement of finanical position of the Target Company

	As at 31 March 2016 HK$'000	As at 31 March 2017 HK$'000	As at 30 September 2017 HK$'000
Non-current assets			
Investment in a subsidiary	26,815	75,815	75,815
	26,815	75,815	75,815
Current assets			
Loan to a subsidiary	–	–	50,000
Other receivables	–	–	459
Bank balances and cash – general accounts	–	9	8
	–	9	50,467
Current liabilities			
Accruals and other payables	6	–	459
Amounts due to fellow subsidiaries	18,955	–	–
Amount due to ultimate holding company	–	–	2
Amount due to immediate holding company	8,045	76,010	76,010
Convertible bonds	–	–	42,007
	27,006	76,010	118,478
Net current liabilities	(27,006)	(76,001)	(68,011)
Total assets less current liabilities	(191)	(186)	7,804
Capital and reserves			
Share capital	–*	–*	–*
Convertible bonds – equity conversion reserve *(Note)*	–	–	9,230
Accumulated losses *(Note)*	(191)	(186)	(1,426)
Total equity	(191)	(186)	7,804

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

Note:

Reserves of the Target Company

	Accumulated losses	Convertible bonds – equity conversion reserve	Total
	HK'000	*HK'000*	*HK'000*
At 18 August 2015 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	(191)	–	(191)
At 31 March 2016 and 1 April 2016	(191)	–	(191)
Profit and total comprehensive income for the year	5	–	5
At 31 March 2017 and 1 April 2017	(186)	–	(186)
Loss and total comprehensive expense for the periods	(1,240)	–	(1,240)
Issue of convertible bonds	–	9,230	9,230
At 30 September 2017	(1,426)	9,230	7,804

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company, or its subsidiary have been prepared in respect of any period subsequent to 30 September 2017 and up to the date of this report.

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 II to this circular.

(I) FOR THE PERIOD FROM 18 AUGUST 2015 (DATE OF INCORPORATION OF BARTHA INTERNATIONAL) TO 31 MARCH 2016

Business Review and Financial Review of Operations

Business and Financial Summary

For the period from 18 August 2015 to 31 March 2016, 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 March 2016.

Loss for the period

The Bartha Group recorded a loss of approximately HK$192,000 for the period from 18 August 2015 to 31 March 2016. It was mainly attributable to the payment of consultancy services of HK$128,000 and other expenses of approximately HK$64,000 in relation to the setup costs incurred during the period.

Liquidity and Financial Resources

Net current liabilities

As at 31 March 2016, the net current liabilities of the Bartha Group amounted to approximately HK$18.2 million. The current ratio, represented by current assets divided by current liabilities, was 0.72.

For the period from 18 August 2015 to 31 March 2016, 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 March 2016, 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 March 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 March 2016.

Capital Commitments

The Bartha Group did not have any capital commitments as at 31 March 2016.

Employees

The Bartha Group had no employee as at 31 March 2016. No staff cost had been incurred for the period from 18 August 2015 to 31 March 2016.

Foreign Currency Exposure

As at 31 March 2016, 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 March 2016.

(II) FOR THE YEAR ENDED 31 MARCH 2017

Business Review and Financial Review of Operations

Dealings in securities and futures contracts business

Prior to Bartha International's acquisition of 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 March 2017, the Bartha Group recorded a revenue of approximately HK$6.7 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$6.3 million.

Loss for the year

The Bartha Group recorded a loss after income tax credit for the year of approximately HK$15.3 million for the year ended 31 March 2017. The loss was mainly attributable to (i) administrative expenses of approximately HK$17.6 million; (ii) the impairment of goodwill of approximately HK$4.5 million.

Other intangible assets

Other intangible assets of approximately HK$8 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 (i) margin trading clients of approximately HK$41.1 million; (ii) cash clients of approximately HK$83,000; and (iii) Hong Kong Securities Clearing Company Limited of approximately HK$745,000.

Amount due to immediate holding company

It represents the amount due to Bartha Holdings of approximately HK$76 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 capitalizing 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 March 2017, the net current liabilities of Bartha Group amounted to approximately HK$30 million. The current ratio, represented by current assets divided by current liabilities, was approximately 0.74.

For the year ended 31 March 2017, 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 Bartha International) to 31 March 2017, Eternal Pearl had complied with all the statutory requirements.

Capital Structure and Gearing Ratio

As at 31 March 2017, the Bartha Group did not have any borrowings. Thus, the gearing ratio of Bartha Group was not applicable.

Charges of Assets

As of 31 March 2017, none of the Bartha Group's assets was pledged.

Contingent Liabilities

The Bartha Group did not have any material contingent liability as at 31 March 2017.

Capital Commitments

The Bartha Group did not have any capital commitments as at 31 March 2017.

Employees

The Bartha Group had a total of 15 employees as at 31 March 2017. Total staff costs comprise staff salaries, allowance and benefit in kind and retirement benefits scheme amounted to approximately HK$4 million for the period from 31 March 2016 to 31 March 2017. 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 March 2017, 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 31 March 2016, the Bartha Group did not have any significant investment, material acquisition or disposal for the year ended 31 March 2017.

(III) FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2017

Business Review and Financial Review of Operations

Dealings in securities and futures contracts business

As aforementioned, 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 6 months ended 30 September 2017, the Bartha Group recorded a revenue of approximately HK$12.3 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$12.3 million.

Profit for the period

The Bartha Group recorded a profit after income tax credit for the period of approximately HK$3.9 million for the 6 months ended 30 September 2017. It 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.

Other intangible assets

Other intangible assets of approximately HK$8 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 (i) margin trading clients of approximately HK$92.5 million; (ii) cash clients of approximately HK$49,000; and (iii) Hong Kong Securities Clearing Company Limited of approximately HK$18,000.

Amount due to immediate holding company

It represents the amount due to Bartha Holdings of approximately HK$76 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 capitalizing 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 30 September 2017, the net current liabilities of Bartha Group amounted to approximately HK$16.9 million. The current ratio, represented by current assets divided by current liabilities, was approximately 0.9.

For the interim ended 30 September 2017, 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 2017 to 30 September 2017, Eternal Pearl had complied with all the statutory requirements.

Capital Structure and Gearing Ratio

As at 30 September 2017, the Bartha Group did not have any borrowings. Thus, the gearing ratio of Bartha Group was not applicable.

Charges of Assets

As of 30 September 2017, none of the Bartha Group's assets was pledged.

Contingent Liabilities

The Bartha Group did not have any material contingent liability as at 30 September 2017.

Capital Commitments

The Bartha Group did not have any capital commitments as at 30 September 2017.

Employees

The Bartha Group had a total of 15 employees as at 30 September 2017. Total staff costs comprise staff salaries, allowance and benefit in kind and retirement benefits scheme amounted to approximately HK$2.3 million for the period from 31 March 2017 to 30 September 2017. 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 30 September 2017, 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

The Bartha Group did not have any significant investment, material acquisition or disposal for the interim ended 30 September 2017.

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 Guangdong 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.

(i) The forecast of the consolidated profit attributable to the equity holders of the Bartha Group for the year ending 31 March 2018 is set out in the section headed "Letter from the Board – profit forecast of the Bartha Group for the year ending 31 March 2018" in this circular.

BASES

The estimated profit attributable to the equity holders of the Bartha Group for the year ending March 2018 is prepared by the directors of Bartha International on the basis of the accounting policies consistent in all material respects with those currently adopted by the Bartha Group as summarised in Appendix II to this circular, and has been prepared based on the audited financial results of the Bartha Group for the six months ended 30 September 2017 as set out in Appendix II to this circular and the unaudited management accounts of the Bartha Group for the two months ended 30 November 2017.

ASSUMPTIONS

1. The Bartha Group will be able to continually obtain adequate finance for its business and operate as a going concern in the foreseeable future.

2. There will be no material changes in the existing government policies or political, legal, fiscal, market or economic conditions in Hong Kong.

3. There will be no material changes in legislation or regulations or rules in the operating regions which will adversely affect the business of the Bartha Group.

4. There will be no material changes in the bases or rates of taxation in Hong Kong.

5. The Bartha Group's operations will not be adversely affected by interruptions to the labour disputes, for reasons that are beyond the control of the Directors.

6. The directors of Bartha International are not aware of any extraordinary or exceptional items which will arise during the forecasting period ending 31 March 2018. Thus, no such items are forecasted in the profit forecast.

7. There will be no change to existing accounting policies from those stated in the accountants' report of the Bartha Group for period ended 31 March 2016; the year ended 31 March 2017; and the six months ended 30 September 2017.

8. The payments of general and administrative expense are assumed to be paid in the month in which they are incurred.

9. The directors of Bartha International do not expect to pay any dividend nor to do any share repurchase during the period of the profit forecast.

(ii) Letter from SHINEWING

The following is the text of a letter, prepared for inclusion in this circular, received from the reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, in relation to the Bartha Group's profit forecast for the year ending 31 March 2018.

信永中和 ShineWing

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

28 February 2018

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

Dear Sirs,

BARTHA INTERNATIONAL LIMITED (THE "TARGET COMPANY") AND ITS SUBSIDIARY (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "TARGET GROUP")

Profit Forecast for Year Ending 31 March 2018

We refer to the forecast of the consolidated profit of the Target Group attributable to equity holders of the Target Company for the year ending 31 March 2018 (the ''Profit Forecast'') set forth in the section headed Profit Forecast in the circular dated 28 February 2018 (the ''Circular''). The Profit Forecast has been prepared to enable the directors of Madison Holdings Group Limited (the ''Company'') to make the following statement in the Company's announcement dated 17 November 2017.

''Based on the above achievement and business plan, it expected that the Bartha Group shall be able to achieve a revenue of approximately HK$22 million and a profit of approximately HK$9 million respectively for the year ending 31 March 2018, thereby 60% of the Guaranteed Profit shall be met as at 31 March 2018.''

Directors' Responsibilities

The Profit Forecast has been prepared by the directors of the Target Company based on the audited consolidated results of the Target Group for the six months ended 30 September 2017, the unaudited consolidated results based on the management accounts of the Target Group for the two months ended 30 November 2017 and a forecast of the consolidated results of the Target Group for the remaining four months ending 31 March 2018.

The directors of the Target Company are solely responsible for the Profit Forecast.

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 Hong Kong Institute of Certified Public Accountants (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 Accountant's Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Target Company's directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors of the Target Company and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Target Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors of the Target Company as set out in Appendix IV of the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Target Group as set out in our accountants' report dated 28 February 2018, the text of which is set out in Appendix II of the Circular.

Yours faithfully,

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

(iii) Letter from the Board in relation to the profit forecast

MADISON GROUP®

Madison Holdings Group Limited

麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

28 February 2018

The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

We refer to the profit forecast (the "profit forecast") of Bartha International Limited and its subsidiary (collectively, the "Bartha Group") prepared by Bartha Holdings Limited ("Bartha Holdings"), which is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

We have discussed with Bartha Holdings about different aspects including the bases and assumptions upon which the profit forecast has been prepared, and reviewed the profit forecast for which Bartha Holdings is responsible. We have also considered the report from our reporting accountant, SHINEWING (HK) CPA Limited, regarding whether the profit forecast was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the profit forecast prepared by Bartha Holdings has been made after due and careful enquiry.

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

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

28 February 2018

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

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Madison Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 September 2017, and related notes as set out on pages V-5 to V-8 of the circular in connection with (i) the entering into of the deed of modifications to alter the terms and conditions of the exchangeable bonds; and (ii) the proposed exercise of the exchange rights attached to the exchangeable bonds (the "Proposed Exercise"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Notes 1 to 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 Exercise on the Group's financial position as at 30 September 2017 as if the Proposed Exercise had taken place at 30 September 2017. 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 2017, which has been included in the interim report for the six months ended 30 September 2017 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 Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of the Proposed Exercise on unadjusted financial information of the Group as if the Proposed Exercise 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 Exercise at 30 September 2017 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 Listing Rules.

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of Madison Holdings Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Bartha International Limited (the "Target Company") and its subsidiary (together, the "Target Group") (the Group including the Target Group hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") has been prepared by the directors of the Company (the "Directors") to illustrate the effect of proposed exercise of the exchange rights attached to the exchangeable bonds (the "Exchangeable Bonds") to exchange for 49% equity interest in the Target Company (the "Proposed Exercise").

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 Proposed Exercise as if the Proposed Exercise had been completed on 30 September 2017.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purpose only and based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group as at 30 September 2017 or at any future date had the Proposed Exercise been completed on 30 September 2017.

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 2017 and the historical financial information of the Target Company sets out in Appendix II to the circular and other financial information included elsewhere in the circular.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 SEPTEMBER 2017

	The Group as at 30 September 2017	The Target Group as at 30 September 2017		Pro forma adjustments			The Enlarged Group as at 30 September 2017
	HK$'000	*HK$'000*		*HK$'000*		*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		*(Note 3)*		*(Note 3)*	
Non-current assets							
Plant and equipment	6,114	3,344					9,458
Available-for-sale financial asset	120,226	–			*(c)*	(58,911)	61,315
Deposits	1,910	4,104					6,014
Deferred tax asset	913	–					913
Goodwill	3,817	–					3,817
Other intangible assets	–	7,978					7,978
	132,980	15,426					89,495
Current assets							
Inventories	57,991	–					57,991
Available-for-sale financial asset	15,333	–					15,333
Trade and other receivables	41,892	93,083					134,975
Amount due from ultimate holding company	16	–					16
Amount due from immediate holding company	28	–					28
Tax recoverable	1,951	–					1,951
Bank balances – segregated accounts	–	109,904					109,904
Bank balances and cash	31,573	14,938					46,511
	148,784	217,925					366,709
Current liabilities							
Trade and other payables	10,332	116,816			*(b), (c)*	750	127,898
Amount due to a director	193	–					193
Amount due to a fellow subsidiary					*(d)*	2	2
Amount due to ultimate holding company		2			*(d)*	(2)	–
Amount due to immediate holding company	–	76,010	*(a)*	(76,010)			–
Convertible bonds	97,370	42,007					139,377
Tax payable	79	–					79
	107,974	234,835					267,549
Net current assets/(liabilities)	40,810	(16,910)					99,160
Total assets less current liabilities	173,790	(1,484)					188,655
Equity							
Share Capital	4,000	–	*(a)*	76,010	*(c)*	(76,010)	4,000
Reserve	166,795	(2,329)			*(c)*	(21,228)	143,238
Non-controlling interest	(8,568)	–			*(c)*	37,577	29,009
Total equity	162,227	(2,329)					176,247
Non-current liabilities							
Promissory note	10,743	–					10,743
Deferred tax liability	20	845					865
Loan from a director	800	–					800
	11,563	845					12,408
	173,790	(1,484)					188,655

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 2017 as set out in the Company's published interim report for the six months ended 30 September 2017.

2. The financial information of the Target Group is extracted from audited consolidated statement of financial position of the Target Group as at 30 September 2017 as set out in Appendix II to the circular.

3. The pro forma adjustment represents the effect of the Proposed Exercise

   a) Upon the Deed of Modification having become effective, the Company intends to exercise the exchange rights to exchange for 4,900 shares in the Target Company to be owned by Bartha Holdings Limited ("Bartha Holdings") upon the loan capitalisation, representing 49% of the enlarged issued share capital of the Target Company upon the loan capitalisation.

      The Target Group is indebted to Bartha Holdings in the aggregate amount of approximately HK$76,010,000 ("Bartha Loan"). Pursuant to the subscription agreement, Bartha Holdings undertakes to CVP Financial Limited ("CVP Financial") that it shall procure the assignment of all Bartha Loan to it or by its associates or affiliates and it shall subscribe for new shares in the Target Company by way of capitalizing the Bartha Loan at the request of CVP Financial at any time when CVP Financial is entitled to exercise the Exchange Rights attached to Exchangeable Bonds.

      The Bartha Loan shall be capitalised into 9,999 shares in the Target Company prior to completion of the Proposed Exercise, and shall be fully acquired by CVP Financial at date of completion.

   b) The estimated legal and professional fee of approximately HK$750,000 is borne by the Group, which will be recognised in profit or loss and as a payable upon completion of Proposed Exercise.

   c) Upon completion of the Proposed Exercise, the assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and the Target Company are both under the control of Ting Pang Wan Raymond ("Mr. Ting"), the controlling shareholder of the Group and ultimate shareholder of the Target Group before and after the date of acquisition, and that control is not transitory. The adjustment represents the recognition of deemed contribution from Mr. Ting under merger accounting, representing the differences amongst the investment cost and the share capital of the Target Group.

      49% of the Exchangeable Bonds will be derecognised as at the date of completion of the Proposed Exercise.

The reserve is determined as follows:

	HK$'000
49% of the Exchangeable Bonds as at 30 September 2017 *(Note)*	58,911
Add: Estimated legal and professional fee for Proposed Exercise	750
Add: Share of net assets by 51% non-controlling interests in Target Group	37,577
Less: Elimination of share capital in the Target Group	(76,010)
Adjustment to reserve in the Enlarged Group	21,228

Note: The Exchangeable Bonds were measured at fair value as at 30 September 2017.

The fair value of the Exchangeable Bonds will have to be reassessed as at the date of completion of the Proposed Exercise which may be different from presented above.

d) The pro forma adjustment represents the reclassification of amount due to ultimate holding company of the Target Company of approximately HK$2,000 which will be reclassified as "amount due from a fellow subsidiary" upon the completion of the Proposed Exercise as that ultimate holding company of the Target Company will be considered as a fellow subsidiary to the Enlarged Group.

4. No adjustment has been made to the unaudited condensed pro forma financial information of the Enlarge Group to reflect any trading results or other transactions of the Group and Target Group entered subsequent to 30 September 2017.

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 Enlarged 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. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares, underlying shares and debentures of the Company

Name of Director	Capacity/nature of interest	Number of Shares	Number of underlying shares	Aggregate interest	Approximate percentage of interest
Mr. Ting *(Note 3 & 4)*	Interest in controlled corporations	1,968,000,000 *(Note 1)*	142,363,636 *(Note 2)*	2,110,363,636	52.76%

Notes:

1. These Shares were held by Royal Spectrum Holding Company Limited ("**Royal Spectrum**"), which is legally and beneficially wholly-owned as to 96.63% by Devoss Global Holdings Limited ("**Devoss Global**"), which, in turn, is legally and beneficially owned by Mr. Ting, and 3.37% by Montrachet Holdings Ltd. ("**Montrachet**"). Devoss Global is deemed to be interested in the Shares held by Royal Spectrum under Part XV of the SFO.

2. Details of the underlying Shares are as follow:

   - 6,000,000 share options granted to Devoss Global on 17 December 2015; and

   - 136,363,636 conversion shares of the Company which will be allotted and issued to Bartha Holdings, a company owned as to 85.25% by CVP Holdings Limited ("**CVP Holdings**"), which, in turn, is wholly-owned by Mr. Ting, upon the conversion of the Convertible Bonds issued by the Company on 28 July 2017.

3. Mr. Ting is deemed to be interested in (i) the Shares held by Royal Spectrum, (ii) the underlying shares held by Devoss Global, and (iii) the underlying shares held by Bartha Holdings respectively under Part XV of the SFO.

4. On 27 November 2017, Royal Spectrum pledged 199,600,000 Shares in favour of an Independent Third Party as a security of a loan in the amount of JPY2,000,000,000.

Long position in the Shares, underlying shares and debentures of the associated corporations

Name of the associated corporation	Name of Director	Capacity/nature of interest	Number of shares held in the associated corporation	Approximate percentage of shareholding in the associated corporation
Royal Spectrum *(Note)*	Mr. Ting	Interest in controlled corporation	9,663	96.63%
Devoss Global *(Note)*	Mr. Ting	Beneficial owner	1,000	100%

Note: Royal Spectrum is legally and beneficially wholly-owned as to 96.63% by Devoss Global, which, in turn, is legally and beneficially owned by Mr. Ting, and 3.37% by Montrachet, a company wholly-owned by Mr. Zhu Huixin, the father of Mr. Zhu Qin, the executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(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

Name of Shareholder	Capacity/nature of interest	*Notes*	Number of Shares	Number of underlying shares	Aggregate interest	Approximate percentage of interest
Royal Spectrum	Beneficial owner	*1 & 2*	1,968,000,000	–	1,968,000,000	49.20%
Devoss Global	Interest in controlled corporation	*1, 2 & 3*	1,968,000,000	6,000,000	1,974,000,000	49.35%
Ms. Luu Huyen Boi ("**Ms. Luu**")	Interest of spouse	*1, 2, 3 & 4*	1,968,000,000	142,363,636	2,110,363,636	52.76%
Mr. Ding Lu ("**Mr. Ding**")	Beneficial owner and Interest in controlled corporations	*5*	352,118,000	–	352,118,000	8.80%
Timebase Holdings Limited ("**Timebase**")	Beneficial owner	*6*	218,000,000	40,000,000	258,000,000	6.45%
Ms. Lu Mengjia ("**Ms. Lu**")	Interest in controlled corporation	*6*	218,000,000	40,000,000	258,000,000	6.45%
Keywood Limited ("**Keywood**")	Beneficial owner	*7*	180,000,000	40,000,000	220,000,000	5.50%
Mr. Han Hanting ("**Mr. Han**")	Interest in controlled corporation	*7*	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. 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. On 27 November 2017, Royal Spectrum pledged 199,600,000 Shares in favour of an Independent Third Party as a security of a loan in the amount of JPY2,000,000,000.

3. The underlying shares represents 6,000,000 share options granted to Devoss Global on 17 December 2015.

4. Ms. Luu is the spouse of Mr. Ting. Ms. Luu is deemed to be interested in all the Shares and underlying Shares in which Mr. Ting is interested in under Part XV of the SFO.

5. Mr. Ding is personally interested in 306,850,000 Shares. Mr. Ding is deemed to be interested in the 44,972,000 Shares and 296,000 Shares owned by Flying Bridge Investment Limited and OnCentury Limited respectively, both of which are legally and beneficially owned by Mr. Ding, under Part XV of the SFO.

6. The underlying shares represent 40,000,000 share options granted to Timebase on 17 December 2015. The entire issued share capital in Timebase is legally and beneficially owned by Ms. Lu. Ms. Lu is deemed to be interested in the Shares and underlying Shares in which Timebase is interested in under Part XV of the SFO.

7. The underlying shares represent 40,000,000 share options granted to Keywood on 17 December 2015. The entire issued share capital in Keywood is legally and beneficially owned by Mr. Han. Mr. Han is deemed to be interested in the Shares and underlying Shares in which Keywood is interested in under Part XV of the SFO.

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.

3. 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)).

4. 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 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities 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 2017 (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.

5. 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.

6. 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 subscription agreement dated 9 February 2017 entered into between CVP Financial as the subscriber and CVP Capital as the issuer, pursuant to which CVP Financial conditionally agreed to subscribe for and CVP Capital conditionally agreed to allot and issue new shares of CVP Capital which represent 60% of the entire issued share capital of CVP Capital as enlarged by such subscription at the subscription price of HK$14,000,000;

(b) the deed dated 9 February 2017 entered into between CVP Financial and Star Beauty Holdings Limited, an Independent Third Party, in relation to the grant of right of first refusal, tag along right and the put option;

(c) 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 right and the put option;

(d) the subscription agreement dated 10 February 2017 entered into between CVP Financial as issuer and China Yinsheng Qiqiao Fund, an Independent Third Party, as subscriber, pursuant to which China Yinsheng Qiqiao Fund conditionally agreed to subscribe for and CVP Financial conditionally agreed to allot and issue 267 new shares of CVP Financial at the subscription price of HK$8,000,000;

(e) the subscription agreement dated 10 February 2017 entered into between CVP Financial as issuer and Gallant Tech (I-Manufacturing) Limited, an Independent Third Party, as subscriber, pursuant to which Gallant Tech (I-Manufacturing) Limited conditionally agreed to subscribe for and CVP Financial conditionally agreed to allot and issue 1,066 new shares of CVP Financial at the subscription price of HK$32,000,000;

(f) the acquisition agreement dated 9 February 2017 entered into between CVP Financial and CVP Holdings in relation to the proposed acquisition by CVP Financial of the entire equity interest in CVP Asset Management Limited from CVP Holdings (the "**Acquisition Agreement**");

(g) the Subscription Agreement;

(h) the subscription agreement dated 29 March 2017 entered into between Bartha International as issuer and Mr. Ji Zuguang, an Independent Third Party, as subscriber, pursuant to which Mr. Ji Zuguang agreed to subscribe for and Bartha International agreed to issue the convertible bonds in the principal amount of HK$5,000,000, which would entitle the holder(s) thereof to convert into 1.25% shareholding of the then issued share capital of Bartha International as enlarged by the conversion of all outstanding convertible equities;

(i) the subscription agreement dated 29 March 2017 entered into between Bartha International as issuer and Mr. Shi Zhi Jun, an Independent Third Party, as subscriber, pursuant to which Mr. Shi Zhi Jun agreed to subscribe for and Bartha International agreed to issue the convertible bonds in the principal amount of HK$5,000,000, which would entitle the holder(s) thereof to convert into 1.25% shareholding of the then issued share capital of Bartha International as enlarged by the conversion of all outstanding convertible equities;

(j) the subscription agreement dated 10 April 2017 entered into between Bartha International as issuer and Honda Finance and Investment Limited, an Independent Third Party, as subscriber, pursuant to which Honda Finance and Investment Limited agreed to subscribe for and Bartha International agreed to issue the convertible bonds in the principal amount of HK$40,000,000, which would entitle the holder(s) thereof to convert into 10% shareholding of the then issued share capital of Bartha International as enlarged by the conversion of all outstanding convertible equities;

(k) the supplemental subscription agreement dated 28 June 2017 entered into between CVP Financial and Bartha Holdings in relation to the modification and variation of certain terms in the Subscription Agreement;

(l) the supplemental acquisition agreement dated 28 June 2017 entered into between CVP Financial and CVP Holdings in relation to the modification and variation of certain terms in the Acquisition Agreement; and

(m) the Deed of Modification.

7. 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.

8. 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 2017 (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.

9. 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 53, 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, responsible for investor relationship, financial management and compliance matters of Chinese People Holdings Company Limited (Stock code 0681:HK), a company listed on the Main Board of the Stock Exchange), which is a company principally engaged in the sales and distribution of natural gas and liquefied petroleum gas in China and is listed on the Main Board of the Stock Exchange. Since August 2015 to February 2017, he has been 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 to December 2017
- PT International Development Corporation Limited (formerly known as ITC Corporation Limited) (Stock code 372:HK) since March 2017 to September 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
- SuperRobotics Limited (Stock code 8176:HK, formerly known as EDS Wellness Holdings Limited) since March 2012
- China First Capital Group Limited (Stock code 1269:HK, formerly known as China Vehicle Components Technology Holdings 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
- Tianli Holdings Group Limited (Stock code 0117:HK) since April 2007

- Telecom Service One Holdings Limited (Stock code 8145:HK) since April 2013 to December 2017

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 62, 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 67, was appointed as an independent non-executive Director on 1 February 2017. He is also a member of the Audit Committee, Nomination and Corporate Goverance 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.

10. MISCELLANEOUS

(1) Mr. Zhu Qin, an executive Director and the deputy chairman, 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.

11. 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 annual report of the Company for the two years ended 31 March 2017;

(d) the interim report of the Company for the six months ended 30 September 2017;

(e) the third quarterly report of the Company for the nine months ended 31 December 2017;

(f) the letter from the Independent Board Committee, the text of which is set out on page IBC-1 of this circular;

(g) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-24 of this circular;

(h) the accountant's report from SHINEWING (HK) CPA Limited on Bartha Group, the text of which is set out in Appendix II to this circular;

(i) the accountant's report from SHINEWING (HK) CPA Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;

(j) the written consents referred to in the paragraph headed "Experts" in this appendix;

(k) copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(l) copy of each circular issued pursuant to the requirements set out in Chapter 19 and/or Chapter 20 which has been issued since the date of the latest published audited accounts; and

(m) this circular.

MADISON GROUP®

Madison Holdings Group Limited
麥迪森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Madison Holdings Group Limited (the "**Company**") will be held on 16 March 2018 at 10:00 a.m. at Flat A&B, 10/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:–

   (a) the deed of modification dated 17 November 2017 (the "**Deed of Modification**", a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purposes of identification), entered into between Bartha Holdings Limited (the "**Issuer**") as the issuer and CVP Financial Holdings Limited, a non-wholly owned subsidiary of the Company, as the investor (the "**Investor**") in relation to the modification and variation of certain terms in the terms and conditions of the exchangeable bonds (the "**Exchangeable Bonds**") issued by the Issuer to the Investor on 28 July 2017, and the transactions contemplated thereunder be approved, confirmed and ratified as the case may be; and

   (b) any one director (the "**Director**") of the Company be and is hereby authorised, for and on behalf of the Company, 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 Deed of Modification and the transactions contemplated thereunder."

2. "**THAT**:–

(a) subject to the fulfillment or waiver of the conditions precedent set out in the Deed of Modification and in the Exchangeable Bonds (a copy of which has been produced to the EGM marked "B" and signed by the chairman of the EGM for the purposes of identification), the Directors be and are hereby authorised to exercise the exchange rights attached to the Exchangeable Bonds (the "**Exercise**") to exchange for the number of shares in Bartha International Limited ("**Bartha International**") of 49% of the entire issued share capital in Bartha International, and the transactions contemplated thereunder be approved, confirmed and ratified; and

(b) any one Director be and is hereby authorised, for and on behalf of the Company, 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 Exercise and the transactions contemplated thereunder."

Yours faithfully,
For and on behalf of the board of Directors
Madison Holdings Group Limited
Ting Pang Wan Raymond
Chairman and executive Director

Hong Kong, 28 February 2018

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint holders of shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at http://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.