THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Planetree International Development Limited (the "Company"), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Planetree INTERNATIONAL

PLANETREE INTERNATIONAL DEVELOPMENT LIMITED

梧桐國際發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00613)

MAJOR TRANSACTION IN RELATION TO THE SUBSCRIPTION OF NEW SHARES IN LIBERTY CAPITAL LIMITED

A letter from the Board is set out on pages 3 to 14 of this circular.

31 October 2019

CONTENTS

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

"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Business Day"	a day (other than a Saturday or Sunday or Public Holiday) on which banks are open for business in Hong Kong
"Company"	Planetree International Development Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 00613), formerly Yugang International Limited
"Completion"	completion of the Subscription pursuant to the Conditional Subscription Agreement
"Conditional Subscription Agreement"	the agreement dated 20 May 2019 entered into between the Subscriber and the Target Company in relation to the Subscription
"connected person(s)"	has the meaning as ascribed thereto under the Listing Rules
"Consideration"	the consideration for the Subscription, being HK$270,000,000
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group and the Target Group
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	28 October 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;

"Listing Rule"	the Rules Governing the Listing of Securities on the Stock Exchange
"SFC"	Securities and Futures Commission
"SFO"	the Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Planetree Cayman Limited, a company incorporated in the Cayman Islands and a direct wholly-owned subsidiary of the Company
"Subscription"	the subscription of the Subscription Shares by the Subscriber pursuant to the Conditional Subscription Agreement
"Subscription Share(s)"	the 2,000 ordinary share(s) of US$1.00 each in the share capital of the Target Company to be allotted and issued by the Target Company to the Subscriber or its nominee pursuant to the Conditional Subscription Agreement
"subsidiary(ies)"	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Target Company"	Liberty Capital Limited, a company incorporated in the Cayman Islands
"Target Group"	the Target Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"US$"	United States dollar, the lawful currency of the United States of America
"%"	per cent

PLANETREE INTERNATIONAL DEVELOPMENT LIMITED
梧桐國際發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00613)

Executive Directors:	*Registered office:*
Mr. Lam Hiu Lo	Clarendon House
Mr. Liang Kang	2 Church Street
Ms. Cheung Ka Yee	Hamilton HM11
Ms. Tsang Wing Man	Bermuda
Independent Non-executive Directors:	*Head office and principal place of business in Hong Kong:*
Mr. Chan Sze Hung	8/F, China United Centre,
Mr. Ha Kee Choy, Eugene	28 Marble Road, North Point,
Mr. Kwong Kai Sing, Benny	Hong Kong

31 October 2019

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES
IN
LIBERTY CAPITAL LIMITED**

INTRODUCTION

Reference is made to the announcement dated 20 May 2019 in relation to, among other things, the Subscription.

The Board announces that on 20 May 2019 (after trading hours), the Subscriber, a company incorporated in the Cayman Islands and a direct wholly-owned subsidiary of the Company, entered into the Conditional Subscription Agreement with the Target Company to subscribe for 2,000 Subscription Shares at the Subscription Price of HK$135,000 per Subscription Share. The aggregate consideration for the Subscription was HK$270,000,000 (excluding transaction costs). Upon Completion, the Subscriber will hold approximately 52.63% of the enlarged (as enlarged by the Subscription) share capital of the Target Company.

Completion of the Subscription is conditional upon the satisfaction of the conditions precedent as detailed in the Conditional Subscription Agreement.

The purpose of this circular is to provide you with, among other things, (i) further information of the Subscription; (ii) financial information on the Target Group; (iii) unaudited pro forma financial information on the Enlarged Group.

THE CONDITIONAL SUBSCRIPTION AGREEMENT

Date

20 May 2019 (after trading hours)

Parties

(1) the Subscriber: Planetree Cayman Limited, a company incorporated in the Cayman Islands and a direct wholly-owned subsidiary of the Company; and

(2) the Target Company: Liberty Capital Limited, a company incorporated in the Cayman Islands.

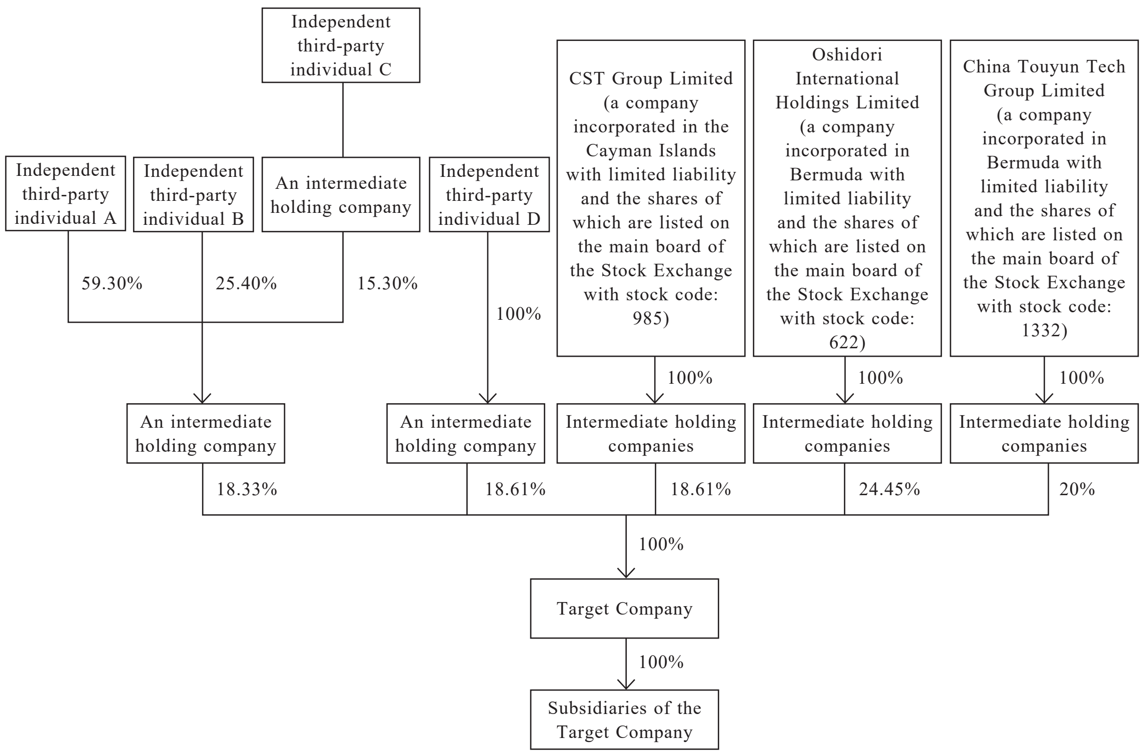
To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Target Company and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject matter of the Agreement

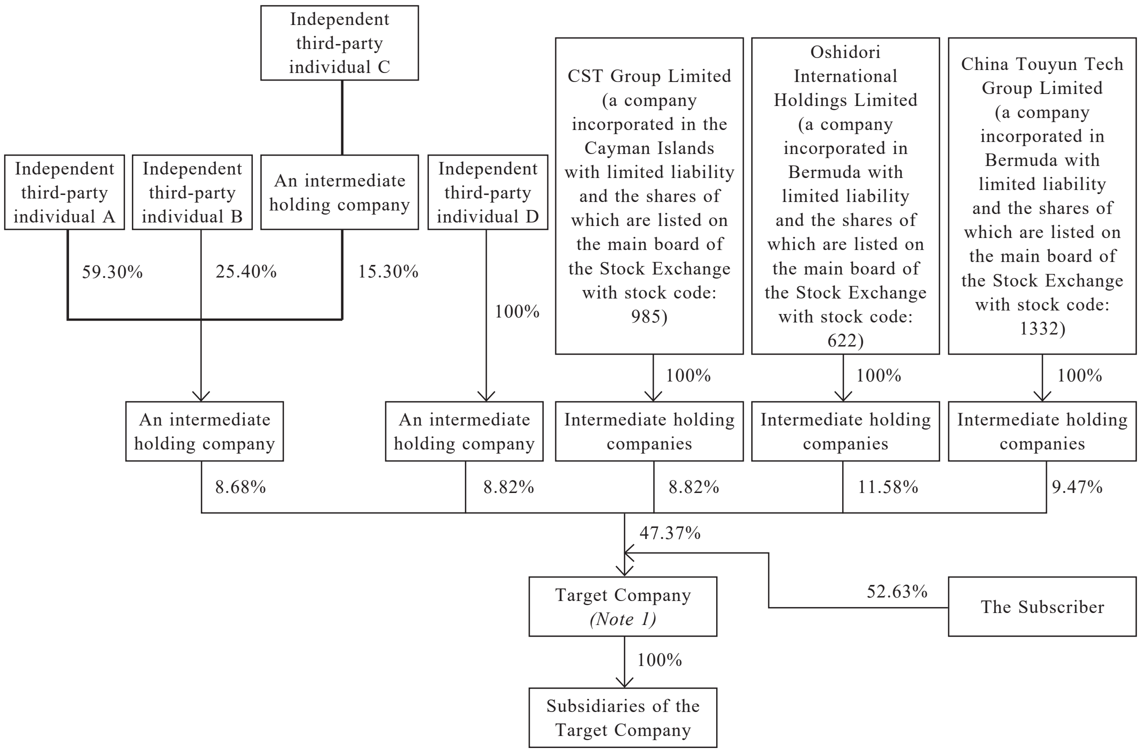
Pursuant to the Conditional Subscription Agreement, the Target Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe 2,000 Subscription Shares of the Target Company at the Consideration of HK$270,000,000. As at the Latest Practicable Date, the Target Company's total number of shares in issue is 1,800. The 2,000 Subscription Shares represent approximately 52.63% of the enlarged (as enlarged by the Subscription) share capital of the Target Company.

Shareholding Structure before and after the Subscription

Before the Completion



After the Completion



Note 1: The number of shares in issue of Target Company will increase from 1,800 shares to 3,800 shares in total upon Completion.

Consideration

The Consideration is equivalent to HK$135,000 per Subscription Share which represents a premium of approximately 2% to the unaudited net asset value per share of the Target Company prior to the Subscription. The price of the Subscription Shares and the aggregate consideration of HK$270,000,000 were determined and agreed between the parties to the Conditional Subscription Agreement after arm's length negotiations. The price per Subscription Share at HK$135,000 is also about 2% premium to the audited net asset value per share at about HK$130,841 of the Target Company as at 31 May 2019. If the subscription of the 2,000 Subscription Shares of the Target Company is based on the aforesaid audited net asset value per share of the Target Company, the total subscription price would be about HK$265,682,000. By comparing such an amount against the Consideration of HK$270,000,000, the total premium of the 2,000 Subscription Shares will be about HK$4,318,000 only. The Directors had considered such moderate magnitude of premium to be fair and reasonable after taking into account of the following factors:

1) Upon the completion of the Subscription, the Company will hold approximately 52.63% of the enlarged shareholding of the Target Company. This majority stake

will allow the Company to have control of the board, management and assets of the Target Company, which will become a non-wholly owned subsidiary of the Company. The premium of the subscription price is considered as a means of acquiring a controlling shareholding.

2) The Subscription allows the Company to acquire a fully operational brokerage business with all necessary systems and infra-structure to run the business immediately. The Subscription would save the Company substantial costs and time as compared to developing a new brokerage venture from scratch.

Pursuant to the Conditional Subscription Agreement, a refundable deposit of HK$50,000,000 shall be paid to the Target Company within 5 Business Days from execution. Upon fulfillment of the conditions precedent, the Subscriber shall pay the balance of the Consideration, being HK$220,000,000 in cash to the Target Company upon Completion.

The said refundable deposit of HK$50,000,000 has been paid by the Subscriber, utilising internal resources of the Company, to the Target Company.

The Consideration will be satisfied by the Group's internal resources. As at 30 June 2019, the Group had cash and bank balances totaling HK$43,124,000 and listed equity investments held for trading totalling HK$989,857,000, part of which will be realised into cash to finance the payment of the balance of the consideration (i.e. HK$220,000,000) upon Completion.

Conditions Precedent

The Completion is conditional upon:

(i) all requirements are satisfied by the Company to approve the Conditional Subscription Agreement and the transactions contemplated thereunder in accordance with the Listing Rules (if necessary);

(ii) all other consents or approval of any relevant governmental authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the entry into and the implementation of the Conditional Subscription Agreement having been obtained, including but not limited to the approval of the SFC under Part V of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) for any change in "substantial shareholder" of the relevant member(s) of the Target Group, if required;

(iii) the due diligence investigation on the Target Group to be carried out pursuant to the Conditional Subscription Agreement having been completed to the satisfaction of the Subscriber in its sole discretion.

If the conditions precedent have not been fulfilled (or waived by the Subscriber except for the conditions precedent referred to in (i) and (ii) above which cannot be waived) on or before 5:00 p.m. (Hong Kong time) on 31 August 2019 (or such other date as the Company and the Subscriber may agree in writing)[Note], the Conditional Subscription Agreement shall thereupon terminate and the Target Company will refund the refundable deposit of HK$50,000,000 to the Subscriber within 3 Business Days and thereafter neither party shall have any further claims against each other under the Conditional Subscription Agreement for costs, damages, compensation or otherwise, save in respect of antecedent breaches and claims.

Note: The Company and the Subscriber have agreed in writing on 30 August 2019 to extend the long stop date from 31 August 2019 to 30 November 2019.

The 1st and 3rd conditions have been fulfilled as at the Latest Practicable Date. And, application has been lodged by the Subscriber, the Company, Future Capital Group Limited and Ms. Lo Ki Yan Karen to the SFC for approval to be new substantial shareholders of the licensed corporations within the Target Group under Part V of the SFO. As at the Latest Practicable Date, since the said application to the SFC is still in progress, the above-mentioned 2nd condition of the Conditional Subscription Agreement is yet to be fulfilled.

Completion

Completion shall take place at 5:00 p.m. (Hong Kong time) on the fifth (5th) Business Day from the date on which all of the conditions precedent shall have been satisfied or waived by the Subscriber (or such other date as the Company and the Subscriber may agree). Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the Target Group's financial results will be consolidated into the accounts of the Group.

INFORMATION OF THE PARTIES

The Company and the Subscriber

The Company is incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the principal activities of the Group are (i) treasury management; (ii) money lending; and (iii) property leasing. As disclosed in the Company's announcement dated 3 May 2019 and as stated in the composite document in relation to the conditional mandatory cash offer of the Company dated 28 March 2019, the controlling shareholder of the Company intended to formulate long-term business plans and strategy of the Company, explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification would be appropriate in order to enhance the long-term growth potential of the Company. The Subscription is in line with the stated intention above which had previously been disclosed. The Directors believe that the Subscription will be mutually beneficial to both the Target Group and the Company.

The Subscription will enhance the Target Group by providing incremental windows of opportunities to raise capital and financing and open up new business connections. The Company intends to provide financing, up to HK$600 million, at normal commercial terms to the Target Group upon the Completion of the Subscription to allow the Target Company to further expand its proprietary trading and investment; underwriting; fund management; margin financing and; to develop new trading platforms such as utilizing its Type 7 (currently under application) to establish electronic and automated trading.

On the other hand, the Company also believes that it would benefit from the Subscription specifically including but not limited to:

1) The Target Group can assist in the Company's money lending business by introducing its retailed and institutional clients which may have non-securities related financing needs;

2) The Target Group's underwriting capability and its Type 9 (asset management) capability and expertise can provide additional opportunities to the Group's proprietary trading and treasury management businesses; and

3) Leveraging on the Target Group's in-house brokerage and thus the efficiencies and execution capabilities, the Group's proprietary trading can be improved.

The Company also intends to strengthen the money lending business of the Enlarged Group after the Completion of the Subscription, so that the Enlarged Group is able to offer clients a fully integrated and comprehensive financial services. As for the Group's property leasing and investment business, the Company currently intends to maintain the Group's existing portfolio while looking out for new attractive investments.

The Subscriber is a company incorporated in the Cayman Islands and a direct wholly-owned subsidiary of the Company.

Information of the Target Company and the Target Group

The Target Company is an investment holding company incorporated in the Cayman Islands. Its subsidiaries principally engage in the business of investment holding, property investment, SFC with license to carry out Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts) and Type 9 (Asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Target Group is applying for SFC License to carry out Type 7 regulated activities (providing automated trading services). Accordingly, the Target Group has engaged a well known professional firm as the consultant to apply for SFC Type 7 regulated activity licence, and has recruited as well as in the process of recruiting additional personnel for such activities.

Set out below is extract of the audited financial information of the Target Group for the three years ended 31 December 2018 and five months ended 31 May 2019 respectively:

	For the year ended 31 December			**For the five months ended 31 May**
	2016	**2017**	**2018**	**2019**
	(audited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loss before tax	(31,992)	(1,997)	(10,836)	(12,739)
Loss after tax	(32,031)	(1,998)	(10,836)	(12,516)

After the issue and allotment of new shares of the Target Company during five months ended 31 May 2019, the audited consolidated net assets value of the Target Group as at 31 May 2019 was approximately HK$239.1 million with the additional share capital raised.

OTHER INFORMATION

Prior to the Subscription, the Company had previously extended an unsecured revolving line of credit to the Target Company as follows:

Date of loan agreement:	19 December 2018
Principal amount:	up to HK$50,000,000
Final repayment date:	the date falling two years from the date of the loan agreement
Interest rate:	16% per annum

Currently there is no outstanding amount drawn from the above facility.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The principal activities of the Group are (i) treasury management; (ii) money lending; and (iii) property leasing.

As disclosed in the Company's announcement dated 3 May 2019 and as stated in the composite document in relation to the conditional mandatory cash offer of the Company dated 28 March 2019, the controlling shareholder of the Company intended to formulate long-term business plans and strategy of the Company, explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification would be appropriate in order to enhance the long-term growth potential of the Company.

Hong Kong is an important finance centre for the world and Asia in particular. In additional to being an important financial centre for the greater China area, Hong Kong is also an important window for the greater China economic and trade activities. Finance industry traditionally had been a crucial economic pillar for Hong Kong and remains so to this day and for the foreseeable future. The Subscription will allow the Company to take control of a well-established operating brokerage business with experienced personnel and in place infrastructure, thus allowing the Company to establish a foothold in this important and rewarding business. The brokerage business will augment well with the Company's current businesses in treasury management and money lending. The Subscription will also allow the Company to be engaged in the financial services business which is in line with its stated goal of diversifying into other business to enhance the long-term growth potential of the Company with promising business prospects as detailed in Appendix II-B under the section “Future prospects of the Target Company”.

The Company believes that the Subscription will offer the Target Group additional windows of opportunities through greater ability to raise capital and financing as well as the connections, particular to listed companies, made available to the Target Group by the Company.

The Company also intends that the Target Group will undertake substantial portion, up to 70%, of its proprietary trading operations after completion of the Subscription. Towards that end, the Company intends to provide financing, up to HK$600 million, at normal commercial terms to the Target Group after completion of the Subscription. These additional resources will enable the Target Group not only undertake proprietary trading but also be more aggressive towards underwriting and margin financing as well as fund management.

The business model employed by the Target Group remains to target the growing retail component in the securities trading business. With the enhancement of capability in providing margin financing, the Target Group will be more attractive to and be increasingly able to serve retails clients better. Also the Target Group is applying for Type 7 license from the SFC and expects the application to be completed towards the end of 2019. With the Type 7 license in hand, the Target Group can commence the automated trading service business. With the growing awareness, sophistication and great ease in such more advanced trading platforms by retail and institutional investors, the Directors believe that there will be additional opportunities to expand the Target Group’s trading businesses and will enhance the profitability of the Target Group.

With the additional resources as well as better connections with listed companies, through the Company, the Target Company can also expand businesses with these listed companies both with respect to brokerage, fund management as well as underwriting and placement businesses.

With the additional financial resources and the additional business opportunities introduced by the Company to the Target Group as mentioned above after becoming the controlling shareholder of the Target Group, the Directors believe that the profitability of the Target Group (which will become subsidiaries of the Company) will be enhanced and thereby will contribute profits to the Group. Meanwhile, the Company’s planned disposal of part of the Group’s listed equity investments held for trading to finance the payment of the balance of the Consideration will also be a concrete step for the Group to implement the business diversification strategy by reducing the scale of the Group’s proprietary trading business to develop the business of providing financial services to clients through the Subscription.

While the Directors of the Company have not previously directly engaged in any brokerage operations, the Directors believe that their knowledge and experience in managing listed companies, financial management, compliance and corporate governance will enable them to supervise the brokerage professionals under the Target Group to manage the brokerage business along with the planned expansion in its proprietary trading, asset management, margin financing and automated trading service businesses after completion of the Subscription.

After considering the above factors, the Directors consider that the Subscription and the terms of the Conditional Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL IMPACT OF THE SUBSCRIPTION

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, the Group's total assets and total liabilities would be increased by HK$271,053,000 and HK$22,151,000 respectively. The details of the financial effect of the Subscription on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix III to this circular.

According to the accountants' report of the Target Group as set out in Appendix II-A to this circular, the Target Group recorded an audited consolidated loss before taxation of approximately HK$10,836,000 for the year ended 31 December 2018 and of approximately HK$12,739,000 for the five months ended 31 May 2019. Upon Completion, the entities comprising the Target Group will become subsidiaries of the Company and results of the Target Group will be consolidated into the Enlarged Group's results. The Directors consider that the Subscription will bring positive contribution to the earnings of the Enlarged Group notwithstanding losses had been recorded in track record periods, as further explained later in this letter under the section headed "Reasons for and Benefits of the Subscription".

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are more than 25% but less than 100%, the Subscription constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under the Listing Rules.

GENERAL

As no Shareholder is materially interested in the transactions contemplated under the Conditional Subscription Agreement and is required to abstain from voting at a general meeting of the Company approving the same, the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approval of the Conditional Subscription Agreements from Future Capital Group Limited, a Shareholder holding 6,282,636,400 issued ordinary shares of the Company (representing approximately 67.51% of its entire issued share capital as at the Latest Practicable Date). As such, the Company is exempted from convening a general meeting to approve the transactions contemplated under the Conditional Subscription Agreement.

ADDITIONAL INFORMATION

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

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

By order of the Board
Planetree International Development Limited
Cheung Ka Yee
Executive Director

1. THREE-YEAR FINANCIAL INFORMATION

The financial information of the Group for six months ended 30 June 2019 (as announced on 28 August 2019 and each of the three financial years ended 31 December 2018, 2017 and 2016 were disclosed in the annual reports of the Company for the years of 2018 (pages 43 to 98), 2017 (pages 45 to 96) and 2016 (pages 43 to 88).

The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (www.planetreeintl.com). Please refer to the hyperlinks as stated below:

2016 annual report:
http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0412/LTN20170412860.pdf

2017 annual report:
http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0417/LTN20180417387.pdf

2018 annual report:
http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0426/LTN201904262152.pdf

2019 interim report:
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0828/ltn20190828891.pdf

2. INDEBTEDNESS STATEMENT

At the close of business on 30 September 2019, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the indebtedness of the Enlarged Group was as follow:

(i) Bank borrowings

The Enlarged Group did not have any bank loans as at 30 September 2019.

(ii) Obligations under finance leases

The Enlarged Group had lease contracts for office premises. As at 30 September 2019, the lease liabilities were recorded as HK$3,306,000 (unaudited).

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 September 2019. To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Enlarged Group since 30 September 2019 and up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances and other internal resources available and also the effect of the Subscription, the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

Save for the above, the Directors confirm that they were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group was made up, up to and including the Latest Practicable Date.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

M MAZARS

MAZARS CPA LIMITED
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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF LIBERTY CAPITAL LIMITED AND ITS SUBSIDIARIES

The Board of Directors
Planetree International Development Limited (formerly known as Yugang International Limited)

Introduction

We report on the historical financial information of Liberty Capital Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") set out on pages IIA-5 to IIA-61, which comprises the combined statements of financial position of the Target Group as at 31 December 2016, 2017 and 2018 and 31 May 2019, the statements of financial position of the Target Company as at 31 December 2018 and 31 May 2019, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for each of the years ended 31 December 2016, 2017 and 2018, and for the five months ended 31 May 2019 (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 IIA-5 to IIA-61 forms an integral part of this report, which has been prepared for inclusion in the circular of Planetree International Development Limited (the "Company") dated 31 October 2019 (the "Circular") in connection with the acquisition of the Target Company by the Company (the "Acquisition").

Director's responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our 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, we considered internal control relevant to the Target Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director, 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 combined financial position as at 31 December 2016, 2017 and 2018 and 31 May 2019, of the Target Company's financial position as at 31 December 2018 and 31 May 2019, and of the Target Group's combined financial performance and combined cash flows for each of the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the five months ended 31 May 2018 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The sole director of Target Company is responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical 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 Historical 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 2 to the Historical Financial Information.

REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON 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 IIA-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.

Preparation or audit of financial statements

No audited financial statements have been prepared for the Target Company for the period from its date of incorporation to the date of this report as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Target Group for the Relevant Periods have been audited and, if applicable, the name of the auditors.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 31 October 2019

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 combined financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were prepared by the sole director of the Target Company in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by Mazars CPA Limited, Certified Public Accountants, Hong Kong, 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$"), which is also the functional currency of the Target Company and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	*5*	1,141	17,266	14,683	11,304	1,820
Interest revenue calculated using the effective interest method	*5*	1,699	3,913	7,575	2,830	119
Other income	*6*	624	284	294	115	82
Other (losses) gains, net	*7*	(193)	867	(5,441)	(160)	4,148
Depreciation	*14*	(412)	(2,263)	(3,321)	(1,407)	(2,746)
Impairment loss on goodwill and intangible assets	*17*	(33,441)	—	—	—	(1,355)
Reversal (Addition) of loss allowance	*35*	2,000	4	(29)	—	—
Employee benefits expenses	*9*	(1,316)	(8,703)	(7,734)	(3,675)	(3,854)
Other expenses		(2,062)	(13,257)	(15,632)	(10,257)	(5,665)
Finance costs	*8*	(32)	(108)	(1,231)	(34)	(5,288)
Loss before taxation	*9*	(31,992)	(1,997)	(10,836)	(1,284)	(12,739)
Income tax (expense) credit	*12*	(39)	(1)	—	—	223
Loss and total comprehensive loss for the year/period		(32,031)	(1,998)	(10,836)	(1,284)	(12,516)

The accompanying notes form an integral part of the Historical Financial Information.

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December 2016 HK$'000	At 31 December 2017 HK$'000	At 31 December 2018 HK$'000	As at 31 May 2019 HK$'000
Non-current assets					
Property and equipment	14	3,570	5,484	155,784	158,214
Goodwill	15	—	—	—	—
Intangible assets	16	7,855	7,855	7,855	6,500
Other assets	18	3,932	6,853	3,287	3,230
		15,357	20,192	166,926	167,944
Current assets					
Trade and other receivables	19	83,837	89,121	36,122	4,661
Income tax recoverable		582	649	—	—
Financial assets at fair value through profit or loss ("FVPL")	20	—	—	35,571	—
Amount due from a related company	21	—	389,438	—	—
Bank balances – trust and segregated accounts	22	74,061	47,721	23,152	13,218
Bank balances – general accounts and cash	23	97,350	91,390	122,900	120,957
		255,830	618,319	217,745	138,836
Current liabilities					
Trade and other payables	24	123,425	90,635	35,640	66,593
Amount due to a related company	21	—	684	—	—
Amount due to Ex-Shareholder A	21	65,087	—	—	—
Amount due to Ex-Shareholder B	21	109,876	577,185	—	—
Interest-bearing borrowing	25	—	—	50,285	—
Lease liabilities	26	1,638	2,414	410	—
Promissory note payable	27	—	—	154,210	—
		300,026	670,918	240,545	66,593

		At 31 December			As at 31 May
		2016	2017	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net current (liabilities) assets		(44,196)	(52,599)	(22,800)	72,243
Total assets less current liabilities		(28,839)	(32,407)	144,126	240,187
Non-current liabilities					
Lease liabilities	*26*	1,980	410	—	—
Deferred tax liabilities	*28*	1,296	1,296	1,296	1,073
		3,276	1,706	1,296	1,073
NET (LIABILITIES) ASSETS		(32,115)	(34,113)	142,830	239,114
Capital and reserves					
Share capital	*29(a)*	—	—	—	14
Reserves	*30*	(32,115)	(34,113)	142,830	239,100
TOTAL (DEFICITS) EQUITY		(32,115)	(34,113)	142,830	239,114

The accompanying notes form an integral part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	Notes	At 31 December 2018 HK$'000	As at 31 May 2019 HK$'000
Non-current assets			
Investment in a subsidiary		8	8
Current assets			
Amount due from a subsidiary	*21*	—	158,770
Current liabilities			
Other payables	*24(c)*	—	50,000
Amount due to a subsidiary		8	—
		8	50,000
Net current (liabilities) assets		(8)	108,770
NET ASSETS		—	108,778
Capital and reserves			
Share capital	*29(b)*	—	14
Reserves	*29(b)*	—	108,764
TOTAL EQUITY		—	108,778

The accompanying notes form an integral part of the Historical Financial Information.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Notes	Share capital HK$'000 (note 29)	Share premium HK$'000 (note 30(a))	Capital reserve HK$'000 (note 30(b))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016		—	—	—	(84)	(84)
Loss and total comprehensive loss for the year		—	—	—	(32,031)	(32,031)
At 31 December 2016 and 1 January 2017		—	—	—	(32,115)	(32,115)
Loss and total comprehensive loss for the year		—	—	—	(1,998)	(1,998)
At 31 December 2017 and 1 January 2018		—	—	—	(34,113)	(34,113)
Loss and total comprehensive loss for the year		—	—	—	(10,836)	(10,836)
Transactions with owners:						
Contribution and distribution						
Issue of new shares		—	—	187,779	—	187,779
At 31 December 2018 and 1 January 2019		—	—	187,779	(44,949)	142,830
Loss and total comprehensive loss for the period		—	—	—	(12,516)	(12,516)
Effect on equity arising from the reorganisation	*29*	—	—	(8)	—	(8)
Issue of new shares	*29*	14	108,794	—	—	108,808
		14	108,794	(8)	—	108,800
At 31 May 2019		14	108,794	187,771	(57,465)	239,114
At 1 January 2018		—	—	—	(34,113)	(34,113)
Loss and total comprehensive loss for the period		—	—	—	(1,284)	(1,284)
Transactions with owners:						
Contribution and distribution						
Issue of new shares		—	—	187,779	—	187,779
At 31 May 2018 *(unaudited)*		—	—	187,779	(35,397)	152,382

The accompanying notes form an integral part of the Historical Financial Information.

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
	Note	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
OPERATING ACTIVITIES						
Loss before taxation		(31,992)	(1,997)	(10,836)	(1,284)	(12,739)
Adjustments for:						
Depreciation		412	2,263	3,321	1,407	2,746
Write off of property and equipment		—	—	259	259	492
Write-back of other payables		—	(303)	—	—	—
Impairment loss on goodwill and intangible assets		33,441	—	—	—	1,355
Loss on early settlement of promissory note		—	—	—	—	3,436
Fair value loss on financial assets at FVPL		—	—	5,116	—	—
Net loss (gain) on disposal of financial assets at FVPL		39	(278)	(211)	(103)	(8,076)
Interest income		(7)	(38)	(51)	(12)	(81)
Interest expenses		32	108	1,231	34	5,288
(Reversal) Allowance for expected credit loss ("ECL")		(2,000)	(4)	29	—	—
Operating cash (outflows) inflows before changes in working capital		(75)	(249)	(1,142)	301	(7,579)
Changes in working capital:						
Other assets		385	(2,921)	3,566	2,728	57
Trade and other receivables		3,037	(5,002)	53,157	15,000	31,461
Amount due from a related company		—	(389,438)	389,438	389,438	—
Bank balances – trust and segregated accounts		(13,194)	26,340	24,569	(10,215)	9,934
Trade and other payables		40,717	(32,487)	(54,995)	(9,997)	30,953
Amount due to a related company		—	684	(684)	(684)	—
Cash generated from (used in) operations		30,870	(403,073)	413,909	386,571	64,826
Income tax refunded (paid)		22	(68)	649	547	—
Net cash from (used in) operating activities		30,892	(403,141)	414,558	387,118	64,826
INVESTING ACTIVITIES						
Interest received		7	38	51	12	81
Proceeds from disposal of financial assets at FVPL		—	—	678	—	43,647
Purchase of financial assets at FVPL		—	—	(41,341)	—	—
Purchase of property, plant and equipment		—	(3,068)	(549)	(66)	(5,668)
Net cash inflow from acquisition of subsidiaries	33	8,446	—	—	—	—
Net cash from (used in) investing activities		8,453	(3,030)	(41,161)	(54)	38,060

The accompanying notes form an integral part of the Historical Financial Information.

		Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
FINANCING ACTIVITIES						
Interest paid		(32)	(108)	(67)	(34)	(19)
Inception of interest-bearing borrowing		—	—	50,000	—	—
Repayment of interest-bearing borrowings		—	—	—	—	(53,200)
Repayment of lease liabilities		(364)	(1,903)	(2,414)	(996)	(410)
Repayment of promissory note payable	27	—	—	—	—	(160,000)
Advance from (Repayment to) the Ex-Shareholder A, net		28,183	(65,087)	—	—	—
Advance from (Repayment to) the Ex-Shareholder B, net		30,218	467,309	(389,406)	(389,406)	—
Issue of share capital	29	—	—	—	—	108,800
Net cash from (used in) financing activities	31	58,005	400,211	(341,887)	(390,436)	(104,829)
Net increase (decrease) in cash and cash equivalents		97,350	(5,960)	31,510	(3,372)	(1,943)
Cash and cash equivalents at the beginning of the reporting period		—	97,350	91,390	91,390	122,900
Cash and cash equivalents at the end of the reporting period, represented by bank balances — general accounts and cash		97,350	91,390	122,900	88,018	120,957

MAJOR NON-CASH TRANSACTIONS

a) During the year ended 31 December 2018, 999 ordinary shares of USD1 per share were issued by Liberty Capital BVI for consideration that was satisfied by settlement of an indebted amount of approximately HK$187,779,000 owed to the Ex-Shareholder B by Liberty Capital BVI.

b) During the years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2018 and 2019, the Target Group entered into lease arrangements in respect of right-of-use assets with a total capital value at the inception of the leases of approximately Nil, HK$1,109,000, Nil, Nil *(unaudited)* and Nil, respectively.

The accompanying notes form an integral part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND GROUP REORGANISATION

The Target Company was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 October 2018. One share, representing the entire issued share capital of the Target Company, was allotted and issued to Great Panorama International Limited ("Great Panorama") on the incorporation date. As a result, the Target Company became a wholly-owned subsidiary of Great Panorama and remained a wholly-owned subsidiary of Great Panorama until the completion of the group reorganisation (the "Reorganisation") on 13 March 2019. The Target Company's registered office is located at Third Floor, Landmark Square, 64 Earth Close, PO Box 707, Camana Bay, Grand Cayman KY1-9006, Cayman Islands.

The Target Company is an investment holding company and has not carried on any business since the date of its incorporation save for the Reorganisation as described below. The Target Group is principally engaged in the business of investment holdings, property investment, and the provisions of dealing in securities, dealing in futures contracts and investment advisory and asset management.

Certain entities of the Target Group are licensed under the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out the regulated activities under Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 9 (asset management).

Prior to the incorporation of the Target Company, the above mentioned principal activities were carried out by Hui Kai Financial Group Limited ("HKFG") and its subsidiaries (together "HKFG Group"). To rationalise the corporate structure in preparation for the Acquisition, the Target Company was incorporated and underwent the Reorganisation and became the ultimate holding company in the Target Group. The ultimate shareholder of HKFG Group before acquisition by Liberty Capital Limited ("Liberty Capital BVI") as detailed in note 33(a) was Mr. Lo Kwai Sang ("Mr. Lo" or "Ex-Shareholder A"). Upon the completion of acquisition of HKFG Group on 24 October 2016, Liberty Capital BVI became the holding company of HKFG Group which had since then been controlled by Tai United Holdings Limited (the "Ex-Shareholder B").

On 18 January 2018, 33.5% and 33.5% equity interests in Liberty Capital BVI were disposed by the Ex-Shareholder B to Roxxon Limited ("Roxxon") and Violet Fame Limited ("Violet Fame") respectively. On 1 June 2018, the remaining 33% equity interest in Liberty Capital BVI was further disposed by the Ex-Shareholder B to Great Panorama. On 13 March 2019, as part of the Reorganisation, all the issued shares in Liberty Capital BVI were transferred from Roxxon, Violet Fame and Great Panorama (together the "Controlling Shareholders") to the Target Group, in consideration of the Target Company allotting and issuing 999 shares to the Controlling Shareholders, credited as fully paid. There were no changes in economic substance of the ownership of business of the Target Group before and after the Reorganisation.

On 30 April 2019 and 9 May 2019, the Target Company has further allotted 440 shares and 360 shares to First Avenue Limited ("First Avenue") and Galaxy Vantage Limited ("Galaxy Vantage") at a total subscription price of HK$59,840,000 and HK$48,960,000 respectively. Upon the completion of share allotments, the equity interests held in the Target Company by Roxxon, Violet Fame, Great Panorama, First Avenue and Galaxy Vantage are 18.6%, 18.6%, 18.4%, 24.4% and 20% respectively.

Upon completion of the Reorganisation and as at the date of this report, the Target Company has direct or indirect interests in the subsidiaries listed below, all of which are private companies.

Name of subsidiary	Place of incorporation/ operation	Date of incorporation	Issued and paid-up share capital	Proportion of ownership interest 31 December 2016	2017	2018	31 May 2019	As at the date of this report	Principal activities
Directly held by the Target Company									
Liberty Capital Limited* ("Liberty Capital Marshall")	The Marshall Islands ("Marshall")	16 October 2018	United States Dollars ("USD") 1,000	N/A	N/A	100%	100%	100%	Investment holding
Indirectly held by the Target Company									
Liberty Capital BVI*	The British Virgin Islands ("BVI")	12 January 2010	USD1,000	100%	100%	100%	100%	100%	Investment holding
HKFG**	Hong Kong	3 April 1998	HK$24,258,462	100%	100%	100%	100%	100%	Investment holding
Liberty Securities Limited** ("LSL")	Hong Kong	11 April 1997	HK$360,000,000	100%	100%	100%	100%	100%	Securities brokerage and financial services
Liberty Futures Limited** ("LFL")	Hong Kong	8 January 1999	HK$22,000,000	100%	100%	100%	100%	100%	Dealing in future contracts
Liberty Asset Management Limited** ("LAML")	Hong Kong	2 January 2011	HK$554,000,000	100%	100%	100%	100%	100%	Asset management services
Liberty Research Limited** ("LRL")	Hong Kong	14 September 2017	HK$500,000	N/A	100%	100%	100%	100%	Dormant
Urban Animal (H.K.) Limited** ("Urban Animal")	Hong Kong	4 March 2010	HK$1,539,667	—	—	100%	100%	100%	Dormant
Tai United Finance Limited** ("TU Finance")	Hong Kong	22 August 2005	HK$600,000	100%	100%	100%	100%	100%	Provision of money lending and applied for deregistration
Best Focus Ventures Limited* ("Best Focus")	The BVI	3 October 2017	USD1	N/A	100%	100%	100%	100%	Dormant
Top Insight Holdings Limited* ("Top Insight")	The BVI	10 March 2016	USD2	—	—	100%	100%	100%	Investment holding
Cicero Capital Limited* ("Cicero")	The BVI	2 March 2016	HK$125,298,490	—	—	100%	100%	100%	Investment holding
ISL Investments Limited*** ("ISL")	Hong Kong	8 May 2002	HK$125,298,484	—	—	100%	100%	100%	Property holding
Liberty Investment Limited* ("LIL")	The BVI	29 October 2018	USD50,000	N/A	N/A	100%	100%	100%	Dormant

Notes:

* No audited financial statements have been prepared for the period from its date of incorporation to the date of this report as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

** The statutory financial statements were prepared in accordance with Hong Kong Financial Reporting Standards and audited by Anthony C.C. Kam & Co.

*** The audited financial statements for the year ended 31 December 2018 are not yet available.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, the Target Company and its subsidiaries now comprising the Target Group are ultimately controlled by the Controlling Shareholders. The Target Group's business is mainly conducted through LSL and LFL while the Target Company and other entities within the Target Group have not been involved in any other significant activities prior to the Reorganisation. Because the Reorganisation did not result in any change in the management and the ultimate control of the Target Group's business, the Target Group is regarded as a continuing entity and, therefore, the Reorganisation is considered to be a restructuring of entities and a business combination under common control. The Historical Financial Information as included in this report is prepared using the carrying values of the entities involved in the Reorganisation for all periods presented on a basis with reference to the principles of merger accounting as set out in Hong Kong Accounting Guideline 5 "Merger accounting for common control combinations" issued by the HKICPA, as further explained in the paragraph headed "Merger accounting for common control combinations" in note 3 below.

The Historical Financial Information aims to include assets, liabilities, income and expenses that are related to and specifically identified for the provisions of dealing in securities, dealing in futures contracts and investment advisory and asset management (the "Financial Services Business"). During the Relevant Periods, HKFG has equity interests in 9 companies incorporated in the BVI or Hong Kong which were inactive or engaged in provision of insurance broker (the "Non-core Subsidiaries"). The Non-core Subsidiaries are not directly related to, nor form part of, the Target Group's Financial Services Business. For the purpose of this report, the Target Group had segregated the relevant financial information of the Financial Services Business from the historical financial information of the Target Group for the preparation of the Historical Financial Information. The Non-core Subsidiaries were formally transferred out of the Target Group during the years ended 31 December 2016, 2017 and 2018. The Historical Financial Information excludes the movements and balances of the Non-core Subsidiaries which, in the opinion of the sole director of the Target Company, are clearly delineated from the Financial Services Business and whose movements and balances are clearly identifiable.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with the basis set out below which conforms with HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The HKICPA has issued a number of new/revised HKFRSs during the Relevant Periods. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provision, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Stub Period Comparative Historical Financial Information.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for financial assets at fair value through profit or loss ("FVPL") which are measured at fair value as explained in the accounting policy set out below.

Basis of combinations

The Historical Financial Information comprises the financial statements of the Target Company and its subsidiaries now comprising the Target Group for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Target Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests are presented, separately from owners of the Target Company, in the combined financial statements. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

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

The results of subsidiaries are combined from the date on which the Target Group obtains control and continue to be combined until the date that such control ceases.

Changes in ownership interest

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

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Merger accounting for common control combinations

The Historical Financial Information incorporates the financial statements of the combining entities or businesses (except for operating entities) in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholders.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Controlling Shareholders' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recorded have been recognised as part of the capital reserve. The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Target Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable.

Goodwill

Goodwill arising on an acquisition of a business is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Right-of-use assets	Over the unexpired term of lease
Building	Over the shorter of the term of the lease, or 41 years
Leasehold improvement	33.33% — 50%
Furniture and fixtures	20% — 25%
Office equipment	20%
Computer equipment	33.33%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Intangible assets

The amount represented trading rights and licenses that confer eligibility on the Target Group to trade on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The trading rights and licenses have no foreseeable limit to the period over which the Target Group can use to generate cash flows. As a result, the trading rights and licenses are considered by the management of the Target Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights and licenses will not be amortised until their useful life is determined to be finite.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Target Group's contractual rights to future cash flows from the financial asset expire or (ii) the Target Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset.

If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; or (ii) measured at FVPL.

The classification of financial assets at initial recognition depends on the Target Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Target Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

1) Financial assets measured at amortised cost

   A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:

   (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

   (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Target Group's financial assets at amortised cost include trade and other receivables, amount due from a related company, bank balances – trust and segregated accounts and bank balances – general accounts and cash.

2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

The Target Group's financial assets mandatorily measured at FVPL include listed equity securities held for trading.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Target Group's financial liabilities include trade and other payables, amounts due to ex-shareholders and related company, interest-bearing borrowings, lease liabilities and promissory note payable. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

The Target Group recognises loss allowances for expected credit loss ("ECL") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Target Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Target Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Target Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria.

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

(ii) there is a breach of financial covenants by the counterparty.

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

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Target Group.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Target Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Simplified approach of ECL

For trade receivables without a significant financing components, other than margin clients, the Target Group applies a simplified approach in calculating ECL. The Target Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Target Group writes off a financial asset when the Target Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Target Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Target Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the statements of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Target Group is provisions of dealing in securities, dealing in futures contracts and investment advisory and asset management.

Identification of performance obligations

At contract inception, the Target Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Target Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Target Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Target Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;

(b) the Target Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Target Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Target Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue or income arising from financial services is recognised on the following basis:

- Commission income for broking business is recorded as income at point in time on a trade date basis; and

- Underwriting and sub-underwriting commission income are recognised as income at point in time in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed.

Interest income

- Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Dividend income

Dividend income from financial assets is recognised when the Target Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Target Group and the amount of the dividend can be measured reliably.

Foreign currency translation

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The combined financial statements are presented in the currency of Hong Kong dollars, which is also the Target Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Target Group reviews internal and external sources of information to assess whether there is any indication that its property and equipment, intangible assets and investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

As lessee

The Target Group leases properties. Rental contracts are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset (included in property and equipment) and a corresponding liability at the date at which the leased asset is available for use by the Target Group. Each lease payment is allocated between the liability and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of the interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term lease are leases with a lease term of 12 months or less.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Retirement benefit costs

Payment to defined contribution retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Target Group,

(a) A person or a close member of that person's family is related to the Target Group if that person:

  (i) has control or joint control over the Target Group;

  (ii) has significant influence over the Target Group; or

  (iii) is a member of the key management personnel of the Target Group or of a holding company of the Target Group.

(b) An entity is related to the Target Group if any of the following conditions applies:

  (i) The entity and the Target Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also related to the Target Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the holding company of the Target Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Target Group's chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Historical Financial Information. They affect the application of the Target Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Loss allowance for ECL

The Target Group's management estimates the loss allowance for financial assets at amortised cost including trade receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Target Group's historical information, recoverable amount of securities collateral, past collection history of borrowers, concentration risk of borrowers, the Target Group's actual loss experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the financial assets at amortised cost. Details of the key assumptions and inputs used in estimating ECL are set out in note 35 to the Historical Financial Information.

Estimated impairment of goodwill and intangible assets with indefinite useful lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill and intangible assets with indefinite useful lives have been allocated, which is the higher of the value in use or fair value less costs of disposal. 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. Calculation of fair value by market approach requires valuation technique which used prices and other relevant information generated by market transactions involving identical and comparable sales or offering prices of trading rights and licenses. Details of the recoverable amount calculation of goodwill and intangible assets with indefinite useful lives are disclosed in note 17 to the Historical Financial Information.

Future changes in HKFRSs

At the date of approving the Historical Financial Information, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the Relevant Periods, which the Target Group has not early adopted:

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKASs 1 and 8	Definition of Material[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

(1) Effective for annual periods beginning on or after 1 January 2020

(2) Effective for annual periods beginning on or after a date to be determined.

The management of the Target Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Target Group's combined financial information.

4. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the sole director of the Target Company focuses on the operating results of the Target Group as a whole as the Target Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, the Target Group has only one single operating segment and no further analysis of this single segment is presented.

During the years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2018 and 2019, there were no customers contributing 10% or more of the Target Group's total revenue.

Geographical information

The Target Group's operations are located in Hong Kong. Accordingly, the Target Group's revenue from external customers and all non-current assets (excluding financial assets) are located in Hong Kong.

5. REVENUE

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue from contracts with customers within HKFRS 15					
Brokerage commission	1,141	17,266	13,378	11,304	1,820
Underwriting commission	—	—	1,305	—	—
	1,141	17,266	14,683	11,304	1,820
Revenue from other sources					
Interest revenue from trade receivables calculated using the effective interest method	1,699	3,913	7,575	2,830	119
Total revenue	2,840	21,179	22,258	14,134	1,939

6. OTHER INCOME

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income on:					
— bank deposits	7	28	43	9	73
— others	—	10	8	3	8
Dividend income	4	—	—	—	—
Service fee income	610	240	240	100	—
Sundry income	3	6	3	3	1
	624	284	294	115	82

7. OTHER (LOSSES) GAINS, NET

		Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net exchange (losses) gains		(117)	292	(277)	(4)	—
Net (loss) gain on disposal of financial assets at FVPL		(39)	278	211	103	8,076
Net unrealised fair value loss on financial assets at FVPL		—	—	(5,116)	—	—
Net realised losses on error trades		(37)	(6)	—	—	—
Loss on early settlement of promissory note	*27*	—	—	—	—	(3,436)
Write off of property and equipment		—	—	(259)	(259)	(492)
Write-back of other payables		—	303	—	—	—
		(193)	867	(5,441)	(160)	4,148

8. FINANCE COSTS

		Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Interest on interest-bearing borrowing		—	—	285	—	2,915
Interest on clients' accounts		—	1	10	1	17
Interest on lease liabilities		32	107	57	33	2
Interest on promissory note payable	*27*	—	—	879	—	2,354
		32	108	1,231	34	5,288

9. LOSS BEFORE TAXATION

This is stated after charging:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Employee benefits expenses (including directors' emoluments)					
— Salaries and other benefits	1,263	8,440	7,484	3,569	3,763
— Contribution to defined contribution scheme	53	263	250	106	91
	1,316	8,703	7,734	3,675	3,854
Auditor's remuneration	879	95	127	5	—
Legal and professional fees	—	388	505	179	716

10. DIRECTORS' REMUNERATION

The Target Company was incorporated in the Cayman Islands on 15 October 2018. Mr. Cheung Ngar Lok, Alan was appointed as the sole director of the Target Company on 15 October 2018.

Prior to the incorporation of the Target Company, Liberty Capital BVI was the ultimate holding company in the Target Group.

The directors of the Target Company and Liberty Capital BVI received remuneration from the entities now comprising the Target Group during the Relevant Periods for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors are set out below.

Year ended 31 December 2016

	Directors' fees	Salaries, allowances and benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Hu Yebi *(note (a))*	—	—	—	—	—
Dr. Liu Hua *(note (b))*	—	—	—	—	—
Mr. Chen Weisong *(note (c))*	—	—	—	—	—
	—	—	—	—	—

Year ended 31 December 2017

	Directors' fees	Salaries, allowances and benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Chen Weisong *(note (c))*	—	—	—	—	—
Mr. Ye Fei *(note (d))*	—	—	—	—	—
	—	—	—	—	—

Year ended 31 December 2018

	Directors' fees	Salaries, allowances and benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Chen Weisong *(note (c))*	—	—	—	—	—
Mr. Ye Fei *(note (d))*	—	—	—	—	—
Mr. Cheung Ngar Lok, Alan *(note (e))*	—	774	80	17	871
	—	774	80	17	871

Five months ended 31 May 2018 *(unaudited)*

	Directors' fees	Salaries, allowances and benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Chen Weisong *(note (c))*	—	—	—	—	—
Mr. Ye Fei *(note (d))*	—	—	—	—	—
Mr. Cheung Ngar Lok, Alan *(note (e))*	—	240	—	6	246
	—	240	—	6	246

Five months ended 31 May 2019

	Directors' fees	Salaries, allowances and benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Cheung Ngar Lok, Alan *(note (e))*	—	403	—	8	411

Notes:

(a) Mr. Hu Yebi resigned as a director of Liberty Capital BVI on 18 March 2016.

(b) Dr. Liu Hua was appointed as a director of Liberty Capital BVI on 18 March 2016 and resigned on 26 September 2016.

(c) Mr. Chen Weisong was appointed as a director of Liberty Capital BVI on 26 September 2016 and resigned on 18 January 2018.

(d) Mr. Ye Fei was appointed as a director of Liberty Capital BVI on 13 June 2017 and resigned on 13 February 2018.

(e) Mr. Cheung Ngar Lok, Alan was appointed as a director of Liberty Capital BVI and the Target Company on 13 February 2018 and 15 October 2018 respectively.

During the Relevant Periods, no emoluments were paid by the Target Group to these directors as an inducement to join or upon joining the Target Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

11. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Relevant Periods is as follows:

	Number of individuals				
	Year ended 31 December			**Five months ended 31 May**	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
Director	—	—	1	1	1
Non-director	5	5	4	4	4
	5	5	5	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December			**Five months ended 31 May**	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries, allowances and other benefits in kind	540	2,401	2,043	938	1,102
Discretionary bonus	—	224	131	—	—
Contributions to defined contribution plans	17	65	68	30	23
	557	2,690	2,242	968	1,125

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Number of individuals				
	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
Below HK$500,000	5	2	—	4	4
HK$500,001 to HK$1,000,000	—	3	4	—	—

During the Relevant Periods, no remuneration was paid by the Target Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Target Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Relevant Periods.

12. INCOME TAX EXPENSE (CREDIT)

The group entities established in the Cayman Islands and the BVI are exempted from income tax of the jurisdiction.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Target Group's estimated assessable profits arising from Hong Kong during the Relevant Periods.

		Year ended 31 December			Five months ended 31 May	
		2016	**2017**	**2018**	**2018**	**2019**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Current tax						
Hong Kong Profits Tax		39	1	—	—	—
Deferred tax						
Origination and reversal of temporary differences	*28*	—	—	—	—	(223)
Income tax expense (credit)		39	1	—	—	(223)

Reconciliation of income tax expense (credit)

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Loss before taxation	(31,992)	(1,997)	(10,836)	(1,284)	(12,739)
Income tax at applicable tax rate of 16.5%	(5,278)	(331)	(1,788)	(212)	(2,102)
Non-deductible expenses	5,601	259	1,201	191	1,618
Unrecognised tax losses	99	487	803	227	1,721
Unrecognised temporary differences	2	(275)	(124)	23	(114)
Tax exempt revenue	(2)	(54)	(64)	(55)	(1,346)
Utilisation of previously unrecognised tax losses	(338)	(86)	(28)	(174)	—
Under provision in prior year	—	1	—	—	—
Others	(45)	—	—	—	—
Income tax (expense) credit	39	1	—	—	(223)

13. DIVIDENDS

No dividend was paid or declared by any entities now comprising the Target Group during the Relevant Periods.

14. PROPERTY AND EQUIPMENT

	Right-of-use assets HK$'000 (note 27)	Building HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Reconciliation of carrying amount — year ended 31 December 2016							
At 1 January 2016	—	—	—	—	—	—	—
Acquisition of subsidiaries *(note 33(a))*	3,982	—	—	—	—	—	3,982
Depreciation	(412)	—	—	—	—	—	(412)
At 31 December 2016	3,570	—	—	—	—	—	3,570
Reconciliation of carrying amount — year ended 31 December 2017							
At 1 January 2017	3,570	—	—	—	—	—	3,570
Additions	1,109	—	904	219	115	1,830	4,177
Depreciation	(1,918)	—	(116)	(12)	(4)	(213)	(2,263)
At 31 December 2017	2,761	—	788	207	111	1,617	5,484
Reconciliation of carrying amount — year ended 31 December 2018							
At 1 January 2018	2,761	—	788	207	111	1,617	5,484
Additions	—	—	457	3	—	89	549
Acquisition of subsidiaries *(note 33(b))*	—	153,331	—	—	—	—	153,331
Write off	—	—	(37)	(98)	—	(124)	(259)
Depreciation	(2,366)	—	(298)	(36)	(23)	(598)	(3,321)
At 31 December 2018	395	153,331	910	76	88	984	155,784
Reconciliation of carrying amount — five months ended 31 May 2019							
At 1 January 2019	395	153,331	910	76	88	984	155,784
Additions	—	—	4,958	362	190	158	5,668
Write off	—	—	(418)	(32)	(42)	—	(492)
Depreciation	(395)	(1,558)	(496)	(30)	(16)	(251)	(2,746)
At 31 May 2019	—	151,773	4,954	376	220	891	158,214
At 31 December 2016							
Cost	3,982	—	—	—	—	—	3,982
Accumulated depreciation	(412)	—	—	—	—	—	(412)
	3,570	—	—	—	—	—	3,570

	Right-of-use assets HK$'000 (note 27)	Building HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
At 31 December 2017							
Cost	5,091	—	904	219	115	1,830	8,159
Accumulated depreciation	(2,330)	—	(116)	(12)	(4)	(213)	(2,675)
	2,761	—	788	207	111	1,617	5,484
At 31 December 2018							
Cost	5,091	153,331	1,315	115	115	1,777	161,744
Accumulated depreciation	(4,696)	—	(405)	(39)	(27)	(793)	(5,960)
	395	153,331	910	76	88	984	155,784
At 31 May 2019							
Cost	—	153,331	5,403	425	249	1,935	161,343
Accumulated depreciation	—	(1,558)	(449)	(49)	(29)	(1,044)	(3,129)
	—	151,773	4,954	376	220	891	158,214

15. GOODWILL

	Year ended 31 December 2016 HK$'000	2017 HK$'000	2018 HK$'000	Five months ended 31 May 2019 HK$'000
Reconciliation of carrying amount				
At the beginning of the reporting period	—	—	—	—
Acquisition of subsidiaries *(note 33(a))*	33,441	—	—	—
Impairment losses	(33,441)	—	—	—
At the end of the reporting period	—	—	—	—
Cost	33,441	33,441	33,441	33,441
Accumulated impairment losses	(33,441)	(33,441)	(33,441)	(33,441)
Net carrying amount	—	—	—	—

Particulars regarding impairment test on goodwill are disclosed in note 17 to the Historical Financial Information.

16. INTANGIBLE ASSETS

	Trading rights and licenses
	HK$'000
Reconciliation of carrying amount	
At 1 January 2016	—
Additions — acquisition of subsidiaries *(note 33(a))*	7,855
At 31 December 2016, 2017, 2018 and 1 January 2019	7,855
Impairment loss	(1,355)
At 31 May 2019	6,500
At 31 December 2016	
Cost	7,855
Accumulated impairment losses	—
Net carrying amount	7,855
At 31 December 2017	
Cost	7,855
Accumulated impairment losses	—
Net carrying amount	7,855
At 31 December 2018	
Cost	7,855
Accumulated impairment losses	—
Net carrying amount	7,855
At 31 May 2019	
Cost	7,855
Accumulated impairment losses	(1,355)
Net carrying amount	6,500

The trading rights and licenses represent the eligibility rights to trade on or through the Stock Exchange and The Hong Kong Futures Exchange Limited and have no foreseeable limit to the period over which the Target Group can use to generate cash flows.

As a result, the trading rights and licenses are considered by the management of the Target Group as having indefinite useful lives. These trading rights and licenses will not be amortised until their useful lives are determined to be finite and they are carried at cost less any subsequent impairment losses, if any. Instead, they will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

Particulars regarding impairment test on intangible assets are disclosed in note 17 to the Historical Financial Information.

17. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS

In October 2016, the Target Group has completed the acquisition of HKFG and its certain subsidiaries at a total consideration of HK$173,299,000. As a result, goodwill set out in note 15 and intangible assets set out in note 16 of approximately HK$33,441,000 and HK$7,855,000 were recognised at the date of acquisition. Details of the acquisition are set out in note 33(a) to the Historical Financial Information.

At the end of 31 December 2016, the Target Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Target Group's Financial Services Business was impaired by HK$33,441,000. The recoverable amount of the Financial Services Business was assessed by reference to a value-in-use calculation based on cash flow projection of HKFG Group. The calculation uses cash flow projection based on financial budgets approved by the management covering a 5-year period. Cash flow beyond the 5-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the financial services industry growth forecasts and does not exceed the average long-term growth rate for the financial services industry.

Key assumptions used for value-in-use calculations are as follows:

	2016
Average growth rate	13%
Long-term growth rate	3%
Discount rate	14%

Management determined the growth rate based on past performance and the expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the Financial Services Business.

Apart from the considerations described above in determining the recoverable amount of the Financial Services Business, the Target Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

The management considers the major factor contributing to the impairment of the goodwill relating to the Financial Services Business was the keen competition within the industry. However, the management considers that no write down of the carrying amounts of other assets was necessary as the other assets can be used for other purposes.

The trading rights and licenses of the Group were valued at 31 December 2016, 2017 and 2018 and 31 May 2019 by Ravia Global Appraisal Advisory Limited ("Ravia"), an independent professional valuer in Hong Kong which is a member of the The Hong Kong Society of Financial Analysts Ltd., on direct sales comparison method under market approach. Ravia is not connected with the Target Group, and has appropriate qualifications and recent experience in the valuation of similar trading rights and licenses.

In estimating the fair value of the Target Group's trading rights and licenses, the management of the Target Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Target Group engages third party qualified valuers to perform the valuation of the Target Group's buildings. At the end of each reporting period, the management of the Target Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurement. The management of the Target Group would first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Target Group would adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Target Company. One of the key unobservable inputs used in valuing the trading rights and licenses is the sales or offering prices. An increase/decrease in the sales or offering prices would result in an increase/decrease in fair value measurement of the trading rights and licenses by the same percentage.

Trading rights and licenses are classified as Level 3 under fair value hierarchy at 31 December 2016, 2017 and 2018 and 31 May 2019. There were no transfers into or out of Level 3 during the years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2018 and 2019.

Accordingly, impairment losses on trading rights and licenses of approximately Nil, Nil, Nil, Nil *(unaudited)* and HK$1,355,000 have been recognised during the years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2018 and 2019 respectively.

18. OTHER ASSETS

Other assets represent statutory and other deposits with various exchanges and clearing houses and are non-interest bearing.

19. TRADE AND OTHER RECEIVABLES

		At 31 December			At 31 May
		2016	**2017**	**2018**	**2019**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables					
Trade receivables arising from the business of securities brokerage					
— Cash clients		435	862	97	—
— Margin clients	*(b)*				
— Mr. Lo and his close family members		—	91	—	—
— Other margin clients		29,847	40,555	21,638	53
— Hong Kong Securities Clearing Company Limited ("HKSCC")		783	5,953	3,469	106
Trade receivables arising from the business of options broking					
— Option clients					
— Mr. Lo and his close family members		24,500	4,014	—	—
— Other option clients		1,544	—	—	—
— The SEHK Options Clearing House Limited		7,930	16,721	714	—
Trade receivables from futures clearing house arising from the business of dealing in futures contracts		17,851	19,165	7,779	3,088
	(a)	82,890	87,361	33,697	3,247
Less: Loss allowances		(40)	(36)	—	—
		82,850	87,325	33,697	3,247
Other receivables					
Due from securities broker	*(c)*	—	—	1,024	—
Prepayments		164	148	222	212
Deposits and other receivables		823	1,648	1,179	1,202
		987	1,796	2,425	1,414
		83,837	89,121	36,122	4,661

Information about the Target Group's exposure to credit risks and loss allowance for trade and other receivables is included in note 35 to the Historical Financial Information.

Notes:

(a) No aging analysis by invoice date is disclosed as in the opinion of the sole director of the Target Company, the aging analysis does not give additional value in view of the nature of brokerage business. The Target Group offset certain trade receivable and trade payable when the Target Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 37 to the Historical Financial Information.

(b) Trade receivables from margin clients are repayable on demand and bear interest with reference to Hong Kong dollar prime rate with spread for years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2019. The loans are secured by pledged marketable securities with a total fair value of approximately HK$22,917,000, HK$237,311,000, HK$104,105,000 and HK$215,000 as at 31 December 2016, 2017 and 2018 and 31 May 2019 respectively. The Target Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Target Group. If the fair value of the collateral pledged by the margin clients is less than the outstanding balances of accounts receivable, the Target Group will exercise its rights to request the immediate repayments from respective margin clients.

(c) Due from securities broker represented the funds deposited with the brokers' houses for securities trading purpose.

20. FINANCIAL ASSETS AT FVPL

	At 31 December			At 31 May
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Held for trading, at fair value				
Equity securities — listed in Hong Kong	—	—	35,571	—

21. AMOUNT DUE FROM (TO) RELATED COMPANIES/EX-SHAREHOLDER A/EX-SHAREHOLDER B/A SUBSIDIARY

The amounts due are non-trade nature, unsecured, interest-free and has no fixed repayment term. The carrying amount of the amounts due approximates their fair values.

The related companies are ultimately controlled by Ex-Shareholder B.

22. BANK BALANCES — TRUST AND SEGREGATED ACCOUNTS

The Target Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Target Group has recognised the corresponding accounts payable to respective clients and other institutions (note 24). However, the Target Group does not have a currently enforceable right to offset those payables with the deposits placed.

23. BANK BALANCES — GENERAL ACCOUNTS AND CASH

The amounts comprise cash held by the Target Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

24. TRADE AND OTHER PAYABLES

		At 31 December			At 31 May
		2016	**2017**	**2018**	**2019**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables					
Trade payables arising from the business of securities brokerage	*(a)*				
— Cash clients		5,488	5,805	3,100	2,188
— Margin clients					
— Directors		—	—	1	1
— Mr. Lo and his close family members		30,466	12,106	2,319	37
— Other margin clients		18,168	16,278	8,891	8,629
— HKSCC		26,850	917	—	—
Trade payables arising from the business of options broking	*(a)*				
— Option clients					
— Mr. Lo and his close family members		11,515	34,995	6,859	—
— Other option clients		3,276	309	254	209
Trade payables to clients arising from the business of dealing in futures contracts	*(b)*	25,504	18,184	13,393	5,312
		121,267	88,594	34,817	16,376
Other payables					
Accrued charges and other payables		2,158	2,041	823	217
Refundable deposit	*(c)*	—	—	—	50,000
		2,158	2,041	823	50,217
		123,425	90,635	35,640	66,593

Notes:

(a) Trade payables to cash, margin and option clients are repayable on demand. The settlement terms of trade payables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No aging analysis is disclosed as in the opinion of the sole director of the Target Company, the aging analysis does not give additional value in view of the nature of brokerage business.

(b) Trade payables to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their trading of futures contracts on the Hong Kong Futures Exchange Limited (the "HKFE"). The excesses of the outstanding amounts over the required initial margin deposits stipulated by the HKFE are repayable to clients on demand.

(c) Refundable deposit represents amount received from the Company during the period in connection with the Acquisition by means of subscription of shares of the Target Company. The Target Company shall refund the deposit in full to the Company within 3 business days if the conditions stated in the subscription agreement have not been fulfilled on the date which mutually agreed by the Target Company and the Company.

25. INTEREST-BEARING BORROWING

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unsecured borrowing repayable on demand	—	—	50,285	—

The interest-bearing borrowing represents unsecured borrowings from an independent third party which is repayable on demand.

The fixed interest rates on interest-bearing borrowing were Nil, Nil, 16% and Nil per annum at 31 December 2016, 2017 and 2018 and 31 May 2019, respectively. The borrowing was fully settled during the five months ended 31 May 2019.

26. LEASES

Apart from the information disclosed in notes 8 and 14 to the Historical Financial Information, information about leases is as follow:

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Right-of-use assets *(note 14)*				
Leased properties	3,570	2,761	395	—

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lease liabilities				
Current	1,638	2,414	410	—
Non-current	1,980	410	—	—
	3,618	2,824	410	—

The total cash outflow for leases for the years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2018 and 2019 were approximately HK$364,000, HK$1,903,000, HK$2,414,000, HK$996,000 *(unaudited)* and HK$410,000, respectively.

Commitments and present value of lease liabilities:

	Lease payments				Present value of minimum lease payments			
	At 31 December			At 31 May	At 31 December			At 31 May
	2016	2017	2018	2019	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:								
Within one year	1,732	2,471	412	—	1,638	2,414	410	—
In the second to fifth years inclusive	2,021	412	—	—	1,980	410	—	—
	3,753	2,883	412	—	3,618	2,824	410	—
Less: finance charges	(135)	(59)	(2)	—	—	—	—	—
Total lease liabilities	3,618	2,824	410	—	3,618	2,824	410	—

27. PROMISSORY NOTE PAYABLE

	Year ended 31 December			Five months ended 31 May
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the reporting period	—	—	—	154,210
Issued during the year	—	—	153,331	—
Early redemption of promissory note	—	—	—	(156,564)
Imputed interest expense	—	—	879	2,354
Carrying value at the end of the reporting period	—	—	154,210	—
Face value, at the end of the reporting period	—	—	160,000	—

On 13 November 2018, a promissory note in the principal amount of HK$160,000,000 was issued by Liberty Capital BVI to an independent third party (the "Vendor"), as consideration for acquisition of Top Insight Holdings Limited and its wholly-owned subsidiaries (the "Top Insight Group") according to the sale and purchase agreement entered into with the Vendor on 13 November 2018. The promissory note may be redeemed by Liberty Capital BVI at any time by giving the Vendor prior notice. Information about the acquisition of Top Insight Group is included in note 33(b) to the Historical Financial Information.

The fair value of the promissory note at issue date was approximately HK$153,331,000, based on the valuation performed by an independent qualified professional valuer, Ravia. The promissory note is interest free and will mature in 1 year from the issue date. The effective interest rate of the promissory note is determined to be approximately 4.4% per annum.

On 3 May 2019, Liberty Capital BVI exercised its right to early redeem part of the promissory note in the principal amount of HK$60,000,000. On 14 May 2019, Liberty Capital BVI further redeemed all of the remaining principal amount of the promissory note of HK$100,000,000. The carrying value of the promissory note on redemption dates were approximately HK$58,664,000 and HK$97,900,000 respectively. Settlement loss of approximately HK$3,436,000 was charged to profit or loss for the period ended 31 May 2019.

28. DEFERRED TAXATION

The following are the deferred tax liabilities recognised and the movements thereon during the years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2019.

	Year ended 31 December			Five months ended 31 May
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Collective impairment on intangible assets				
At the beginning of the reporting period	—	1,296	1,296	1,296
Acquisition of subsidiaries *(note 33(a))*	1,296	—	—	—
Credit to profit or loss for the period *(note 12)*	—	—	—	(223)
At the end of the reporting period	1,296	1,296	1,296	1,073

Unrecognised deferred tax assets (liabilities) arising from

	At 31 December			At 31 May
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Before multiplied by the tax rate:				
Deductible (Taxable) temporary differences	2,011	739	(5,100)	(5,449)
Tax losses	5,214	7,643	38,716	49,145
	7,225	8,382	33,616	43,696

Neither the tax losses nor the temporary differences expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Target Group can utilise the benefits therefrom.

29. SHARE CAPITAL

(a) Issued share capital

The Target Company was incorporated in the Cayman Islands with limited liability on 15 October 2018 with USD50,000 authorised share capital of 50,000 ordinary shares of USD1 each. On incorporation, 1 ordinary share of USD1 was issued at par for cash consideration as initial subscription capital of the Target Company.

The issued share capital of the Target Company was increased to USD1,000, USD1,440 and USD1,800 by allotting 999, 440, 360 ordinary shares of USD1 each at subscription price of USD1, HK$136,000 and HK$136,000 per share, to provide additional working capital, on 13 March 2019, 30 April 2019 and 9 May 2019 respectively.

(b) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Target Group's combined equity during the Relevant Periods is set out in the combined statements of changes in equity. Details of the changes in the Target Company's individual components of equity between the beginning and the end of the Relevant Periods are set out below:

	Share capital *HK$'000*	**Share premium** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
Balance at 15 October 2018 (date of incorporation) and 31 December 2018	—	—	—	—
Loss and total comprehensive loss for the period	—	—	(30)	(30)
Transactions with owners:				
Contribution and distribution				
Issue of new shares *(Note 29 (a))*	14	108,794	—	108,808
Balance at 31 May 2019	14	108,794	(30)	108,778

These shares rank pari passu with all existing shares in all respect.

30. RESERVES

(a) Share premium

Share premium of the Target Group represents the excess of the net proceeds or consideration from issuance of the Target Company's shares over their par value.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Target Company are distributable to the shareholders of the Target Company provided that immediately following the date on which the dividend is proposed to be distributed, the Target Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Capital reserve

Capital reserve of the Target Group represents the aggregate amount of the paid-up share capital of the entities now comprising the Target Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) upon completion of the Reorganisation.

31. ADDITIONAL INFORMATION ON CASH FLOWS

Reconciliation of liabilities arising from financing activities

The movements during the Relevant Periods in the Target Group's liabilities arising from financing activities are as follows:

Year ended 31 December 2016	Amount due to Ex-Shareholder A *HK$'000*	Amount due to Ex-Shareholder B *HK$'000*	Interest-bearing borrowing *HK$'000*	Lease liabilities *HK$'000*	Promissory note payable *HK$'000*	Total *HK$'000*
At 1 January 2016	—	84	—	—	—	84
Net cash flows	28,183	30,218	—	(364)	—	58,037
Non-cash changes						
Acquisition of subsidiaries	36,904	79,574	—	3,982	—	120,460
At 31 December 2016	65,087	109,876	—	3,618	—	178,581

Year ended 31 December 2017	Amount due to Ex-Shareholder A *HK$'000*	Amount due to Ex-Shareholder B *HK$'000*	Interest-bearing borrowing *HK$'000*	Lease liabilities *HK$'000*	Promissory note payable *HK$'000*	Total *HK$'000*
At 1 January 2017	65,087	109,876	—	3,618	—	178,581
Net cash flows	(65,087)	467,309	—	(1,903)	—	400,319
Non-cash changes						
Additions to property and equipment	—	—	—	1,109	—	1,109
At 31 December 2017	—	577,185	—	2,824	—	580,009

Year ended 31 December 2018	Amount due to Ex-Shareholder A *HK$'000*	Amount due to Ex-Shareholder B *HK$'000*	Interest-bearing borrowing *HK$'000*	Lease liabilities *HK$'000*	Promissory note payable *HK$'000*	Total *HK$'000*
At 1 January 2018	—	577,185	—	2,824	—	580,009
Net cash flows	—	(389,406)	50,000	(2,414)	—	(341,820)
Non-cash changes						
Finance costs	—	—	285	—	879	1,164
Acquisition of subsidiaries	—	—	—	—	153,331	153,331
Issue of share capital	—	(187,779)	—	—	—	(187,779)
At 31 December 2018	—	—	50,285	410	154,210	204,905

Five months ended 31 May 2018 (unaudited)	**Amount due to Ex-Shareholder A**	**Amount due to Ex-Shareholder B**	**Interest-bearing borrowing**	**Lease liabilities**	**Promissory note payable**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	—	577,185	—	2,824	—	580,009
Net cash flows	—	(389,406)	—	(996)	—	(390,402)
Non-cash changes						
Issue of share capital	—	(187,779)	—	—	—	(187,779)
At 31 May 2018 (unaudited)	—	—	—	1,828	—	1,828

Five months ended 31 May 2019	**Amount due to Ex-Shareholder A**	**Amount due to Ex-Shareholder B**	**Interest-bearing borrowing**	**Lease liabilities**	**Promissory note payable**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	—	—	50,285	410	154,210	204,905
Net cash flows	—	—	(53,200)	(410)	(160,000)	(213,610)
Non-cash changes						
Finance costs	—	—	2,915	—	2,354	5,269
Loss on early settlement of promissory note	—	—	—	—	3,436	3,436
At 31 May 2019	—	—	—	—	—	—

32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Target Group had the following related party transactions during the Relevant Periods:

Name of related party	Nature of transaction	Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Ex-Shareholder A, his close family members and controlling entities	Brokerage commission income	6	602	480	457	480
	Interest income	4	22	8	6	—
	Service fee income	110	240	240	100	—
	Interest expenses	—	—	3	—	2
	Administrative expenses	160	1,153	859	347	237
Ex-Shareholder B and its controlling entities	Service fee income	500	—	—	—	—
	Administrative expenses	—	361	6	6	—
Mr. Cheung Ngar Lok, Alan	Brokerage commission income	—	—	3	—	—
	Interest income	—	—	3	1	—

33. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of HKFG

In January 2016, Liberty Capital BVI entered into an agreement with HKFG and Ex-shareholder A, to acquire 100% equity interest of HKFG Group (the "HKFG Group Acquisition") for an aggregate cash consideration of approximately HK$173,299,000. The principal activities of HKFG and its subsidiaries are provisions of dealing in securities, dealing in futures contracts and investment advisory and asset management. The acquisition was completed in October 2016. Upon completion of the transaction, HKFG Group had become a wholly owned subsidiary of the Target Company.

The transaction costs of approximately HK$2,205,000 have been excluded from the consideration transferred and paid by the Ex-shareholder B without recharge to the Target Group.

In respect of the HKFG Group Acquisition, the fair value of trade and other receivables acquired includes trade and other receivables with a fair value of approximately HK$84,913,000. The total gross contractual amount of the trade and other receivables were approximately HK$84,913,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The following summarised the consideration paid and the amounts of the assets acquired and liabilities assumed, at the date of acquisition:

	HK$'000
Consideration	
Deposits paid	15,000
Cash	93,725
Consideration payable	64,574
	173,299
Recognised amounts of identifiable assets acquired and liabilities assumed	
Right-of-use assets *(note 14)*	3,982
Intangible assets *(note 16)*	7,855
Other assets	4,317
Trade and other receivables	84,913
Income tax recoverable	645
Bank balances – trust and segregated accounts	60,867
Bank balances – general accounts and cash	102,171
Trade and other payables	(82,708)
Income tax payable	(2)
Dividend payable to Ex-Shareholder A	(36,904)
Lease liabilities	(3,982)
Deferred tax liabilities *(note 28)*	(1,296)
Total identifiable net assets	139,858
Goodwill arising on acquisition *(note 15)*	33,441
Total consideration	173,299
Net cash outflow arising on the HKFG Group Acquisition	
Consideration paid in cash	(93,725)
Bank balances – general accounts and cash	102,171
Net inflow of cash and cash equivalents	8,446

Goodwill arose in the HKFG Group Acquisition because the cost of the combination includes a control premium. In addition, the consideration paid for the combination effectively included amount in relation to the benefit of future market development and the assembled workforce of HKFG. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising from this acquisition is not expected to be deductible for tax purposes.

Since acquisition, the acquired business has contributed revenue of approximately HK$2,840,000 and contributed a loss of approximately HK$32,031,000 to the Target Group included in profit or loss for the year ended 31 December 2016.

If the business combinations effected during the year ended 31 December 2016 had been taken place at 1 January 2016, the revenue and loss of the Target Group would be increased by approximately HK$10,014,000 and approximately HK$3,987,000, respectively.

(b) Acquisition of Top Insight Group

In November 2018, Liberty Capital BVI entered into an acquisition agreement with a third party, to acquire 100% equity interest of Top Insight Group (the "Top Insight Group Acquisition"), at consideration of HK$160,000,000, which was settled by a zero-coupon 1-year promissory note with principal amount of HK$160,000,000 with fair value of approximately HK$153,331,000. Under the deed of assignment, the Vendor has also assigned and transferred a loan due from Top Insight Group amounting to approximately HK$104,000 to the Target Group. The principal activity of Top Insight Group is property holding. The acquisition was completed in November 2018. Upon completion of the transaction, Top Insight Group had become a wholly owned subsidiary of the Target Company. The promissory note was early settled in full by Liberty Capital BVI in May 2019.

The transaction costs of approximately HK$14,000 have been excluded from the consideration transferred and included in other expenses in the combined statement of comprehensive income.

In the opinion of the sole director of the Target Company, the acquisition does not constitute business combination as defined in HKFRS 3 (Revised) "Business Combinations". Therefore, the acquisition has been accounted for as acquisition of assets during the year ended 31 December 2018.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed, at the date of acquisition:

	HK$'000
Consideration	
Zero coupon 1-year promissory note, at fair value	153,331
Recognised amounts of identifiable assets acquired and liabilities assumed	
Building *(note 14)*	153,331

Details of the settlement on zero coupon 1-year promissory note are set out in note 27 to the Historical Financial Information.

Top Insight Group made no significant contribution to the revenue and results of the Target Group for the Relevant Periods after acquisition. The revenue and results of Top Insight Group was also insignificant if the above acquisition had been taken place at 1 January 2018.

34. CAPITAL RISK MANAGEMENT

The objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to provide returns for equity owners. The Target Group manages its capital structure and makes adjustments, including payment of dividend to equity owners, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Relevant Periods.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission (the "SFC") and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Target Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Target Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout the Relevant Periods.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

		At 31 December			At 31 May
		2016	**2017**	**2018**	**2019**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets					
Financial assets at FVPL		—	—	35,571	—
Amortised cost	*(a)*	255,084	617,522	181,952	138,624
Financial liabilities					
Amortised cost		302,006	671,328	240,545	66,593

Note:

(a) Financial assets at amortised cost include trade receivables, deposits and other receivables (excluding prepayments), amount due from a related company, bank balances – trust and segregated accounts and bank balances – general accounts and cash..

Financial risk management objectives and policies

The Target Group's principal financial instruments comprise of trade and other receivables, financial assets at FVPL, current accounts with related companies, Ex-Shareholder A and Ex-Shareholder B, bank balances – trust and segregated accounts, bank balances – general accounts and cash, trade and other payables, interest-bearing borrowings and promissory note payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated and the management policies remain unchanged during the Relevant Periods.

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and variable-rate loans to independent third parties. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The management considers that the Target Group's exposure to cash flow interest rate risk on variable-rate bank balances and variable-rate loans as a result of the change of market interest rate is insignificant due to low interest rates on bank balances and insignificant balance of variable-rate loans at the end of the reporting period, thus no sensitivity analysis is prepared for cash flow interest rate risk.

Credit risk

The carrying amount of financial assets on the combined statements of financial position, which is net of impairment losses, represents the Target Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Target Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position.

The Target Group reviews the recoverable amount of each individual financial assets at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the sole director of the Target Company considers that the Target Group's credit risk is significantly reduced.

Trade receivables from margin clients

The Target Group provides financing services only to recognised and creditworthy third parties. It is the Target Group's policy that all these margin clients are subject to credit verification procedures. The margin loans are secured by pledged marketable securities and margin facilities are set to ensure that certain proportion of the fair value of pledged marketable securities of the individual margin clients is higher than the corresponding outstanding loans.

The Target Group has concentration of credit risk of 87%, 97%, 100% and 100% of the total loans to securities margin clients was due from the Target Group's ten, ten, ten and two largest securities margin clients at 31 December 2016, 2017, 2018 and 31 May 2019.

The Target Group's customer base consists of a wide range of clients and the trade receivables from margin clients are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition, whether the financial asset is credit-impaired and the amount of loss given default, the Target Group has taken into account the credit quality of clients, the collateral to margin receivable balances ratio, amount of margin shortfall of margin clients and pledged marketable securities and adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the Relevant Periods.

After considering the above factors, the management assesses that all of the trade receivables from margin clients have not had a significant increase in credit risk and 12-month ECL will be recognised.

The movements of the loss allowance, by measurement basis of ECL, are as follows:

	Year ended 31 December			**Five months ended 31 May**
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the reporting period	40	40	36	—
Increase in allowance	—	—	65	—
Amount recovered	—	(4)	(36)	—
Amount written off	—	—	(65)	—
At the end of the reporting period	40	36	—	—

At 31 December 2018, the increase in allowance and written off of the trade receivables from margin clients of approximately HK$65,000 as a result of bankruptcy of a margin client.

Other receivables and amount due from a related company

The Target Group considers that other receivables and amount due from a related company have low credit risk based on the customers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Impairment on these financial assets are measured on ECL and reflects the short maturities of the exposures.

In estimating the ECL, the Target Group has taken into account the historical actual credit loss experience and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Target Group considers the ECL of these financial assets to be insignificant after taking into account the financial position and credit quality of the counterparties. There was no change in the estimation techniques or significant assumptions made during the Relevant Periods.

The movement of the loss allowance, by measurement basis of ECL, is as follows:

	Year ended 31 December			Five months ended 31 May
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the reporting period	2,000	—	—	—
Amount recovered	(2,000)	—	—	—
At the end of the reporting period	—	—	—	—

Deposits with financial institution

The credit risk on bank balances — trust and segregated accounts and bank balances — general accounts and cash is limited because majority of the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation. No loss allowance was recognised for Relevant Periods.

Liquidity risk

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 financial liabilities based on the agreed repayment terms. 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 table includes both principal and interest cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity risk tables

	On demand or less than 1 year *HK$'000*	1 to 2 years *HK$'000*	2 to 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amounts *HK$'000*
31 December 2016					
Non-derivative financial liabilities					
Trade payables	121,267	—	—	121,267	121,267
Accrued charges and other payables	2,158	—	—	2,158	2,158
Amount due to Ex-Shareholder A	65,087	—	—	65,087	65,087
Amount due to Ex-Shareholder B	109,876	—	—	109,876	109,876
Lease liabilities	1,732	1,732	289	3,753	3,618
	300,120	1,732	289	302,141	302,006

	On demand or less than 1 year *HK$'000*	1 to 2 years *HK$'000*	2 to 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amounts *HK$'000*
31 December 2017					
Non-derivative financial liabilities					
Trade payables	88,594	—	—	88,594	88,594
Accrued charges and other payables	2,041	—	—	2,041	2,041
Amount due to a related company	684	—	—	684	684
Amount due to Ex-Shareholder B	577,185	—	—	577,185	577,185
Lease liabilities	2,471	412	—	2,883	2,824
	670,975	412	—	671,387	671,328

	On demand or less than 1 year *HK$'000*	1 to 2 years *HK$'000*	2 to 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amounts *HK$'000*
31 December 2018					
Non-derivative financial liabilities					
Trade payables	34,817	—	—	34,817	34,817
Accrued charges and other payables	823	—	—	823	823
Interest-bearing borrowing	50,285	—	—	50,285	50,285
Promissory note payable	160,000	—	—	160,000	154,210
Lease liabilities	412	—	—	412	410
	246,337	—	—	246,337	240,545

	On demand or less than 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 May 2019					
Non-derivative financial liabilities					
Trade payables	16,376	—	—	16,376	16,376
Accrued charges and other payables	50,217	—	—	50,217	50,217
	66,593	—	—	66,593	66,593

36. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Target Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Assets measured at fair value

	Level 1			
	At 31 December			At 31 May
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets measured at fair value				
Financial assets at FVPL				
— Equity securities — listed in Hong Kong *(note 20)*	—	—	35,571	—

During the Relevant Periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The details of the financial assets at FVPL are set out in note 20.

(b) Assets and liabilities with fair value disclosure, but not measured at fair value

All other financial assets and financial liabilities are carried at amounts not materially different from their fair values at 31 December 2016, 2017 and 2018 and 31 May 2019.

37. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Target Group's combined statements of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Target Group's combined statements of financial position.

Under the continuous net settlement arrangement, money obligations receivable and payable with HKSCC due to or from the Group entities on the same settlement date are settled on a net basis. The Group has legally enforceable right to set off the amounts of receivables and payables that are due to be settled on the same date.

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the combined statements of financial position	Net amounts of financial assets presented in the combined statements of financial position	Related amount not set off in the combined statements of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016						
Accounts receivable arising from the business dealing in securities, options and future contracts	395,335	(312,485)	82,850	—	(17,292)	65,558

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the combined statements of financial position	Net amounts of financial assets presented in the combined statements of financial position	Related amount not set off in the combined statements of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2017						
Accounts receivable arising from the business dealing in securities, options and future contracts	199,107	(111,782)	87,325	—	(41,474)	45,851

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the combined statements of financial position	Net amounts of financial assets presented in the combined statements of financial position	Related amount not set off in the combined statements of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018						
Accounts receivable arising from the business dealing in securities, options and future contracts	45,579	(11,882)	33,697	—	(1,735)	31,962

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the combined statements of financial position	Net amounts of financial assets presented in the combined statements of financial position	Related amount not set off in the combined statements of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 May 2019						
Accounts receivable arising from the business dealing in securities, options and future contracts	6,374	(3,127)	3,247	—	(53)	3,194

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the combined statements of financial position	Net amounts of financial liabilities presented in the combined statements of financial position	Related amount not set off in the combined statements of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016						
Accounts payable arising from the business of dealing in securities, options and futures contracts	433,752	(312,485)	121,267	—	—	121,267

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the combined statements of financial position	Net amounts of financial liabilities presented in the combined statements of financial position	Related amount not set off in the combined statements of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2017						
Accounts payable arising from the business of dealing in securities, options and futures contracts	200,376	(111,782)	88,594	—	—	88,594

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the combined statements of financial position	Net amounts of financial liabilities presented in the combined statements of financial position	Related amount not set off in the combined statements of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018						
Accounts payable arising from the business of dealing in securities, options and futures contracts	46,699	(11,882)	34,817	—	—	34,817

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the combined statement of financial position	Net amounts of financial liabilities presented in the combined statement of financial position	Related amount not set off in the combined statements of financial position		
				Financial instruments	Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 May 2019						
Accounts payable arising from the business of dealing in securities, options and futures contracts	19,503	(3,127)	16,376	—	—	16,376

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Target Group's combined statements of financial position are measured on the same basis as the recognised financial assets and financial liabilities, which is amortised cost.

38. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this Historical Financial Information, there are no other subsequent events.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or its subsidiaries in respect of any period subsequent to 31 May 2019.

Set out below is the management discussion and analysis of the Target Group for three years ended 31 December 2018 and five months ended 31 May 2019, which is based on detailed financial information of the Target Group as set out in the accountant's report in Appendix II-A to this circular.

Business Review

As at the date of this circular, the Target Company is an investment holding company incorporated in the Cayman Islands. The Target Group is principally engaged in the businesses of investment holding, property investment, with SFC licenses to carry out Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts) and Type 9 (Asset management) regulated activities under the SFO for the three years ended 31 December 2018 and five months ended 31 May 2019.

The Target Group contemplates to apply for SFC License to carry out Type 7 regulated activities (providing automated trading services).

Financial Review

For the three years ended 31 December 2018, the Target Group recorded a total of brokerage commission and underwriting income of HK$1.1 million, HK$17.3 million and HK$14.7 million respectively. There was a remarkable increase of approximately 150% such income from 2016 to 2017 as there was substantial increase in brokerage business.

For the five months ended 31 May 2019, the Target Group recorded a brokerage commission and underwriting income of HK$1.8 million (HK$11.3 million in respective period in 2018).

The Target Group has recorded a total of other income (including interest income on bank deposits, dividend income, service fee income and sundry income) of HK$624,000, HK$284,000 and HK$294,000 respectively for the three years ended 31 December 2018, and HK$82,000 for the five months ended 31 May 2019.

The Target Group recorded a net gain on disposal of financial assets at fair value through profit and loss of HK$8.1 million in five months ended 31 May 2019.

The Target Group reported a loss before taxation of HK$32 million, HK$2 million and HK$10.8 million respectively for the three years ended 31 December 2018, while for the five months ended 31 May 2019, the Target Group recorded a loss of HK$12.7 million (loss of HK$1.3 million for five months ended 31 May 2018).

Management

The Target Group has two principal management personnel who are licensed responsible officers under the SFC, and they have agreed to continue to serve the Target Group after the Completion. They are:

Mr. Cheung Ngar Lok, Alan

Mr. Cheung is responsible officer and director of Liberty Securities Limited ("Liberty") since October 2017 and responsible for overall supervision of dealing and day to day operations. Mr. Cheung has over 20 years' experience in dealing and trading business. Currently, Mr. Cheung is a licensed responsible officer under SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 9 (asset management) regulated activities.

Mr. Andrew Kenneth Clarke

Mr. Clarke is responsible officer and director of Liberty Securities Limited ("Liberty") since June 2019 and responsible for overall supervision of the dealing and trading business of Liberty. Before he joined Liberty, he was a responsible officer, senior Equity Trader and local compliance officer in Mirabaud Securities Hong Kong from 2012 to 2018. Mr. Clarke possesses over 23 years of practical experiences in Hong Kong securities industry. Currently, Mr. Clarke is a licensed responsible officer under SFO to carry out Type 1 (dealing in securities) regulated activity.

Capital Commitment

The Target Company had no material capital commitment as at the Latest Practicable Date.

Treasury Policy

The Target Company had no formal treasury policy and did not enter into any form of financial arrangement for hedging for three years ended 31 December 2018 and five months ended 31 May 2019.

Exchange exposure

The asset of the Target Company was denominated in the functional currencies of the Target Company. The Target Company had no exchange risk exposure.

Employees and remuneration policy

The Target Company had 23, 21, 20 and 18 staff for the three years ended 31 December 2018 and five months ended 31 May 2019 respectively.

Dividend

No dividend was declared for the three years ended 31 December 2018 and five months ended 31 May 2019.

Contingent liabilities

The Target Company did not have any material contingent liabilities as at 31 May 2019.

Significant investment

There was no significant investment held by the Target Company as at 31 May 2019.

Acquisitions and disposals of subsidiaries and affiliated company

In October 2016, the Target Group acquired HKFG and its certain subsidiaries at a total consideration of HK$173,299,000. In November 2018, Liberty Capital BVI acquired 100% equity interest of Top Insight, Cicero and ISL at a consideration of HK$160,000,000.

Charge on company assets

There was no charge on company assets by Target Company as at 31 May 2019.

Capital structure

The share capital (including share premium) of the Target Company was increased to HK$108,808,000 as at 31 May 2019.

Liquidity

The gearing ratio of the Target Group, as measured by dividing the net debt to shareholders' equity, was inapplicable as at 31 December 2016, 31 December 2017 and 31 May 2019 as cash and cash equivalents could entirely cover the total debt (excluding amount due to ex-shareholders). The gearing ratio was about 66% as at 31 December 2018. Overall, the Target Group maintained satisfactory liquidity during the period under review.

Net debt was calculated as bank borrowings plus other payables (excluding amount due to ex-shareholders) and accruals, net of cash and cash equivalents.

Past performance of the Target Company

The Target Group had experienced great fluctuations in its businesses and operations for the periods reported in the accountants' reports. The fluctuations resulted from the recent heavy downturn in the Hong Kong stock market as a result of the prolong trade war between United States and China; and worsened by the recent turmoil and conflicts on the political environment in Hong Kong. The Target Group was also negatively influenced by the management reshuffle and the change in shareholding structures in the periods reported in the accountants' reports. The aforementioned instability and further complicated by the impending corporate and ownership restructuring and changes as a result of the Subscription had caused uncertainties to both the staff and to the customers.

However, the Company believes that, while the aforementioned short term effects are damaging, the effects would dissipates. The trade war will not alter the long term promising future of Hong Kong as the premier financial center for the greater China region, Asia and the world. With the Company being installed as the controlling shareholder, this will herald stability for the Target Group and allows it to resume on a steady progressing path. The future prospects of the Target Group are expected to be promising as discussed in the section headed "Future prospects of the Target Group".

Future prospects of the Target Company

Hong Kong is a major international financial center for the world, comprising a vast integrated network of institutions and markets which provide a wide range of products and services to local and international customers and investors. Hong Kong financial markets are characterized by a high degree of liquidity and operate under effective and transparent regulations. Financial services industry, including the securities market is an important component for the Hong Kong economy and its contribution to Hong Kong GDP is significant.

While having its up and downs in syndrome with the turbulence of the world financial markets, the financial markets in Hong Kong exhibited an obvious grow trend if viewed from a long term perspective. Due to a strong regulatory and supervisory framework characterized by independence and open free market as well as being active and liquid, Hong Kong enjoys a solid foundation to develop and respond positively to market opportunities and challenges. There are few legal restraints on capital flow in Hong Kong as well as enjoying a tax friendly environment.

The increasing presence of China has an influential impact on Hong Kong's financial services industry. Being the most liquid overseas market for mainland China as well as the Greater China region (comprising China, Hong Kong, Taiwan and Macau), Hong Kong plays the role in raising capital for Chinese enterprises. The majority of mainland companies seeking overseas listings have their listings (primary or secondary) in Hong Kong. China had firm plans and had recently enacted regulations to support Hong Kong as offshore Renminbi center and fund management center, further entrenching Hong Kong as a key financial outlet for China and bolstering Hong Kong's international financial center standing. Along with the expanded Renminbi trade settlement scheme, Hong Kong successfully introduced more Renminbi-denominated financial products and services into its local market, including trade finance and Renminbi bonds. On top of that, an expected rise in dual-listing of stocks and ETFs is going to reinforce Hong Kong's financial services industry. On 17 November 2014, Shanghai-Hong Kong Stock Connect（滬港通）was launched by the Shanghai Stock Exchange and the Hong Kong Stock Exchange. This had been followed by Shenzhen-Hong Kong Stock Connect launched on 5 December, 2016. These cross-boundary investment channels enable investors in each market to trade shares on the other market using their local brokers and clearing houses. This would further facilitate the development of the financial services industry in Hong Kong and another clear signal of support from China. This is also further strengthened with the increasing deregulation and easing of restrictions on money and investment flow from China to Hong Kong.

The Company believes that the Subscription will offer the Target Group additional windows of opportunities through greater ability to raise capital and financing as well as the connections, particular to listed companies, made available to the Target Group by the Company.

The Company also intends that the Target Group will undertake substantial portion, up to 70%, of its proprietary trading operations after completion of the Subscription. Towards that end, the Company intends to provide financing, up to HK$600 million, at normal commercial terms to the Target Group after completion of the Subscription. These additional resources will enable the Target Group not only undertake proprietary trading but also be more aggressive towards underwriting and margin financing as well as fund management.

The business model employed by the Target Group remains to target the growing retail component in the securities trading business. With the enhancement of capability in providing margin financing, the Target Group will be more attractive to and be increasingly able to serve retails clients better. Also the Target Group is applying for Type 7 license from the SFC and expects the application to be completed towards the end of 2019. With the Type 7 license in hand, the Target Group can commence the automated trading business. With the growing awareness, sophistication and great ease in such more advanced trading platforms by retail and institutional investors, the Directors believe that there will be additional opportunities to expand the Target Group's trading businesses.

With the additional resources as well as better connections with listed companies, through the Company, the Target Company can also expand businesses with these listed companies both with respect to brokerage, fund management as well as underwriting and placement businesses.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

INTRODUCTION

The following is a summary of illustrative unaudited pro forma consolidated statement of assets and liabilities at 30 June 2019 in connection with the proposed acquisition of Liberty Capital Limited and its subsidiaries (the "Target Group") (the "Proposed Acquisition"). The unaudited pro forma consolidated statement of assets and liabilities presented below is prepared to illustrate the financial position of the Group immediately after completion of the Proposed Acquisition (the "Enlarged Group") as at 30 June 2019 as if the Proposed Acquisition had been completed on 30 June 2019.

The unaudited pro forma consolidated statement of assets and liabilities is prepared based on the unaudited condensed consolidated statement of financial position of the Group at 30 June 2019 as extracted from the interim report of the Group for the six months ended 30 June 2019 and the audited statement of financial position of Target Group at 31 May 2019 as extracted from Appendix IIA to the Circular.

The unaudited pro forma consolidated statement of assets and liabilities is presented after making pro forma adjustments that are directly attributable to the Proposed Acquisition and not relating to future events or decisions, factually supportable and clearly identified as to those adjustments which are expected to have/have no continuing effect on the Enlarged Group.

The unaudited pro forma consolidated statement of assets and liabilities has been prepared by the Directors in accordance with paragraph 4.29(1) of the Listing Rules, for the purposes of illustrating the effect of the Proposed Acquisition is based on a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, it may not give a true picture of the financial position of the Group had the Proposed Acquisition been completed as of 30 June 2019, where applicable, or any future date.

The unaudited pro forma consolidated statement of assets and liabilities should be read in conjunction with the historical financial information of the Group as set out in the interim report of the Group for the six months ended 30 June 2019 and other financial information included elsewhere in the Circular.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared based on a number of assumptions, estimates and uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up or at any future date. Further, the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2019 has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019, which have been extracted from the interim report of the Group for the period then ended and the audited statement of financial position of the Target Group as at 31 May 2019, which have been extracted from Appendix IIA, after making pro forma adjustments relating to the Proposed Acquisition that are directly attributable to the transaction and factually supportable.

	The Group as at 30 June 2019	**Target Group as at 31 May 2019**	**Pro forma adjustments**		**Enlarged Group as at 30 June 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Property and equipment	310	158,214	14,273	—	172,797
Right of use assets	3,792	—	—	—	3,792
Intangible assets	—	6,500	—	—	6,500
Investment properties	459,200	—	—	—	459,200
Loan receivables	43,953	—	—	—	43,953
Debt investments at amortised cost	70,860	—	—	—	70,860
Prepayment and deposit	3,944	—	—	—	3,944
Other assets	—	3,230	—	—	3,230
	582,059	167,944	14,273	—	764,276

	The Group as at 30 June 2019	Target Group as at 31 May 2019	Pro forma adjustments		Enlarged Group as at 30 June 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Current assets					
Listed equity investments at fair value through profit or loss	989,857	—	—	—	989,857
Trade receivables	—	3,247	—	—	3,247
Loan receivables	1,000	—	—	—	1,000
Prepayments, deposits and other receivables	59,015	1,414	(50,000)	—	10,429
Time deposits	—	—	—	—	—
Bank balances — trust and segregated accounts	—	13,218	—	—	13,218
Bank balances — general accounts and cash	43,124	120,957	—	—	164,081
	1,092,996	138,836	(50,000)	—	1,181,832
Current liabilities					
Trade payables	—	16,376	—	—	16,376
Other payables and accruals	1,603	50,217	(50,000)	2,180	3,950
Lease liability	2,037	—	—	—	2,037
	3,640	66,593	(50,000)	2,180	22,363
Net current assets	1,089,356	72,243	—	(2,180)	1,159,469
Total assets less current liabilities	1,671,415	240,187	14,273	(2,180)	1,923,695

	The Group as at 30 June 2019	Target Group as at 31 May 2019	Pro forma adjustments		Enlarged Group as at 30 June 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current liabilities					
Lease liability	1,769	—	—	—	1,769
Other payables and accruals	2,444	—	—	—	2,444
Deferred tax liabilities	2,697	1,073	2,355	—	6,125
	6,910	1,073	2,355	—	10,338
NET ASSETS	1,664,505	239,114	11,918	(2,180)	1,913,357

Notes:

(1) The balances are extracted from the unaudited consolidated statement of assets and liabilites of the Group as at 30 June 2019 as set out in the Group's interim report for the six months ended 30 June 2019.

(2) The consolidated statement of assets and liabilities of the Target Group as at 31 May 2019 are extracted from the accountants' report of the Target Group as set out in Appendix IIA to this Circular.

(3) Pursuant to the terms of the subscription agreement ("Proposed Acquisition Agreement"), the total consideration payable by the Group to subscribe 2,000 ordinary shares in the Target Group of HK$270,000,000 shall be satisfied in the following manner:

(i) a refundable deposit of HK$50,000,000 shall be paid within 5 business days upon the signing of the Proposed Acquisition Agreement; and

(ii) the remaining balance of HK$220,000,000 shall be satisfied in full by cash upon completion of the Proposed Acquisition.

The adjustment represents settlement of the consideration and elimination of refundable deposit paid at HK$50,000,000 as part of the total consideration of the Proposed Acquisition of HK$270,000,000, which will be settled in cash upon completion of the Proposed Acquisition as described above and to be recorded in the equity of the Target Group.

Upon the completion of Proposed Acquisition, the Group would acquire approximately 52.63% of the enlarged share capital in the Target Company. The Proposed Acquisition is accounted for as an acquisition of a subsidiary. For illustrative purpose, gain on bargain purchase is calculated based on the excess on the Group's interest in the fair value of net identifiable assets and liabilities of the Target Group over the cost of investment, as follow:

	Notes	*HK$'000*
Cash consideration for the Proposed Acquisition at 30 June 2019		270,000
Fair values of net identifiable assets of the Target Group as at 31 May 2019		
— Before subscription completion	*(i)*	239,114
— Fair value gain of the building	*(i)*	14,273
— Deposit received before subscription completion		50,000
— Cash received upon subscription completion		220,000
— Effect of deferred tax liabilities arising from fair value gain of the building	*(ii)*	(2,355)
		521,032
Attributable to the non-controlling interests	*(iii)*	(246,805)
Attributable to the Group		274,227
Gain on bargain purchase arising from the Proposed Acquisition		(4,227)

(i) For the purpose of preparation of the unaudited pro forma consolidated statement of assets and liabilities, it is assumed that except for the building and intangible assets of the Target Group which are measured at fair values as at 31 May 2019, the fair values of the remaining identifiable assets and liabilities of the Target Group approximates to their respective carrying amounts as at 31 May 2019. The fair values of the identifiable assets and liabilities of the Target Group as at the completion date of the Proposed Acquisition will be determined by the Directors by reference to a valuation to be carried out by an independent professional qualified valuer of the Company. The fair values of the identifiable assets and liabilities of the Target Group determined on the completion date may be materially different from their respective values used in the preparation of the unaudited pro forma consolidated statement of assets and liabilities. Accordingly, the final amounts of assets or liabilities and gain on bargain purchase or goodwill, if any, to be recognised in the consolidated financial statements of the Enlarged Group upon completion may be materially different from the amounts adopted in the preparation of this unaudited pro forma consolidated statement of assets and liabilities.

(ii) The adjustment on deferred tax liabilities of approximately HK$2,355,000 is based on the fair value gain of the building under property and equipment of the Target Group of approximately HK$14,273,000, by applying Hong Kong Profits Tax rate of 16.5%.

(iii) The amount represents 47.37% of the recognised amounts of identifiable net assets attributable to non-controlling interests of the Target Group.

(4) The adjustment represents the estimated acquisition-related costs of approximately HK$2,180,000, including accountancy, legal, valuation and other professional services related to the Proposed Acquisition, which would be recognised in profit or loss. The adjustment has no continuing effect on the consolidated assets and liabilities of the Enlarged Group in subsequent periods.

(5) Save as set out above, the unaudited pro forma consolidated statement of assets and liabilities does not take into account any trading results or other transactions of the Group and the Target Group subsequent to 30 June 2019 and 31 May 2019 respectively as included in the unaudited pro forma consolidated statement of assets and liabilities.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Company

As at the Latest Practicable Date, none of the Directors or 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, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, to the best knowledge of the Directors and the chief executive of the Company, the following person (other than a Director and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the Shares, underlying share and debentures of the Group:

Name	Number of Shares held	Percentage of the number of issued Shares
Ms. Lo Ki Yan Karen	6,335,354,400	68.08%
Future Capital Group Limited	6,282,636,400	67.52%

Save as aforesaid, as at the Latest Practicable Date, the Directors were not aware of any other person (other than a Director and the chief executive of the Company) who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

4. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to entered into any service contracts with any member of the Enlarged Group, excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, as far as the Directors were aware, none of the Directors or controlling shareholders of the Company or any of their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Enlarged Group nor does any of them has or may have any other conflicts of interest with the Enlarged Group.

6. DISCLOSURE OF OTHER INTEREST

As at the Latest Practicable Date:

(a) none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2018 (being the date to which the latest published audited accounts of the Group were made up); and

(b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Enlarged Group) were entered into by members of the Enlarged Group within two years immediately preceding the date of this circular and are or may be material:

The Enlarged Group:

(a) The Conditional Subscription Agreement

The Group:

(a) On 16 January 2019 (after trading hours), Chongqing Industrial Limited, Timmex Investment Limited and Cheung Chung Kiu ("Vendors") and had entered into the Sale and Purchase Agreement with Future Capital Group Limited ("Offeror") which is wholly owned by Ms. Lo Ki Yan Karen, pursuant to which the Vendors agreed to sell and the Offeror agreed to purchase the Sale Shares, being 4,099,709,732 Shares, for a total consideration of HK$717,449,203.10, equivalent to HK$0.175 per Sale Share, which was agreed between the Vendors and the Offeror after arm's length negotiations;

(b) on 27th December 2018, Maxlord Enterprises Limited ("Maxlord"), an indirect wholly-owned subsidiary of the Company, entered into the Loan Agreement with Customer B, pursuant to which Maxlord Enterprises Limited agreed to grant to Customer B a revolving loan facility of up to HK$48,000,000 for a term of twenty four months commencing on the date of the Loan Agreement bearing interest at a rate of 17% per annum;

(c) On 14 December, 2018, Senico Investment Ltd., an indirectly wholly-owned subsidiary of the Company ("Senico"), acquired on the market a principal amount of US$3,000,000 (equivalent to approximately HK$23,460,000) of the 2021 Notes issued by Kaisa Group Holdings Ltd. ("Kaisa") for a consideration of US$2,496,250 (equivalent to approximately HK$19,520,700). On the same day, Senico further acquired on the market a principal amount of US$1,000,000 (equivalent to approximately HK$7,820,000) of the 2022 Notes issued by Kaisa for a consideration of US$783,667 (equivalent to approximately HK$6,128,300).

(d) On 12 December 2018, Senico acquired on the market a principal amount of US$2,000,000 (equivalent to approximately HK$15,640,200) of the US$600,000,000 notes issued by Fantasia Holdings Group Co., Limited, bearing interest of 8.375% per annum payable semi-annually and maturing in March 2021, for a consideration of US$1,542,667 (equivalent to approximately HK$12,063,800). Further on December 13, 2018, Senico acquired on the market a principal amount of US$2,000,000 (equivalent to approximately HK$15,640,200) of this notes for a consideration of US$1,570,063 (equivalent to approximately HK$12,278,050).

(e) On 31 July 2017, Maxlord entered into the loan agreement with a third party which is principally engaged in the business of money lending, pursuant to which Maxlord agreed to grant and the borrower agreed to borrow the loan in the principal amount of HK$50,000,000, bearing interest at a rate of 12% per annum for a period of 12 months.

On 30 June 2017, Maxlord entered into a loan agreement with a third party, pursuant to which the Maxlord agreed to grant and the borrower agreed to borrow the loan in the principal amount of HK$50,000,000, bearing interest at a rate of 12% per annum for a period of 12 months.

The Target Group:

(a) There was a capital injection in the Target Company during the period ended 31 May 2019.

As part of the reorganisation undertaken by the Target Group, the controlling shareholders of the Target Group transfers their corresponding shares held in Liberty Capital BVI to the Target Company in accordance with the share swap agreement dated 26 October 2018. The paid-in capital of Liberty Capital BVI was eliminated as of 31 May 2019. The share capital of the Target Group at 31 May 2019 represented the share capital of the Target Company.

(b) In November 2018, Liberty Capital BVI entered into an acquisition agreement with a third party, to acquire 100% equity interest of Top Insight, Cicero and ISL ("Top Insight Group") (the "Top Insight Group Acquisition"), at consideration of HK$160,000,000, which was settled by a zero coupon 1-year promissory note with principal amount of HK$160,000,000 with a fair value of approximately HK$153,331,000. Under the deed of assignment, the vendor has also assigned and transferred a loan due from Top Insight Group amounting to approximately HK$104,000 to the Target Group. The principal activity of Top Insight Group is property holding. The acquisition was completed in November 2018. Upon completion of the transaction, Top Insight Group had become a non-wholly owned subsidiary of the Target Company. The promissory note was early settled in full by Liberty Capital BVI in May 2019.

8. EXPERTS AND CONSENTS

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

Name	Qualification
Ernst & Young	Certified public accountants
Mazars CPA Limited	Certified public accountants

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report (if applicable) and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the above experts had any interest, either direct or indirect, in any assets which have been, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group nor had any shareholding in any member of the Enlarged Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at 8/F, China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this circular up to 15 November 2019 (both days inclusive):

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018 respectively and the interim report of the Company for the six months ended 30 June 2019;

(c) the accountants' report on the Target Company and Target Group, the text of which is set out in Appendix II-A to this circular;

(d) the letter on the unaudited pro forma financial information of the Enlarged Group issued by Mazars CPA Limited set out in Appendix III to this circular;

(e) the consent letters referred to in the paragraph under the heading "Experts and Consents" in this Appendix to this circular;

(f) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix to this circular; and

(g) this circular.

10. GENERAL

(a) The Company's Hong Kong Branch Share Registrar and Transfer Office is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(b) The Company Secretary of the Company is Mr. Yeung Chi Lung. He is a member of the Hong Kong Institute of Certified Public Accountants.