THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Enterprise Development Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale and transfer was effected for transmission to the purchaser(s) or the transferee(s).

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

ENTERPRISE DEVELOPMENT HOLDINGS LIMITED
企 展 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 50% OF THE ISSUED SHARE CAPITAL IN TAIPING SECURITIES (HK) CO LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

INCU

INCU Corporate Finance Limited

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

A notice convening the EGM to be held at PLAZA meeting room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 8 February 2018 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall deemed be revoked.

23 January 2018

CONTENTS

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

"2017 Audited Accounts"	the audited accounts of the Target Company for the year ending 31 December 2017
"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser, in accordance with the terms and conditions of the Sale and Purchase Agreement
"Adjusted Consideration"	50% of the product of (a) the Net Asset Value shown in the Completion Accounts; and (b) the price-to-book ratio of 1.2 times
"Affiliate"	with respect to any person, any of such person's connected person(s) (as defined in the Listing Rules), any other person directly or indirectly controlling, controlled by or under common control with such person (including any subsidiary) or any investment funds managed or advised by such person or any of its other Affiliates and, for any person who is an individual, includes such individual's spouse, children or any person(s) cohabiting as a spouse of such person. Notwithstanding the foregoing, in the case of a person that is a pooled investment vehicle or an entity wholly owned by a pooled investment vehicle, "**Affiliates**" shall include any of its general partners and fund managers and pooled investment vehicles managed by its fund managers, and any officers, general partners and fund managers thereof. For the purpose of this definition, the term "**control**" (including with correlative meanings, the terms "**controlling**", "**controlled by**" and "**under common control with**"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise
"Affluent Start"	Affluent Start Holdings Investment Limited, a company incorporated in the British Virgin Islands with limited liability and the issued share capital of which is wholly-owned by Mr. King
"Better Joint Venture"	Better Joint Venture Limited, a company incorporated in the British Virgin Islands with limited liability and the issued share capital of which is wholly-owned by Mr. King

"Board"	the board of Directors
"Business Day(s)"	any day(s) (other than a Saturday, Sunday or public or statutory holiday in Hong Kong and any day(s) on which a tropical cyclone warning no. 8 or above is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
"Carnival Group"	Carnival Group International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 996)
"CIGFCL"	China Insurance Group Finance Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor
"Company"	Enterprise Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1808)
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
"Completion Accounts"	the audited accounts of the Target Company for the period commencing from 1 January 2018 up to the last day of the month immediately before Completion, or such other date as the parties to the Sale and Purchase Agreement may agree
"Completion Date"	the date of the Completion, which shall be a day within three Business Days following the date on which the last of the conditions precedent to the Sale and Purchase Agreement being fulfilled or waived (as the case may be) or such other date as the parties to the Sale and Purchase Agreement may agree in writing
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Consideration"	HK$229,884,785.00 (subject to adjustment), being the consideration payable for the Sale Shares

"Consideration Shares"	130,805,603 new Shares to be issued by the Company to settle part of the Consideration
"Control"	in relation to the Company, where a person has direct or indirect holding or aggregate holdings, over more than 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the total voting rights conferred by all the issued shares in the capital of the Company which are ordinary exercisable in general meeting, irrespective of whether that holding or holdings given *de facto* control
"Conversion Shares"	the Shares to be allotted and issued upon exercise of the rights attached to the Convertible Bonds to convert the principal amount (or any part(s) thereof) of the Convertible Bonds into Shares pursuant to the terms and conditions of the Convertible Bonds
"Convertible Bonds"	the convertible bonds to be issued by the Company to settle part of the Consideration, and convertible into Shares pursuant to the terms and conditions of the Convertible Bonds and the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the allotment and issue of the Consideration Shares and the Conversion Shares
"Elite Mile"	Elite Mile Investments Limited, a company incorporated in the British Virgin Islands with limited liability and the issued share capital of which is wholly-owned by Mr. King
"Enlarged Group"	the Group as enlarged by the Target Company upon Completion
"FinTech"	the use of information technology (IT) to enhance the performance of the financial service sector
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"Last Trading Day"	14 November 2017, being the last trading day of the Shares before the signing of the Sale and Purchase Agreement
"Latest Practicable Date"	17 January 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Committee"	has the meeting ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 December 2018 or such later date as the parties to the Sale and Purchase Agreement may agree in writing
"Luck Success"	Luck Success Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Rentian
"Mr. King"	Mr. King Pak Fu, the ultimate beneficial owner of Affluent Start, Better Joint Venture, Elite Mile and Mystery Idea respectively, and the controlling shareholder of Carnival Group and Rentian respectively
"Mystery Idea"	Mystery Idea Limited, a company incorporated in the British Virgin Islands with limited liability and the issued share capital of which is wholly-owned by Mr. King
"Net Asset Value"	the difference between the total assets and total liabilities of the Target Company, based on the accounts of the Target Company
"Nominee(s)"	any subsidiary(ies) of Taiping

"PRC" or "China"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Reliable Intelligence Asia Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Rentian"	Rentian Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 885)
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 14 November 2017 and entered into among the Vendor, the Purchaser and the Company in respect of the Acquisition
"Sale Shares"	181,935,175 shares, representing 50% of the issued share capital in the Target Company as at the date of the Sale and Purchase Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.1 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sino Wealthy"	Sino Wealthy Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Rentian
"Specific Mandate"	the specific mandate to be granted by the Shareholders at the EGM to allot and issue the Consideration Shares and the Conversion Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Taiping"	China Taiping Insurance Holdings Company Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 966)
"Taiping Group"	Taiping and its subsidiaries
"Taiping Trustees"	Taiping Trustees Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor
"Takeovers Code"	the Code on Takeovers and Mergers
"Target Company"	Taiping Securities (HK) Co Limited, a company incorporated in Hong Kong with limited liability
"Target's Shareholders' Agreement"	the shareholders' agreement to be entered into on Completion among the Purchaser, the Vendor and the Target Company to regulate their relationship and to record their respective rights and obligations of the Purchaser and the Vendor as shareholders of the Target Company with respect to, among others, finance, management and operations
"Vendor"	Taiping Financial Holdings Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Taiping
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar(s), the lawful currency of the United States of America
"%"	per cent.

ENTERPRISE DEVELOPMENT HOLDINGS LIMITED
企 展 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1808)

Executive Directors:
Mr. Lam Kai Tai *(Chairman)*
Mr. Li Jiang Nan
Ms. Fan Carol

Independent non-executive Directors:
Ms. Hu Gin Ing
Mr. Liu Jian
Mr. Li Wai Kwan

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

Principal place of business in Hong Kong:
Flat B, 11/F
Hing Lung Commercial Building
68-74 Bonham Strand
Sheung Wan
Hong Kong

23 January 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 50% OF THE ISSUED SHARE CAPITAL IN TAIPING SECURITIES (HK) CO LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

References are made to the announcements of the Company dated 14 November 2017, 22 December 2017 and 12 January 2018, in relation to the Acquisition and the transactions contemplated thereunder.

On 14 November 2017 (after trading hours), the Vendor, the Purchaser (being a wholly-owned subsidiary of the Company) and the Company entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares for a total Consideration of HK$229,884,785.00 (subject to the adjustment as described under the paragraph headed "Adjustment to Consideration" below).

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition and the transactions contemplated thereunder; (ii) the financial information of the Group and the Target Company; (iii) the unaudited pro forma financial information of the Enlarged Group upon Completion; and (iv) the notice of the EGM at which resolution(s) will be proposed to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date:		14 November 2017
Parties:		
(1)	Vendor:	Taiping Financial Holdings Company Limited
(2)	Purchaser:	Reliable Intelligence Asia Limited (being a wholly-owned subsidiary of the Company)
(3)	Issuer:	the Company

As disclosed in the announcement of the Company dated 3 August 2017 and as at the Latest Practicable Date, Luck Success and Sino Wealthy, both being wholly-owned subsidiaries of Rentian, respectively pledged 186,672,292 Shares and 17,182,000 Shares to CIGFCL, as collaterals for a loan granted by CIGFCL to Luck Success. As at the Latest Practicable Date, (i) each of Mr. King, Better Joint Venture, Mystery Idea, Luck Success and Sino Wealthy maintained securities account with the Target Company; (ii) each of Mystery Idea and Sino Wealthy had an outstanding margin facility granted by the Target Company; and (iii) Taiping Trustees was the holder of the convertible bonds in the principal amount of US$25,000,000 issued by Carnival Group. Save as disclosed herein, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Target Company, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing 50% of the issued share capital in the Target Company.

Consideration

The Consideration for the Acquisition shall be HK$229,884,785.00 (subject to the adjustment as described under the paragraph headed "Adjustment to Consideration" below), which shall be satisfied in the following manner:

(a) as to HK$143,886,163.30 ("**Share Consideration Value**") shall be payable by the Purchaser procuring the Company, which shall allot and issue the Consideration Shares to the Vendor (or its Nominee(s)) at the issue price of HK$1.10 per Consideration Share upon Completion; and

(b) the remaining balance of the Consideration shall be payable by the Purchaser procuring the Company, which shall issue the Convertible Bonds to the Vendor (or its Nominee(s)) upon Completion, with the initial conversion price of such Convertible Bonds at HK$1.10 per Conversion Share.

The Consideration was arrived at after arm's length negotiations among the Vendor, the Purchaser and the Company taking into account, amongst others, (i) the unaudited Net Asset Value as at 31 October 2017 of approximately HK$383,141,000; (ii) the historical financial performance of the Target Company; (iii) the future business prospects of the Target Company; (iv) the agreed price-to-book multiple of the Acquisition of approximately 1.2 times (the "**Agreed P/B Ratio**"), where the Consideration is calculated based on the product of the Agreed P/B Ratio and 50% of the Net Assets Value of approximately HK$191.6 million as at 31 October 2017; and (v) the benefits to be derived by the Group from the Acquisition as described under the paragraph headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below.

To assess the fairness and reasonableness of the Consideration, the Directors have made reference to the price-to-book ratios of comparable companies listed on the Stock Exchange (the "**Comparable P/B Ratios**") as at the date of the Sale and Purchase Agreement which are (i) mainly engaged in the businesses of securities dealing and broking and securities margin financing; and (ii) with a market capitalisation lower than HK$1,000 million which is close to the size of the Target Company, as follows:

Stock code	**Name of company**	**Market capitalisation as at the date of the Sale and Purchase Agreement** *(HK$'000)*	**Comparable P/B Ratios** *(Note)*
111	Cinda International Holdings Limited	557,849,000	0.74
804	Pinestone Capital Limited	535,190,000	2.06
812	Southwest Securities International Securities Limited	732,366,000	3.12

Stock code	Name of company	Market capitalisation as at the date of the Sale and Purchase Agreement *(HK$'000)*	Comparable P/B Ratios *(Note)*
8001	Orient Securities International Holdings Limited	324,000,000	1.14
8098	CL Group (Holdings) Limited	396,000,000	1.57
8221	PF Group Holdings Limited	304,000,000	1.36
8333	Astrum Financial Holdings Limited	292,000,000	1.85
		Average	1.69
		Maximum	3.12
		Minimum	0.74
		Median	1.57

Note: The price-to-book ratios of the comparable companies are calculated based on their respective market capitalisation divided by the audited consolidated net assets attributable to equity shareholders as disclosed in their latest published annual reports.

It is noted that the Agreed P/B ratio falls within the range of Comparable P/B Ratios of approximately 0.74 times to 3.12 times and is lower than the average of Comparable P/B Ratios of approximately 1.69 times.

The Directors have evaluated the Consideration after taking into account the quantitative and qualitative factors. Although the revenue and profit of the Target Company have decreased in the latest financial year, the Directors are of the view that the Consideration is fair and reasonable having considered:

(i) the Agreed P/B Ratio falls within the range of the Comparable P/B Ratios;

(ii) the Agreed P/B Ratio of approximately 1.2 times is below the average and median of the Comparable P/B Ratios;

(iii) as evidenced by the financial performance of the Target Group for the ten months ended 31 October 2017, the revenue has shown an upward trend in 2017; and

(iv) other qualitative factors including the future business prospects of the Target Company and the benefits to be derived by the Group as detailed in the paragraph headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below.

Adjustment to Consideration

Consideration shall be adjusted in accordance with the Completion Accounts so that the Consideration payable upon Completion shall be equivalent to the Adjusted Consideration, being 50% of the product of (a) the Net Asset Value shown in the Completion Accounts; and (b) the price-to-book ratio of 1.2 times.

The Purchaser shall procure the Company, which shall issue the Convertible Bonds to the Vendor (or its Nominee(s)) with the principal amount equivalent to the difference between (i) the Adjusted Consideration; and (ii) the Share Consideration Value on Completion.

The parties to the Sale and Purchase Agreement acknowledge and agree that the Adjusted Consideration shall not exceed HK$275,885,000.00.

Conditions precedent

Completion is conditional upon, and subject to the fulfilment or waiver (where applicable) of, the following conditions precedent:

(a) the Purchaser being satisfied with the results of the due diligence review to be conducted on the Target Company;

(b) the Vendor being satisfied with the results of the due diligence review to be conducted on the Group;

(c) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;

(d) all necessary consents and approvals required to be obtained on the part of the Purchaser and/or the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;

(e) the representations, warranties and undertakings provided by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all respects;

(f) the representations, warranties and undertakings provided by the Purchaser and the Company under the Sale and Purchase Agreement remaining true and accurate in all respects;

(g) without prejudice to condition (c), the obtaining of approval from the SFC for the change in the substantial shareholder of the Target Company as contemplated under the Sale and Purchase Agreement;

(h) the Vendor not being required to make a mandatory general offer in relation to the Shares pursuant to the Takeovers Code;

(i) the passing by the Shareholders at the EGM to be convened and held of an ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares, and the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Bonds;

(j) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares and the Conversion Shares; and

(k) subject to compliance with the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), the Target Company has settled the inter-company balances with the Vendor or its affiliates.

Save for conditions (a) and (e) which the Purchaser shall have the right to waive by notice in writing to the Vendor and conditions (b), (f) and (h) which the Vendor shall have the right to waive by notice in writing to the Purchaser, all other conditions precedent above are incapable of being waived. If any of the above conditions precedent is not fulfilled or waived (where applicable) on or before the Long Stop Date, the Sale and Purchase Agreement shall cease and be terminated, and therefore no party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms in the Sale and Purchase Agreement.

With respect to the Acquisition, the Company is in the course of conducting business due diligence review, financial due diligence review and legal due diligence review on the Target Company. The Company has so far reviewed the Target Company's statutory records, its business plan and its financial statements for the three years ended 31 December 2014, 2015 and 2016 and the ten months ended 31 October 2017. As at the Latest Practicable Date, the findings from the due diligence exercise on the Target Company have been satisfactory and the exercise is still on going.

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Completion

Completion shall take place within three Business Days following the date on which the last of the conditions precedent to the Sale and Purchase Agreement being fulfilled or waived (as the case may be) or such other date as the parties to the Sale and Purchase Agreement may agree in writing.

Upon Completion, the Company will indirectly hold 50% of the issued share capital of the Target Company, which will become an associate of the Company and the investment of the Group in the Target Company will be classified as interests in an associate.

The Vendor's right to nominate a Director

Pursuant to the Sale and Purchase Agreement, on Completion, the Vendor shall be entitled to nominate a Director to the Board. Pursuant to the Sale and Purchase Agreement, the appointment of the Director shall be subject to the articles of association of the Company and the Listing Rules, and re-election at the annual general meeting of the Company.

Save as disclosed in this paragraph headed "The Vendor's right to nominate a Director", the parties to the Sale and Purchase Agreement have no intention, agreement, arrangement, negotiation and/or plan to change the Board composition within the next 24 months.

Undertaking by the Vendor

The Vendor undertakes that, it shall deliver or cause to be delivered to the Purchaser, the 2017 Audited Accounts on or before 30 April 2018, or such other date as the parties may agree. For the avoidance of doubt, the 2017 Audited Accounts shall be prepared by a certified public accountant of the Target Company, in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting policies. The cost for preparing the 2017 Audited Accounts shall be borne by the Target Company.

Undertaking by the Company

Save for the issue of new Shares under the general mandate approved by the Shareholders, the Company undertakes that, for a period of six months commencing from the Completion Date, it shall not issue new Shares or grant any options or issue any warrants, debentures, securities or other obligations convertible into Shares, without the prior written consent of the Vendor (which consent shall not be unreasonably withheld or delayed).

Consideration Shares

As at the Latest Practicable Date, the Company had 526,508,982 Shares in issue. The 130,805,603 Consideration Shares to be allotted and issued represent (i) approximately 24.84% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 19.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares immediately after Completion (assuming that no new Shares will be allotted and issued from the Latest Practicable Date and up to the Completion Date).

The Consideration Shares will be allotted and issued at the issue price of HK$1.10 per Consideration Share, which represents:

(a) a discount of approximately 18.52% to the closing price of HK$1.350 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 16.92% to the average closing prices of HK$1.324 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 13.66% to the average closing prices of HK$1.274 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including Last Trading Day; and

(d) a discount of approximately 40.22% to the closing price of HK$1.840 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The issue price was arrived after arm's length negotiations among the Vendor, the Purchaser and the Company taking into account the prevailing closing price of the Shares in last three months prior to the date of the Sale and Purchase Agreement (i.e. a discount of approximately 7.41% and 8.04% to the average closing price of the Shares for the last 30 and 60 consecutive trading days immediately prior to the Last Trading Day respectively). The Directors consider that the determination of the issue price with reference to the trading price of the Shares over a period of three months is more appropriate as compared with the trading price of the Shares on a particular day, i.e. the Last Trading Day and consider the discount as mentioned above is reasonable and reflective of the value of the Company and is in the interests of the Company and the Shareholders as a whole.

In determining the payment terms of the Consideration, the Board has taken into account other payment alternatives including cash settlement through internal or external resources including equity and debt fund raising. Based on the interim report for the six months ended 30 June 2017, the Group had cash and cash equivalents of approximately RMB59.3 million. In view of the amount of the Consideration and requirement to maintain sufficient working capital for the Group's operation, the Board considered the cash resources held by the Group is insufficient to finance the Consideration. Regarding equity fund raising, the Board has considered placing of Shares by specific mandate and rights issue or open offer. In case of placing of new Shares of up to the total number of the Consideration Shares and Conversion Shares to be issued, the potential subscriber(s) or placing agent will likely ask for a deeper discount for the placing price given that the number of new Shares to be placed out will exceed the limit of general mandate and a larger discount is expected given the relatively low trading volume of the Shares. It is expected that the discount rate may be more than 20% (being the maximum discount for placing of new Shares under general mandate). Further, the Company will incur costs, such as commission, legal fee and administrative costs, in relation to placing. Lastly, placing of new Shares will also cause similar dilution impact to the Shareholders.

In case of the Company raising funds to settle the Consideration by way of rights issue or open offer, assuming the offer price is similar to the issue price, the Company has to secure an underwriter or underwriters to underwrite the proposed rights shares or offer shares. The Company, after conducting market research, considers that the offer price with 7% to 8% discount will not be attractive to underwriters. In addition, the costs (including underwriting commission, legal fees and administrative costs) incurred by the Company in rights issue or open offer will be higher than that for placing. Further, in the case of fund raising by rights issue or open offer, Shareholders will be required to incur a cash outflow should they participate in the exercise or their interests will still be diluted should they choose not to participate.

In case of debt financing, given the size of the Consideration, substantial finance cost will be incurred and certain assets will be required to be pledged by the Group which will adversely affect the Group's performance and financial position.

The Directors take the view that by issue of the Consideration Shares and the Conversion Shares to the Vendor for the payment of Consideration does not create additional financial burden on the Company but also introduces the Vendor as a strategic partner of the Company so that the Company and the Taiping Group could closely cooperate with each other for the future FinTech projects of the Group.

Having taking into account the above, the Board considered that the payment term of Consideration, comprising Consideration Shares and Convertible Bonds which will (i) be issued at a reasonable discount; (ii) avoid incurring additional expenses which may affect the financial performance of the Group, is a fair and reasonable way of settlement.

The Consideration Shares shall be allotted and issued pursuant to the Specific Mandate, and shall rank *pari passu* with, and carry the same rights in all respect as, the Shares in issue on the date of such allotment and issue, including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issue.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Convertible Bonds

The principal terms of the Convertible Bonds are summarised as follows:

Issuer	:	The Company
Principal Amount	:	The difference between (i) the Adjusted Consideration; and (ii) the Share Consideration Value
Maturity Date	:	The day falling the second anniversary of the date of issue of the Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date (the "**Maturity Date**")
Interest Rate	:	The Convertible Bonds shall bear no interest
Conversion Price	:	The initial conversion price shall be HK$1.10 per Conversion Share (the "**Conversion Price**"), subject to adjustment as described in the adjustment provisions below

Conversion Shares	:	For illustrative purpose only, assuming the conversion rights attaching to the Convertible Bonds in the initial principal amount of HK$85,998,621.70 are exercised in full at the Conversion Price, 78,180,565 Shares will be allotted and issued For illustrative purpose only, assuming the conversion rights attaching to the Convertible Bonds in the principal amount of up to HK$131,998,836.70 are exercised in full at the Conversion Price, up to 94,733,668 Shares may be allotted and issued pursuant to the terms and conditions of the Convertible Bonds
Conversion Period	:	The period commencing from the 180th day after the date of issue of the Convertible Bonds up to and including the Maturity Date (the "**Conversion Period**"), subject to the terms and conditions of the Convertible Bonds
Conversion rights	:	The holder(s) of the Convertible Bonds shall have the right at any time during the Conversion Period to convert the whole or part (in multiples of HK$10,000,000) of the outstanding principal amount of the Convertible Bonds registered in its name into Shares at the Conversion Price, provided that: (i) the conversion of such portion of the principal amount of the Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the Convertible Bonds which exercised the Conversion Rights; (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules for the minimum percentage of shares being held by the public as per Rule 8.08(1)(a) of the Listing Rules) of the issued Shares at the time in compliance with the Listing Rules; and (iii) the conversion will not cause a change of Control of the Company

		Notwithstanding the mandatory conversion pursuant to the terms and conditions of the Convertible Bonds, the remaining portion of principal amount the Convertible Bonds not converted due to restrictions set out above (the "**Remaining Principal Amount**") shall be settled on Maturity Date either in cash in an amount equivalent to the Remaining Principal Amount or in a form of zero-coupon notes with a principal amount equivalent to the Remaining Principal Amount and terms of such notes to be mutually agreed between the Company and the holder(s) of the Convertible Bonds
Redemption	:	Save for the occurrence of an event of default, the cessation of the listing of the Shares on the Stock Exchange and/or a change of Control in the Company, no outstanding amount of the Convertible Bonds shall be redeemed at the request of the Company nor the holder(s) of the Convertible Bonds from the date of issue of the Convertible Bonds and on the Maturity Date (both days inclusive)
Adjustment provisions	:	The Conversion Price shall from time to time be adjusted in accordance with the terms and conditions of the Convertible Bonds upon the occurrence of certain events in relation to the Company including but not limited to the following: (i) an alteration of the nominal amount of the Shares by reason of any consolidation, subdivision or reclassification; (ii) an issue of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued (except any scrip dividend); (iii) a capital distribution being made by the Company to the Shareholders; (iv) an offer or grant being made by the Company to Shareholders by way of rights, options, warrants or other rights to subscribe for new Shares at a price which is less than the market price;

		(v) an issue being made by the Company wholly for cash or for reduction of liabilities any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than the market price; and (vi) an issue being made by the Company wholly for cash or for reduction of liabilities any Shares at a price per Share which is less than the market price
Transferability	:	The holder(s) of the Convertible Bonds shall not transfer the Convertible Bonds to any other persons other than its Affiliates. The Convertible Bonds may be assigned or transferred in whole (but not in part) to its Affiliates without any prior written consent of the Company Immediately upon the transferee ceasing to be an Affiliate of the initial holder(s) of the Convertible Bonds, the initial holder(s) of the Convertible Bonds shall procure the Convertible Bonds be re-transferred to the initial holder(s) of the Convertible Bonds
Voting rights	:	The holder(s) of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of it being the holder(s) of the Convertible Bonds
Listing	:	No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares
Ranking of the Conversion Shares	:	The Conversion Shares shall rank *pari passu* with the Shares in issue on the date of such allotment and issue, including the rights to all dividends or other distributions declared, paid or made or to be declared, paid or made for which the record date falls or after the date of such allotment and issue

Conversion Shares

As at the Latest Practicable Date, the Company had 526,508,982 Shares in issue. For illustrative purpose only and assuming the conversion rights attaching to the Convertible Bonds of an initial principal amount of HK$85,998,621.70 are exercised in full, 78,180,565 Conversion Shares shall be allotted and issued, which represent (i) approximately 14.85% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 12.93% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares; and (iii) approximately 10.63% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares (assuming that no new Shares will be allotted and issued from the Latest Practicable Date and up to the Completion Date).

For illustrative purpose only and assuming the conversion rights attaching to the Convertible Bonds of the principal amount of up to HK$131,998,836.70 are exercised in full, up to 94,733,668 Conversion Shares may be allotted and issued, which represent (i) approximately 17.99% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 15.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares; and (iii) approximately 12.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares (assuming that no new Shares will be allotted and issued from the Latest Practicable Date and up to the Completion Date).

Conversion price

The initial conversion price of the Convertible Bonds shall be HK$1.10 per Conversion Share, subject to adjustment as set out and in accordance with the terms and conditions of the Convertible Bonds, which represents:

(a) a discount of approximately 18.52% to the closing price of HK$1.350 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 16.92% to the average closing prices of HK$1.324 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 13.66% to the average closing prices of HK$1.274 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including Last Trading Day; and

(d) a discount of approximately 40.22% to the closing price of HK$1.840 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price was arrived at after arm's length negotiations among the Vendor, the Purchaser and the Company with reference to the current market price of the Shares and the factors considered in determining issue price of the Consideration Shares. The Directors consider that the Conversion Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Conversion Shares shall be allotted and issued pursuant to the Specific Mandate.

The Target's Shareholders' Agreement

On Completion, the Purchaser, the Vendor and the Target Company will enter into the Target's Shareholders' Agreement to record the respective rights and obligations of the Purchaser and the Vendor as shareholders of the Target Company with respect to, among others, finance, management and operations of the Target Company.

Under the Target's Shareholders' Agreement, among other things, each of the Purchaser and the Vendor shall be entitled to appoint three directors to the board of directors of the Target Company. The Vendor shall be entitled to appoint the chairman to the board of directors of the Target Company, whom shall be entitled to exercise two votes in board meetings. Any transfer of shares or interest in shares by a shareholder of the Target Company thereafter will be subject to the first right of refusal and the tag-along right of the other shareholder.

Undertaking by Rentian

As at the Latest Practicable Date, Rentian, through its wholly-owned subsidiaries, Luck Success and Sino Wealthy, is interested in an aggregate of 229,354,292 Shares, representing approximately 43.56% of the issued share capital of the Company.

On 14 November 2017, Rentian executed an undertaking in favour of the Vendor, under which it undertakes that, among other things, it shall procure Luck Success and Sino Wealthy, shall remain as shareholders of an aggregate of 203,854,292 Shares from the date of the undertaking to 12 months after Completion.

Undertaking by Mr. King

As at the Latest Practicable Date, Mr. King, through his wholly-owned investment vehicles, Affluent Start, Elite Mile and Mystery Idea, is interested in an aggregate of 77,825,500 Shares, representing approximately 14.78% of the issued share capital of the Company.

On 14 November 2017, Mr. King executed an undertaking in favour of the Vendor, under which he undertakes that, among other things, he shall procure Affluent Start and Mystery Idea, shall remain as shareholders of an aggregate of 64,435,500 Shares from the date of the undertaking to 12 months after Completion.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability, which is licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity under the SFO, and is principally engaged in the businesses of securities dealing and broking, and securities margin financing.

As at the Latest Practicable Date, the Target Company is wholly-owned by the Vendor.

Financial information of the Target Company

Set out below is a summary of the audited financial information of the Target Company for each of the two years ended 31 December 2015 and 2016 in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2015 *(HK$'000)* (audited)	**For the year ended 31 December 2016** *(HK$'000)* (audited)
Revenue	63,222	42,351
Profit before tax	26,497	2,027
Profit after tax	23,890	2,027

The audited Net Asset Value of the Target Company as at 31 October 2017 was approximately HK$383,141,000.

Please refer to Appendix IIA of this circular for further financial information of the Target Company.

INFORMATION ON THE PURCHASER AND THE VENDOR

The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company. The Purchaser is an investment holding company.

The Vendor

The Vendor is a company incorporated in Hong Kong with limited liability. The Vendor is an investment holding company. As at the Latest Practicable Date, the Vendor is a wholly-owned subsidiary of Taiping, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 966).

Taiping is an investment holding company. Taiping, through its operating subsidiaries, is licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. The Taiping Group is principally engaged in the underwriting of direct life insurance business in the PRC and Hong Kong, direct property and casualty insurance business in the PRC, Hong Kong and overseas, pension and group life business, and all classes of global reinsurance business. Taiping's subsidiaries also conduct asset management, insurance intermediary, e-commerce for insurance, financial leasing, property investment, senior living investment, securities dealing and broking business.

As disclosed in the announcement of the Company dated 3 August 2017 and as at the Latest Practicable Date, Luck Success and Sino Wealthy, both being wholly-owned subsidiaries of Rentian, respectively pledged 186,672,292 Shares and 17,182,000 Shares to CIGFCL, as collaterals for a loan granted by CIGFCL to Luck Success. As at the Latest Practicable Date, (i) each of Mr. King, Better Joint Venture, Mystery Idea, Luck Success and Sino Wealthy maintained securities account with the Target Company; (ii) each of Mystery Idea and Sino Wealthy had an outstanding margin facility granted by the Target Company; and (iii) Taiping Trustees was the holder of the convertible bonds in the principal amount of US$25,000,000 issued by Carnival Group. Save as disclosed herein, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Target Company, the Vendor, its controlling shareholder nor its subsidiaries are connected persons of the Company and its connected persons in accordance with the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in the provision of integrated business software solutions and trading of listed securities. The Directors consider that the Acquisition will enable future development of financial services business and will be in furtherance of the IT business with financial service sector (more commonly referred to as FinTech).

Future development of financial services business

With a view to diversify the Group's existing business portfolio and to broaden its source of income, the Directors consider the acquisition of licensed corporations which carry out regulated activities under the SFO will enhance and create long-term benefit for the Group and the Shareholders as a whole.

On 16 May 2017, the Company, through its wholly-owned subsidiary, agreed to acquire the entire issued share capital of Ho Fung Shares Investment Limited ("**Ho Fung**"), which is licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity under the SFO, and is principally engaged in the business of securities broking.

The Group currently has two staff members, who have approximately 3 to 12 years of experience in brokerage services. Their relevant experience includes (i) executing trade orders in both primary and secondary securities market in Hong Kong; (ii) selling Hong Kong equities and related after-sales client services; (iii) performing risk assessment on the secondary securities market movement; (iv) identifying incompliance issues and handling customer disputes; (v) conducting anti-money laundering (AML) screening/monitoring regarding high risk clients and suspicious transactions; and (vi) assisting in user acceptance test (UAT) during system enhancement to ensure the security of the online trading platform.

According to the Stock Exchange Monthly Market Highlights-October 2017 published by the Stock Exchange, the average daily turnover for the first ten months of 2017 was approximately HK$83.3 billion, an increase of approximately 24% when compared with approximately HK$67.1 billion for the same period last year. Further, the Shenzhen-Hong Kong Stock Connect, which was launched in 2016, has provided a mutual access for the investors to trade certain securities listed on the Shenzhen Stock Exchange and the Stock Exchange and encouraged more capital to flow into the securities market of Hong Kong. Hence, the Directors are optimistic about the future development of securities market and financial services industry in Hong Kong.

The Directors consider that the acquisition of the Target Company will establish a strategic alliance with Taiping and provide synergies through integration of skills, knowledge and expertise and expansion of client base. The Group plans to position the Target Company to target institutional and large-scale investors while Ho Fung will focus on individual and retail customers. Given the brand name and substantial operating history of the Target Company, both the Group and Ho Fung can benefit from sharing of expertise in operations and cross-companies synergies. Furthermore, the Directors also believe that the clientele and the scale of the Target Company's brokerage business may help establish the Group's corporate profile and recognition in the securities industry.

Furtherance of FinTech business

Apart from the future development of the financial services business and the synergies to be created from the Acquisition, the Directors also believe in the prospect of the integration of the Group's existing IT technology with the Target Company's financial service businesses and are confident that such integration will create long-term value for the Group and the Shareholders as a whole. The Group intends to utilise its extensive capital market resources to execute the merger and acquisition strategy on the financial services front. The strategy aims to establish the Group in such a way that the financial services sector and the existing IT sector together with the big data capabilities of the Group are synergistic and complementary to each other and will support the Group's stable and sustainable development.

One of the Company's major subsidiaries, Beijing Orient LegendMaker Software Development Co., Ltd. and its subsidiaries ("**OLM Group**"), in the past over 20 years of development, has been focusing on the technological development in the financial sector and the ongoing investment in research and development in the field of financial services in the PRC. OLM Group technical team's expertise is preferred by its customers in the financial sector due to its reliability and efficiency. Therefore, the Group, as the provider of core software platform, maintains a deep cooperative relationship with major commercial banks and securities brokers in China. In 2016, OLM Group was one of the largest Oracle database service provider in the PRC.

The Group's software business is mainly conducted through OLM Group, which is principally engaged in the provision of (i) database management, including database reselling and maintenance and support services; (ii) business application, including transaction platform for financial institutes and business management applications; and (iii) application performance management ("**APM**") and business process management ("**BPM**"). OLM Group mainly provides Oracle database reselling and services, which accounted for approximately 80% of its revenue. It also provides ancillary maintenance and support services, including data migration (transferring data between computer storage types or file formats, particularly during system upgrade or consolidation), data cleansing (detecting and correcting (or removing) corrupted or inaccurate records from the data) and data mining.

APM provides application performance management solutions for large-scale data centers, services include the monitoring, troubleshooting and diagnosis of defects in applications, in order to identify bottlenecks and to enhance the effectiveness and efficiency of the application. BPM provides customised data analytical solutions, of which services are tailor-made in order to detect the requested patterns and trends in a given set of data to satisfy specific customer needs. BPM is an intermediary step through which OLM Group aims to further step into the big data era through the FinTech services. As the Group has been in the leading position in providing high reliability database software technology in the market, the Group is not only aware of its own unique advantages, but also sees huge opportunities in the financial services sector.

In this "big data" era, the digital footprint of each internet or mobile device user provides voluminous and complex unstructured data that traditional data processing application software are inadequate to deal with. These data standalone would be meaningless to a corporation if not analysed and processed accordingly. Advanced and reliable database software technology of OLM Group includes capturing data, data storage, data analysis, search, sharing, transfer, visualization, querying, updating and information privacy is highly demanded. FinTech big data analysis brings about speedy and efficient analysis to the financial sector, where business can identify insights and unearthed information that could be used for immediate decisions. By using the predictive analytics, user behavior analytics, or certain other advanced data analytics methods that extract value from data, FinTech can find new correlations from the big data generated by the financial sector clients and help to "spot business trends" for the financial sector clients. For instance, the Group intends to develop big data analytics tool for financial service sector, which includes the use of algorithms to trawl through online channels to detect patterns of behaviour (i.e. velocity, volume and variety). Big data FinTechs may work for themselves or may help the investor to better formulate their investment decision and strategy. Furthermore, cybersecurity has been a major concern of financial sectors, with online fraud and hacking at financial institutions, replacing traditional theft of banknotes and bullion. Hence, cybersecurity is another development area of the Group's FinTech products to be offered to other financial institutions. The various dimensions of cybersecurity include threat intelligence, cloud protection, identity and access management, mobile security, web security, and anti-fraud.

Riding the big data era, the Group intends to provide FinTech services through the Acquisition. Upon the completion of the Acquisition, the Group would be able to gain access to the broad client base of the Target Company, upon which the Group could leverage on its technological know-how to process the digital footprint of all existing and new customers of the Target Company to assist the Group in achieving precision marketing, thereby increasing its chances of successfully retaining, cross-selling and upselling customers. The Group has its own research and development ("**R&D**") team and by weighing on its expertise in BPM, the R&D team could use the Hadoop software to analyse financial data provided by financial institutions to fit their particular needs. The Group would thereafter provide maintenance and support services where the made-to-measure analytical software could be further fine-tuned at the request of the Target Company to produce more valuable results. The successful launch and operation of this custom-made financial data analytical software would be a milestone for the Group. After having successfully built a data model for financial sector, the Group could market its FinTech software, which includes data mining and data analysing software to other financial institutions. Apart from monetizing the FinTech software, the Group could also provide supporting and maintenance services in relation to the FinTech software to its FinTech customers.

The Target Company has a good branding in Hong Kong and its brokerage business has a long operating history, as well as a broad clientele, where large amount of information would be accrued on a day-to-day basis. Given that it is timely and costly for the Group to generate its own database to launch its pioneer FinTech services in Hong Kong, the Acquisition is a more cost-effective way for the Group to introduce its new FinTech services/products locally as the necessary database is ready and available. On the other hand, as the Target Company does not possess the big data analysing skills to perform customer modelling, its partnership with the Group will allow it to leverage on the Group's expertise to take a share of the benefits brought about by the surging demand for personalised products arising from the fast-paced technological development. If the collaboration with the Target Company is a successful breakthrough for the Group, going forward, the Group may consider packaging and promoting its enhanced FinTech products to other financial institutions and/or other business corporations, to increase its presence, market share, branding and broaden its source of income.

Despite the recruitment of new staff members with brokerage experience, the Group intends to operate the brokerage business through the existing management of the Target Company. The Board considers that, rather than acquiring the entire issued share of the Target Group, the Acquisition of 50% of the issued share capital of the Target Company would best signifies the strategic cooperation between the Company on the one hand and the Vendor and the Target Company on the other hand. The parties to the Sale and Purchase Agreement believe that the Acquisition, with the Company holding the Target Company's shares and the Vendor holding the Company's Shares, provides a sound foundation for future business cooperations, and integrate the advantages and resources of each other to create greater commercial value by mutually collaborating with each other, for instance, the provision of the data processing technological expertise by the Group to the Target Company on the one hand and the provision of the financial data by the Target Company to the Group on the other hand.

The Acquisition not only sets a milestone for the Group, but also provides benefits to the Target Company and the Group itself through the share of profit from the Target Company. With the addition of the FinTech, each individual customer making investments via the internet or mobile applications could be individually profiled/modelled based on the analysis and evaluation of their digital footprint, whereby their financial position, trading patterns, and investment portfolios/product-mix, etc. could be uncovered, which would assist the Target Company in formulating customised investment portfolios and pushing tailor-made advice and recommendations to each customer. By knowing the individuals' investment and risk attitude, the right products could be promoted and marketed to the right customers, which would reduce marketing expenses and increase the revenue of the Target Company by stimulating the trading and margin business, and the Group would be able to benefit from the share of the higher profits.

The Group is also reviewing the opportunities to develop and launch similar FinTech services in China, and is currently reviewing a number of investment opportunities in China, and the Directors consider that Taiping will become an invaluable partner in its expansion and development strategy after completion of the Acquisition. The Directors believe that the Group will be able to leverage on Taiping's branding effect, vast network, financial resources and investment expertise to support its growth strategy in China.

In view of (i) the future development of financial services business; (ii) the synergies to be created from the Acquisition; (iii) the recent development and business potential of the securities market in Hong Kong; (iv) the prospect of the integration of IT and financial services; and (v) the potential cooperation with the Taiping Group, the Directors consider that the Acquisition provides a prime opportunity for the Group to further expand its business via the financial services industry in Hong Kong and create value to the Group and its Shareholders as a whole.

In view of the above, the Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Group and its Shareholders as a whole.

The Directors will continue to review the Group's existing businesses from time to time. Nevertheless, the Company has no current intention, agreement, arrangement, understanding or negotiation about any acquisition of further interest in the Target Company within the next 24 months, nor current intention, agreement, arrangement, understanding or negotiation about any disposal of, termination or scaling down of the Group's existing business within the next 24 months.

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

Earnings

The audited net loss after tax of the Group for the financial year ended 31 December 2016, as extracted from the annual report of the Company for the year ended 31 December 2016, were approximately RMB305.3 million.

As set out in Appendix IIA to this circular, the Target Company recorded an audited net profit after tax of approximately HK$2.0 million for the financial year ended 31 December 2016.

Following the Completion, the investment of the Group in the Target Company will be accounted for as interests in an associate in the consolidated financial statements of the Group using equity method and a proportionate share of future profit or loss will be recorded by the Group. With reference to the historical financial performance of the Target Company, it is expected that the Acquisition would have a positive impact on the financial performance of the Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular, the net assets of the Enlarged Group would increase from approximately RMB320.1 million to approximately RMB449.1 million as a result of the Acquisition.

Upon Completion, the Enlarged Group's non-current assets would increase from approximately RMB78.5 million to approximately RMB274.0 million, reflecting the investment cost in the Target Company. Meanwhile, the Enlarged Group's current liabilities would increase from approximately RMB87.6 million to RMB90.6 million, reflecting transaction costs to be incurred and the current assets would remain unchanged.

The details of the financial effect of the Acquisition 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.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date ("**Scenario I**"); (ii) immediately after the allotment and issue of the Consideration Shares ("**Scenario II**"); (iii) for illustrative purpose only, immediately after the allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds of an initial principal amount of HK$85,998,621.70 ("**Scenario III**"); and (iv) for illustrative purpose only, immediately after the allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds ("**Scenario IV**"), are set out below:

Shareholders	**Scenario I**		**Scenario II**		**Scenario III**		**Scenario IV**	
	Shares	*Approx. %*	*Shares*	*Approx. %*	*Shares*	*Approx. %*	*Shares*	*Approx. %*
Luck Success *(Note 1)*	186,672,292	35.45%	186,672,292	28.40%	186,672,292	25.38%	186,672,292	24.82%
Sino Wealthy *(Note 2)*	42,682,000	8.11%	42,682,000	6.49%	42,682,000	5.80%	42,682,000	5.68%
Affluent Start *(Note 3)*	60,435,500	11.48%	60,435,500	9.19%	60,435,500	8.22%	60,435,500	8.04%
Elite Mile *(Note 4)*	13,390,000	2.54%	13,390,000	2.04%	13,390,000	1.82%	13,390,000	1.78%
Mystery Idea *(Note 5)*	4,000,000	0.76%	4,000,000	0.61%	4,000,000	0.54%	4,000,000	0.53%
Sub-total	307,179,792	58.34%	307,179,792	46.73%	307,179,792	41.77%	307,179,792	40.85%
The Vendor	–	–	130,805,603	19.90%	208,986,168	28.41%	225,539,271	29.99%
Public Shareholders	219,329,190	41.66%	219,329,190	33.37%	219,329,190	29.82%	219,329,190	29.16%
Total	526,508,982	100.00%	657,314,585	100.00%	735,495,150	100.00%	752,048,253	100.00%

Notes:

(1) Luck Success is the beneficial owner of 186,672,292 Shares. Luck Success is wholly-owned by Rentian, which in turn is indirectly owned as to approximately 55.97% by Mr. King. Mr. King is deemed to be interested in the Shares in which Luck Success is interested under the SFO.

(2) Sino Wealthy is the beneficial owner of 42,682,000 Shares. Sino Wealthy is wholly-owned by Rentian, which is indirectly owned as to approximately 55.97% by Mr. King. Mr. King is deemed to be interested in the Shares in which Sino Wealthy is interested under the SFO.

(3) Affluent Start is the beneficial owner of 60,435,500 Shares. Affluent Start is wholly-owned by Mr. King. Mr. King is deemed to be interested in the Shares in which Affluent Start is interested under the SFO.

(4) Elite Mile is the beneficial owner of 13,390,000 Shares. Elite Mile is wholly-owned by Mr. King. Mr. King is deemed to be interested in the Shares in which Elite Mile is interested under the SFO.

(5) Mystery Idea is the beneficial owner of 4,000,000 Shares. Mystery Idea is wholly-owned by Mr. King. Mr. King is deemed to be interested in the Shares in which Mystery Idea is interested under the SFO.

(6) Certain percentage figures included in this table are subject to rounding adjustment. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding them.

LISTING RULES IMPLICATION

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

THE EGM

A EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the allotment and issue of the Consideration Shares and the Conversion Shares. The voting in relation to the Acquisition at the EGM will be conducted by way of poll. The notice convening the EGM to be held at PLAZA meeting room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 8 February 2018 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, as no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

Rentian, through its wholly-owned subsidiaries, Luck Success and Sino Wealthy, is interested in an aggregate of 229,354,292 Shares, representing approximately 43.56% of the issued share capital of the Company as at the Latest Practicable Date. Rentian has expressed its intention to vote in favour of the Acquisition and the transactions contemplated thereunder at the EGM.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event your proxy will be deemed to have been revoked.

In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Friday, 2 February 2018.

RECOMMENDATION

The Directors consider that the Acquisition and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition.

FURTHER INFORMATION

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

As Completion is subject to and conditional upon the fulfilment or waiver (where applicable) of the conditions precedent set out in the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder may or may not materialise. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

Yours faithfully,
For and on behalf of the Board
Enterprise Development Holdings Limited
Lam Kai Tai
Chairman

1. FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.1808.com.hk):

- annual report of the Company for the year ended 31 December 2014 published on 9 April 2015 (pages 35 to 98): http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0409/LTN20150409739.pdf

- annual report of the Company for the year ended 31 December 2015 published on 22 April 2016 (pages 38 to 100): http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0422/LTN20160422824.pdf

- annual report of the Company for the year ended 31 December 2016 published on 13 April 2017 (pages 42 to 124) http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0413/LTN20170413425.pdf

- interim report of the Company for the six months ended 30 June 2017 published on 15 September 2017 (pages 3 to 34): http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0915/LTN201709151004.pdf

2. INDEBTEDNESS STATEMENT

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

Bank loans

The Enlarged Group had outstanding bank loans from financial institutions with principal amount of RMB23,580,000 bear interest at 4.785% to 5.75% per annum and secured by corporate guarantee of a PRC subsidiary, trade receivables of third party and a director of PRC subsidiaries.

Other borrowings

The Enlarged Group had unguaranteed other borrowings from an independent third party with principal amount of approximately RMB4,188,000 (equivalent to approximately HK$5,000,000) bear interest at 9% per annum.

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

November 2017. 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 November 2017 and up to the Latest Practicable Date.

3. WORKING CAPITAL STATEMENT

As at the Latest Practicable Date, the Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Enlarged Group's financial resources, including internally generated funds and presently available credit facilities, the Enlarged Group has sufficient working capital for its present requirements for the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

On 4 July 2017, the Company made an inside information announcement stating that, based on the preliminary review on the unaudited management account of the relevant subsidiary of the Group and information currently available to the Board, the unrealised loss on investments in listed financial assets at fair value through profit and loss is approximately HK$34 million for the six months ended 30 June 2017, compared to the realised and unrealised gain on investments in listed financial assets at fair value through profit and loss of approximately HK$5 million for the corresponding period in 2016.

On 17 August 2017, the Company made a further inside information announcement stating that, based on the preliminary review on the unaudited management accounts of the Group and information currently available to the Board, the Group is expected to record a significant decrease in loss attributable to equity shareholders for the six months ended 30 June 2017 as compared to the same period in 2016. The improvement in loss position was mainly attributable to the net effect of (i) a decrease in impairment of goodwill to approximately RMB8.8 million for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB86.9 million); (ii) the absence of impairment on available-for-sale securities for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB40.4 million); (iii) an impairment of interests in associate of approximately RMB17.7 million for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil); and (iv) the net realised and unrealised loss on trading securities of approximately RMB29.7 million (HK$34 million) (six months ended 30 June 2016: gain of RMB4 million (gain of HK$5 million)).

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

5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the provision of integrated business software solutions and trading of listed securities.

As disclosed in the Company's announcements dated 6 January 2017, 16 May 2017 and 16 November 2017, the Company entered into a share purchase agreement (as supplemented by the supplemental agreement) to acquire Ho Fung Shares Investment Limited which is principally engaged in the business of securities broking and is licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity under the SFO. The Group has been actively exploring integration opportunities for the Group's existing IT services with the financial services sector includes but not limited to the provision of financing brokerage, asset management, financial leasing and investment management services.

The Directors consider that the Acquisition will establish a strategic alliance with Taiping and provide synergies through integration of skills, knowledge and expertise and expansion of client base. The Group plans to position the Target Company to target institutional and large-scale investors while Ho Fung will focus on individual and retail customers. Given the brand name and substantial operating history of the Target Company, both the Group and Ho Fung can benefit through sharing of expertise in operations and cross-companies synergies. Furthermore, the Directors also believe that the clientele and the scale of the Target Company's brokerage business may help establish the Group's corporate profile and recognition in the securities industry.

Further to the Group's movement towards big data business by bring new technology to customers, the Group is exploring integration opportunities for the Group's existing IT services with financial service sector. The Directors are optimistic on the growth opportunities in the financial services industry which in turns create further income source and long-term benefit to the Group.

The Directors consider that the Acquisition will enable the Group to integrate its existing IT expertise with the Target Company's financial service in a way that the financial services sector and the existing IT sector together with the big data capabilities of the Group are synergistic and complementary to each other that will support the Group's stable and sustainable development. If the collaboration with the Target Company is a successful breakthrough for the Group, going forward, the Group may consider packaging and promoting its enhanced FinTech products to other financial institutions and/or other business corporations, to increase its presence, market share, branding in Hong Kong and broaden its source of income.

The Group is also developing and launching similar FinTech services in China, and is currently reviewing a number of investment opportunities in China, and the Directors consider that Taiping will become an invaluable partner in its expansion and development strategy after completion of the Acquisition. The Directors believe that the Group will be able to leverage on Taiping's branding effect, vast network, financial resources and investment expertise to support its growth strategy in China.

The following is the text of a report set out on pages IIA-1 to IIA-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

Introduction

We report on the historical financial information of Taiping Securities (HK) Co Limited (the "Target") set out on pages IIA-4 to IIA-45, which comprises the statements of financial position as at 31 December 2014, 2015 and 2016 and 31 October 2017, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-4 to IIA-45 forms an integral part of this report, which has been prepared for inclusion in the circular of Enterprise Development Holdings Limited (the "Company") dated 23 January 2018 (the "Circular") in connection with the proposed acquisition of the Target by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Section I and Note 2.1 of Section II to the Historical Financial Information, and for such internal control as the directors of the Target determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements for each of the years ended 31 December 2014, 2015 and 2016 and management account for the ten months period ended 31 October 2017 of the Target ("Historical Financial Statements"). The directors of the Target are responsible for the preparation of the Historical Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

("HKICPA"), and for such internal control as the directors of the Target determine is necessary to enable the preparation of Historical Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Section I and Note 2.1 of Section II to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target as at 31 December 2014, 2015 and 2016 and 31 October 2017 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Section I and Note 2.1 of Section II to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the ten months ended 31 October 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Section I and Note 2.1 of Section II to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Section I and Note 2.1 of Section II to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information no adjustments to the Historical Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
23 January 2018

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

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

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements for each of the years ended 31 December 2014, 2015 and 2016 and management accounts for ten months period ended 31 October 2017 of the Target. The previously issued financial statements were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Ten months ended 31 October	
	Section II Note	**2014** *HK$'000*	**2015** *HK$'000*	**2016** *HK$'000*	**2016** *HK$'000* (unaudited)	**2017** *HK$'000*
Revenue	*5*	62,360	63,222	42,351	31,097	34,516
Other income	*6*	40,725	16,254	15,113	14,134	230,645
Total income		103,085	79,476	57,464	45,231	265,161
Fee and commission expenses	*7*	(8,766)	(11,642)	(8,250)	(6,538)	(11,446)
Other operating expenses	*8*	(36,674)	(37,740)	(39,993)	(33,295)	(28,309)
Other gain/(losses)	*9*	286	(147)	(1,428)	(613)	1,991
Total expenses		(45,154)	(49,529)	(49,671)	(40,446)	(37,764)
Operating profit		57,931	29,947	7,793	4,785	227,397
Finance expenses	*10*	(3,593)	(3,450)	(5,766)	(4,360)	(4,850)
Profit before income tax		54,338	26,497	2,027	425	222,547
Income tax expense/(credit)	*11*	(4,333)	(2,607)	–	–	22
Profit for the year/period		50,005	23,890	2,027	425	222,569
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
– Change in fair value of available-for-sale financial assets	*13*	79,566	51,032	(29,492)	14,939	75,073
– Transfer to profit or loss upon disposal		(21,831)	–	–	–	(216,479)
Profit for the year/period and other comprehensive income/(loss) for the year/period		107,740	74,922	(27,465)	15,364	81,163
Attributable to:						
Equity holders of the Company		107,740	74,922	(27,465)	15,364	81,163

(B) STATEMENTS OF FINANCIAL POSITION

	Section II Note	As at 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	As at 31 October 2017 HK$'000
Assets					
Non-current assets					
Statutory deposits	*12*	5,727	3,584	2,412	3,126
Available-for-sale financial assets	*13*	328,357	389,440	369,991	–
Other deposits		80	455	626	626
Loan to a fellow subsidiary	*16, 24(b)*	–	–	–	40,000
Total non-current assets		334,164	393,479	373,029	43,752
Current assets					
Statutory deposits	*12*	–	–	29,924	2,261
Accounts receivable	*14*	456,167	103,058	172,610	201,610
Other receivables and deposits		3,977	307	306	305
Amount due from fellow subsidiaries	*24(b)*	251	251	251	–
Amount due from an immediate holding company	*24(b)*	42,697	55,142	92,757	–
Tax recoverable		–	1,534	2,694	2,716
Pledged bank deposits	*19*	16,000	–	–	–
Cash and cash equivalents	*15*	161,418	226,267	204,167	161,583
Total current assets		680,510	386,559	502,709	368,475
Total assets		1,014,674	780,038	875,738	412,227
Liabilities					
Non-current liabilities					
Loan from a fellow subsidiary	*17, 24(b)*	–	–	150,000	–
Loan from an immediate holding company	*18, 24(b)*	113,070	–	63,070	–
Total non-current liabilities		113,070	–	213,070	–

	Section II Note	As at 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	As at 31 October 2017 HK$'000
Current liabilities					
Accounts payable	*20*	254,086	32,690	41,230	27,351
Other payables and accruals		5,472	3,704	1,976	1,735
Amount due to fellow subsidiaries	*24(b)*	10,413	10,413	10,502	–
Amount due to an immediate holding company	*24(b)*	–	–	34	–
Loan from an immediate holding company	*18*	–	113,078	–	–
Bank borrowings	*21*	55,000	–	27,948	–
Dividend payable	*23*	30,000	–	–	–
Tax payable		1,402	–	–	–
Total current liabilities		356,373	159,885	81,690	29,086
Total liabilities		469,443	159,885	294,760	29,086
Equity					
Equity attributable to the owner of the Company:					
Share capital	*22*	363,870	363,870	363,870	363,870
Investment revaluation reserve		119,866	170,898	141,406	–
Retained earnings		61,495	85,385	75,702	19,271
Total Equity		545,231	620,153	580,978	383,141
Total liabilities and equity		1,014,674	780,038	875,738	412,227

(C) STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company			
	Section II Note	**Share capital** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
At 1 January 2014		363,870	62,131	41,490	467,491
Comprehensive income					
Profit for the year		–	–	50,005	50,005
Other comprehensive income					
Change in fair value of available-for-sale financial assets	*13*	–	79,566	–	79,566
Reclassification of investment revaluation reserve upon disposal of available-for-sale investments		–	(21,831)	–	(21,831)
Total comprehensive income		–	57,735	50,005	107,740
Transactions with owners:					
Final dividends		–	–	(30,000)	(30,000)
At 31 December 2014 and 1 January 2015		363,870	119,866	61,495	545,231
Comprehensive income					
Profit for the year		–	–	23,890	23,890
Other comprehensive income					
Change in fair value of available-for-sale financial assets	*13*	–	51,032	–	51,032
Total comprehensive income		–	51,032	23,890	74,922
At 31 December 2015 and 1 January 2016		363,870	170,898	85,385	620,153
Comprehensive income					
Profit for the year		–	–	2,027	2,027
Other comprehensive income					
Change in fair value of available-for-sale financial assets	*13*	–	(29,492)	–	(29,492)
Total comprehensive (loss)/income		–	(29,492)	2,027	(27,465)

	Section II Note	Share capital HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
		Attributable to owners of the Company			
Transactions with owners:					
Dividends paid	23	–	–	(11,710)	(11,710)
At 31 December 2016 and 1 January 2017		363,870	141,406	75,702	580,978
Comprehensive income					
Profit for the period		–	–	222,569	222,569
Other comprehensive income					
Change in fair value of available-for-sale financial assets	13	–	75,073	–	75,073
Reclassification of investment revaluation reserve upon disposal of available-for-sale investments		–	(216,479)	–	(216,479)
Total comprehensive (loss)/income		–	(141,406)	222,569	81,163
Transactions with owners:					
Dividends paid	23	–	–	(279,000)	(279,000)
At 31 October 2017		363,870	–	19,271	383,141
(Unaudited)					
At 1 January 2016		363,870	170,898	85,385	620,153
Comprehensive income					
Profit for the period		–	–	425	425
Other comprehensive income					
Change in fair value of available-for-sale financial assets		–	14,939	–	14,939
Total comprehensive income		–	14,939	425	15,364
Transactions with owners:					
Dividends paid		–	–	(11,710)	(11,710)
At 31 October 2016		363,870	185,837	74,100	623,807

(D) STATEMENTS OF CASH FLOWS

	Section II Notes	Year ended 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	10 months ended 31 October 2016 HK$'000 (unaudited)	2017 HK$'000
Operating activities						
Profit before income tax		54,338	26,497	2,027	425	222,547
Adjustments for:						
Bank interest income	6	(417)	(268)	(800)	(605)	(421)
Dividend income from available-for-sale financial assets	6	(6,731)	(10,051)	(10,043)	(10,043)	(9,300)
Finance expenses	10	3,593	3,450	5,766	4,360	4,850
Gain on disposal of available-for-sale financial assets	6	(21,831)	–	–	–	(216,479)
Operating cash flows before changes in working capital		28,952	19,628	(3,050)	(5,863)	1,197
Change in working capital						
Decrease in pledged bank deposits		–	16,000	–	–	–
(Increase)/decrease in statutory deposits		(4,727)	2,143	(28,752)	(35,632)	26,949
(Increase)/decrease in accounts receivable		(246,636)	353,109	(69,552)	(277,478)	(29,000)
(Increase)/decrease in other receivables and deposits		(2,180)	3,295	(170)	(135)	1
Increase in amount due from an immediate holding company		(8)	(12,445)	(37,614)	(30,757)	(35,780)
Increase/(decrease) in accounts payable		193,958	(221,395)	8,539	71,278	(13,879)
Increase/(decrease) in other payables and accruals		2,521	(1,768)	(1,821)	(1,354)	(148)
Decrease/(increase) in amount due from/to fellow subsidiaries		(201)	–	–	252	251
Net cash (used in)/generated from operations		(28,321)	158,567	(132,420)	(279,689)	(50,409)
Bank interest received	6	417	268	800	605	421
Interest paid		(3,593)	(3,442)	(5,558)	(4,460)	(5,066)
Income tax paid		(4,671)	(5,544)	(1,160)	–	–
Net cash (used in)/generated from operating activities		(36,168)	149,849	(138,338)	(283,544)	(55,054)

	Section II Notes	Year ended 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	10 months ended 31 October 2016 HK$'000 (unaudited)	2017 HK$'000
Investing activities						
Cash dividends received from available-for-sale financial assets		6,731	–	–	–	5,180
Purchase of available-for-sale financial assets	*13*	(52,578)	–	–	–	–
Proceeds from disposal of available-for-sale financial assets	*13*	50,821	–	–	–	302,709
Loan to a fellow subsidiary	*16*	–	–	–	–	(40,000)
Net cash generated from investing activities		4,974	–	–	–	267,889
Financing activities						
Loan proceeds from immediate holding company	*18*	113,070	–	–	–	–
Loan proceeds from a fellow subsidiary	*17*	–	–	350,000	350,000	–
Repayment of loan from an immediate holding company *(Note 26(c))*	*18*	–	–	(50,000)	–	(63,070)
Repayment of loan from a fellow subsidiary	*17*	–	–	(200,000)	–	(150,000)
Proceeds from bank borrowings		85,000	–	136,661	136,661	338,379
Repayment of bank borrowings		(30,000)	(55,000)	(108,713)	(96,535)	(366,327)
Dividends paid	*23*	–	(30,000)	(11,710)	(11,710)	(14,401)
Net cash generated from/(used in) financing activities		168,070	(85,000)	116,238	378,416	(255,419)
Net increase/(decrease) in cash and cash equivalents		136,876	64,849	(22,100)	98,872	(42,584)
Cash and cash equivalents at beginning of year/period		24,542	161,418	226,267	226,267	204,167
Cash and cash equivalents at end of year/period	*15*	161,418	226,267	204,167	321,139	161,583

Non-cash transactions:

Major non-cash transactions are disclosed in Note 26.

Reconciliation of liabilities arising from financing activities:

This section sets out an analysis of the reconciliation of liabilities arising from financing activities for the period end 31 October 2017

	Other Assets			Liabilities from Financing Activities			
	Cash and cash equivalents	Liquid investment	Amount due from/to immediate holding company	Loan from and amount due to a fellow subsidiary	Loan from immediate holding company	Bank borrowing due within 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances as at 1 January 2017	204,167	369,991	92,723	(160,502)	(63,070)	(27,948)	415,361
Cash flows	(42,584)	(302,709)	35,814	150,089	63,070	27,948	(68,372)
Proceeds from disposal of available-for-sale investment (non-cash) *(Note 26(a))*	–	(146,475)	136,062	10,413	–	–	–
Dividend paid (non-cash) *(Note 26(b))*	–	–	(264,599)	–	–	–	(264,599)
Stock dividend (non-cash)	–	4,120	–	–	–	–	4,120
Change in fair value taken to equity (non-cash)	–	75,073	–	–	–	–	75,073
Balances as at 31 October 2017	161,583	–	–	–	–	–	161,583

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Taiping Securities (HK) Co Limited (the "Company") is a limited liability company incorporated in Hong Kong. The Company is a wholly-owned subsidiary of Taiping Financial Holdings Company Limited, a company incorporated in Hong Kong. Its ultimate holding company is China Taiping Insurance Group Ltd., a company incorporated in the People's Republic of China.

The address of its registered office is Unit 2901, 29/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

The principal activities of the Company are to engage in the businesses of securities dealing and broking, and securities margin financing. The Company is a licensed corporation under the Hong Kong Securities and Futures Ordinance to carry out Type 1 regulated activity: Dealing in Securities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial information of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The financial information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

The following amendments to standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12
- Annual improvements to HKFRSs 2014-2016 cycle, and
- Disclosure initiative – amendments to HKAS 7.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the Company.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing the Historical Financial Information. None of these is expected to have a significant effect on the Historical Financial Information of the Company, except the following set out below:

HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Company is currently assessing the impact on of the classification and measurement of financial assets. Based on preliminary assessment, the Company does not expect the new guidance to have a significant impact on the classification of its financial assets.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Company's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Company does not expect a significant impact on its financial information as it does not have any existing relationships or plans to apply hedge accounting.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Company has performed a preliminary assessment of how its impairment provisions would be affected by the new model. Management anticipate that the application may have a certain impact on amounts reported and disclosures made in the financial information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the management completes a detailed review.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Company does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Company's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

Management has preliminary assessed the impact of HKFRS 15 and expects that the standard will not have significant impact on revenue recognition by the Company, and consequently, on the financial statements of the Company.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Company does not intend to adopt the standard before its effective date.

HKFRS 16, 'Leases'

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Company's operating leases. As at 31 October 2017, 31 December 2016, 2015 and 2014, the Company has non-cancellable operating lease commitments of HK$693,000, HK$1,818,000, HK$204,000 and HK$612,000 respectively, which may give rise to right-of-use assets and lease liabilities of similar amounts under the new standard.

However, the Company has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate fully the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Company's profit or loss and classification of cash flows going forward.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2 Foreign currency translation

The Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the statement of financial position date. All differences are taken to the statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3 Financial assets

2.3.1 Classification

The Company classifies its investments in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.3.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for loans and receivables and available-for-sale. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as "gains and losses from investment securities".

Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the Company's right to received payments is established.

2.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.5 Impairment of financial assets

(a) Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the impairment loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(b) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

2.6 Financial liabilities

2.6.1 Classification

The Company classifies its financial liabilities into at amortised cost. All financial liabilities are classified at inception and recognised initially at fair value.

2.6.2 Recognition and measurement

Financial liabilities at amortised cost are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance expenses" in the profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

2.7 Fair value estimation of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and brokers, other short-term highly liquid investments with original maturities of three months or less.

2.9 Trust accounts

Trust accounts maintained by the Company to hold clients' monies are not recognised in the statement of financial position and disclosed in note 15 to the Historical Financial Information.

2.10 Share capital

Ordinary shares are classified as equity.

2.11 Borrowings

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.12 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statements of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.13 Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that economic benefits will flow to the Company, on the following basis:

(a) Commission and brokerage income is recognised as income, on a trade date basis, when the services are rendered.

(b) Interest income is recognised as income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument.

(c) Advisory fee income and underwriting commission income are recognised on an accrual basis when the services have been rendered, and in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed.

(d) Handling and trailer fee income is recognised when the relevant services have been rendered.

2.14 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.15 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Company's Historical Financial Information in the period in which the dividends are approved by the company's shareholders or directors, where appropriate.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in currencies other than its functional currency (ie. Hong Kong dollars ("HKD")).

The majority of the Company's assets and liabilities are denominated in HKD, United States dollars ("USD") and Renminbi ("RMB"). The HKD/USD exchange rate has remained relatively stable during the years presented because HKD is pegged to the USD.

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Hong Kong dollar, was as follows:

	As at 31 December						As at 31 October	
	2014		2015		2016		2017	
	RMB	USD	RMB	USD	RMB	USD	RMB	USD
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	7,129	4,520	7,068	3,703	71,789	3,651	8,808	3,643
Statutory deposits	–	–	239	–	30,147	–	2,496	–
Amount due from an immediate holding company	–	–	–	–	54	88	–	–
Accounts receivable	–	–	–	–	7	–	–	–
Accounts payable	–	–	–	–	(41,566)	–	–	–
Bank borrowings	–	–	–	–	(27,948)	–	–	–

As at 31 October 2017 and 2016, 31 December 2016, 2015 and 2014, if RMB strengthened/weakened by 4% against HKD with all other variables including tax rate being constant, profit for the period/year and equity for the period/year would have been HK$452,000, HK$1,268,000, HK$1,296,000, HK$292,000, HK$285,000 higher/lower respectively.

(ii) Price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The Company's equity price risk concentrated on one equity investment, Hong Kong Exchanges and Clearing Limited ("HKEx").

The company has disposed of the equity securities during the period ended 31 October 2017, thus it is no longer subject to price risk expense.

(iii) Interest rate risk

The Company's main interest rate risk arises from loans to a fellow subsidiary, loans to margin clients, loan from a fellow subsidiary, loan from an immediate holding company and bank borrowings. They each carry interest at a variable rate based on the terms of the loan agreements. The Company currently does not have a cash flow interest rate hedging policy. A 50 basis point change is used when reporting cash flow interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Company's cash flow interest rate risk is mainly concentrated on the fluctuation of Prime Rate or Hong Kong Inter-Bank Offered Rate ("HIBOR") arising from the Company's variable interest rate instruments.

As at 31 October 2017 and 2016, 31 December 2016, 2015 and 2014, if the interest rate of loan to a fellow subsidiary, the loans to margin clients, loan from a fellow subsidiary, loan from an immediate holding company and bank borrowings had been 50 basis point higher/lower, the Company's profit for the period/year and equity for the period/year would have been HK$729,000, HK$799,000, HK$437,000, HK$486,000, HK$ 65,000 lower/higher respectively.

(b) Credit risk

Credit risk relates to the extent to which failures by counterparties to discharge their obligations could reduce the amount of future cash flows to the Company from financial assets on hand at the end of the reporting period.

The Company's credit risk is primarily attributable to accounts receivables, pledged bank deposits and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Company manages its exposure to credit risk arise from pledged bank deposits and cash and cash equivalents by dealing with reputable counterparties, such as financial institution which are governed by regulars including the Hong Kong Monetary Authority. The risk of default in repayment is not considered to be significant. As at 31 October 2017 and 2016, 31 December 2016, 2015 and 2014, cash and bank balances were deposited in reputable large commercial banks with high credit ratings.

The Company trades only with Hong Kong Securities Cleaning Company Limited ("HKSCC") and other reputable counterparties, such as the financial institutions and brokers, which are governed by Hong Kong and other overseas regulators. The risk of default in repayment is not considered to be significant.

Management considers the credit risk associated with customers are manageable. For amounts receivable from cash clients, it normally had a delivery-against payment settlement term of 2 days. There is no significant concentration of credit risk with respect to the receivables.

Most of the account receivables from margin clients are fully secured by listed securities pledged by the customers to the Company as collateral. As at 31 October 2017, loans to margin clients of HK$108,399,000 (31 December 2016: HK$156,260,000, 2015: HK$18,409,000, 2014: HK$157,670,000) were secured by underlying pledged securities with undiscounted market value of HK$408,143,000 (31 December 2016: HK$3,702,360,000, 2015: HK$86,550,000, 2014: HK$1,835,529,000). In this regard, management considers that the Company's exposure to credit risk is significantly reduced. Top 5 customers contribute to 94% (31 December 2016: 97%, 2015: 51%, 2014: 75%) of the total margin clients' accounts as at 31 October 2017.

Other than the above, the Company's credit risk exposure mainly represents loan to a fellow subsidiary, amount due from a fellow subsidiary and amount due from an immediate holding company. These inter-company balances are considered to pose insignificant credit risk to the Company.

Management considered that the overall exposure of credit risk is not significant. The carrying amount of accounts receivables, cash and cash equivalents, amount due from an immediate holding company, amount due from a fellow subsidiary and loan to a fellow subsidiary represents the Company's maximum exposure to credit risk in relation to financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. In the management of liquidity risk, the Company monitors its liquidity requirements to ensure it has sufficient cash to meet operational needs.

As at 31 October 2017, the Company held cash and cash equivalents of HK$161,583,000 (31 December 2016: HK$204,167,000, 2015: HK$226,267,000, 2014: HK$161,418,000) and available-for-sale financial assets of nil (31 December 2016: HK$369,991,000, 2015: HK$389,440,000, 2014: HK$328,357,000) that are expected to readily generate cash inflows for managing liquidity risk.

The Company has the following undrawn borrowings facilities:

	As at 31 December			**As at 31 October**
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Floating rate:				
– Expiring beyond 1 year	111,000	450,000	272,052	300,000

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand	Less than 12 Months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 October 2017				
Accounts payable	27,351	–	–	27,351
Other payables and accruals	1,735	–	–	1,735
	29,086	–	–	29,086
As at 31 December 2016				
Accounts payable	41,230	–	–	41,230
Other payables and accruals	1,976	–	–	1,976
Amount due to fellow subsidiaries	10,502	–	–	10,502
Amount due to an immediate holding company	34	–	–	34
Loan from a fellow subsidiary	–	2,053	152,909	154,962
Loan from an immediate holding company	–	931	64,389	65,320
Bank borrowings	27,948	3,049	–	30,997
	81,690	6,033	217,298	305,021
As at 31 December 2015				
Accounts payable	32,690	–	–	32,690
Other payables and accruals	3,704	–	–	3,704
Amount due to fellow subsidiaries	10,413	–	–	10,413
Loan from an immediate holding company	–	114,463	–	114,463
	46,807	114,463	–	161,270
As at 31 December 2014				
Accounts payable	254,086	–	–	254,086
Other payables and accruals	5,472	–	–	5,472
Amount due to fellow subsidiaries	10,413	–	–	10,413
Dividend payable	30,000	–	–	30,000
Loan from an immediate holding company	–	2,414	114,076	116,490
Bank borrowings	55,000	1,089	–	56,089
	354,971	3,503	114,076	472,550

3.2 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to the shareholder and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to comply with the capital requirements under the Securities and Futures (Financial Resources) Rules ("FRR") of the SFO. The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Company.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders and return capital to shareholders.

The Company is licensed to conduct the regulated activity of dealing in securities (Type 1) under the SFO. Accordingly, liquid capital are monitored daily by the Company's management, employing techniques based on the FRR. The required information is filed with the Securities and Futures Commission ("SFC") on a monthly basis.

The SFC requires each licensed corporation shall at all times maintain liquid capital which is not less than its required liquid capital. The Company's liquid capital is measured by means of a set of prescribed rules under the FRR. For licensed corporation licensed for Types 1 regulated activity, the required liquid capital is the amount of which is the higher of HK$3,000,000 or its variable required liquid capital, which represents 5% of the aggregate of its adjusted liabilities. During the Track Record Period, the Company complied with all externally imposed capital requirement of the SFC.

3.3 Financial instruments by category

	Loans and receivables *HK$'000*
At 31 October 2017	
Assets	
Accounts receivable	201,610
Other receivables and deposits	305
Cash and cash equivalents	161,583
Loan to a fellow subsidiary	40,000
Total	403,498

	Financial liabilities at amortised cost *HK$'000*
At 31 October 2017	
Liabilities	
Accounts payable	27,351
Other payables and accruals	1,735
Total	29,086

	Loans and receivables *HK$'000*	Available-for-sale *HK$'000*	Total *HK$'000*
At 31 December 2016			
Assets			
Available-for-sale financial assets	–	369,991	369,991
Accounts receivable	172,610	–	172,610
Other receivables and deposits	306	–	306
Amount due from a fellow subsidiary	251	–	251
Amount due from immediate holding company	92,757	–	92,757
Cash and cash equivalents	204,167	–	204,167
Total	470,091	369,991	840,082

	Financial liabilities at amortised cost *HK$'000*
At 31 December 2016	
Liabilities	
Accounts payable	41,230
Other payables and accruals	1,976
Amount due to fellow subsidiaries	10,502
Amount due to an immediate holding company	34
Loan from a fellow subsidiary	150,000
Loan from an immediate holding company	63,070
Bank borrowings	27,948
Total	294,760

	Loans and receivables *HK$'000*	Available-for-sale *HK$'000*	Total *HK$'000*
At 31 December 2015			
Assets			
Available-for-sale financial assets	–	389,440	389,440
Accounts receivable	103,058	–	103,058
Other receivables and deposits	307	–	307
Amount due from a fellow subsidiary	251	–	251
Amount due from immediate holding company	55,142	–	55,142
Cash and cash equivalents	226,267	–	226,267
Total	385,025	389,440	774,465

	Financial liabilities at amortised cost
	HK$'000
At 31 December 2015	
Liabilities	
Accounts payable	32,690
Other payables and accruals	3,704
Amount due to a fellow subsidiary	10,413
Loan from an immediate holding company	113,078
Total	159,885

	Loans and receivables	Available-for-sale	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2014			
Assets			
Available-for-sale financial assets	–	328,357	328,357
Accounts receivable	456,167	–	456,167
Other receivables and deposits	3,977	–	3,977
Amount due from a fellow subsidiary	251	–	251
Amount due from immediate holding company	42,697	–	42,697
Pledged bank deposits	16,000	–	16,000
Cash and cash equivalents	161,418	–	161,418
Total	680,510	328,357	1,008,867

	Financial liabilities at amortised cost
	HK$'000
At 31 December 2014	
Liabilities	
Accounts payable	254,086
Other payables and accruals	5,472
Amount due to fellow subsidiaries	10,413
Dividend payable	30,000
Loan from an immediate holding company	113,070
Bank borrowings	55,000
Total	468,041

3.4 Fair value estimation

The table below analyses the Company's financial instruments carried at fair value as at 31 October 2017, 31 December 2016, 2015 and 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 October 2017 and 31 December 2016, 2015, 2014:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 October 2017				
Available-for-sale financial assets				
Listed equity securities				
– Financial service industry	–	–	–	–
31 December 2016				
Available-for-sale financial assets				
Listed equity securities				
– Financial service industry	369,991	–	–	369,991
31 December 2015				
Available-for-sale financial assets				
Listed equity securities				
– Financial service industry	389,440	–	–	389,440
31 December 2014				
Available-for-sale financial assets				
Listed equity securities				
– Financial service industry	328,357	–	–	328,357

3.5 Offsetting financial assets and financial liabilities

The disclosures set out in the table below include financial assets and financial liabilities that are offset in the statement of financial position.

Currently the Company has a legal enforceable right to set off the trade receivable and payables with HKSCC and it intends to settle on a net basis. The net amount of receivable/payable from/to HKSCC and the guarantee fund placed in HKSCC do not meet the criteria for offsetting in the financial information.

- Accounts receivable from/accounts payable to clearing houses *(a) Financial assets subject to offsetting*

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments other than an cash collateral	Cash collateral received	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 October 2017						
Type of financial assets						
Accounts receivable from HKSCC	57,234	(41,526)	15,708	–	–	15,708
At 31 December 2016						
Type of financial assets						
Accounts receivable from HKSCC	19,787	(13,134)	6,653	–	–	6,653
At 31 December 2015						
Type of financial assets						
Accounts receivable from HKSCC	52,396	(43,730)	8,666	–	–	8,666
At 31 December 2014						
Type of financial assets						
Accounts receivable from HKSCC	354,937	(64,568)	290,369	–	–	290,369

(b) Financial liabilities subject to offsetting

	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments other than an cash collateral	Cash collateral received	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 October 2017						
Type of financial liabilities						
Accounts payable to HKSCC	(45,821)	41,526	(4,295)	–	–	(4,295)
At 31 December 2016						
Type of financial liabilities						
Accounts payable to HKSCC	(126,906)	13,134	(113,772)	–	–	(113,772)
At 31 December 2015						
Type of financial liabilities						
Accounts payable to HKSCC	(47,531)	43,730	(3,801)	–	–	(3,801)
At 31 December 2014						
Type of financial liabilities						
Accounts payable to HKSCC	(70,027)	64,568	(5,459)	–	–	(5,459)

The net amounts of financial assets and financial liabilities as set out above are included in "accounts receivable" and "accounts payable" in notes 14 and 20 respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of accounts receivable

The Company periodically reviews its accounts receivable to assess whether impairment losses exist. In determining whether impairment losses should be recorded in profit or loss, the Company has evaluated its accounts receivable for impairment after taking into account the value of the underlying collateral of each debtor, and the latest financial position of those debtors in default of settlement to determine the net present value of expected future cash inflow. If the financial conditions of the debtors of the Company were to deteriorate, resulting in an impairment of their ability to make repayments, additional impairment losses may be required. As at 31 October 2017, the carrying amount of trade receivable is HK$201,610,000, net of allowance for bad and doubtful debts of HK$3,154,000 (31 December 2016: HK$172,610,000, 2015: HK$103,058,000, 2014: HK$456,167,000, net of allowance for bad and doubtful debts of HK$3,154,000).

(b) Estimation of realisability of deferred income tax assets

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used.

As those deferred income tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred income tax assets are recognised if it becomes probable that future taxable profits will allow the deferred income tax asset to be recovered. As at 31 October 2017, management assess that it is not probable that future taxable profit will be available against which the unused tax credits can be utilized as management considered the uncertainty in the business operation. Thus no deferred tax asset in respect of the unutilised tax losses is recognised as at 31 October 2017 (at 31 December 2016, 2015, 2014: Nil).

5 REVENUE

	Year ended 31 December			10 months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Commission and brokerage income	37,415	49,579	23,682	19,294	22,820
Interest income from clients	20,676	13,143	18,669	11,803	11,696
Advisory fee income	2,327	500	–	–	–
Underwriting commission income	1,942	–	–	–	–
	62,360	63,222	42,351	31,097	34,516

6 OTHER INCOME

	Year ended 31 December			10 months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Gain on disposal of available-for-sale investments *(Note 24(a))*	21,831	–	–	–	216,479
Dividend income from available-for-sale financial assets	6,731	10,051	10,043	10,043	9,300
Bank interest income	417	268	800	605	421
Handling and trailer fees	11,744	5,932	4,254	3,485	4,386
Interest income from loan to a fellow subsidiary *(Note 24(a))*	–	–	–	–	58
Sundry income	2	3	16	1	1
	40,725	16,254	15,113	14,134	230,645

7 FEE AND COMMISSION EXPENSES

	Year ended 31 December			10 months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Commissions, brokerage costs and rebate expenses	5,074	7,117	5,843	4,583	6,825
Services and handling charges paid to HKSCC	3,692	4,525	2,407	1,955	4,621
	8,766	11,642	8,250	6,538	11,446

8 OTHER OPERATING EXPENSES

	Year ended 31 December			10 months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditor's remuneration	206	343	353	353	–
Professional fee	–	20	105	–	–
Management fee expenses *(Note 24(a))*	36,233	37,107	39,559	32,966	28,314
Write-back of telecommunication charges in prior years	–	(171)	(172)	(147)	(102)
Other expenses	235	441	148	123	97
	36,674	37,740	39,993	33,295	28,309

The Company paid management fee to Taiping Financial Holdings Company Limited ("TPFH"), its immediate holding company for the services and other expenses paid on behalf of the Company by TPFH. For the periods ended 31 October 2017 and 2016, and years ended 31 December 2016, 2015 and 2014, rental expenses of HK$1,615,000, HK$1,397,000, HK$1,604,000, HK$1,602,000 and HK$1,597,000 are included in the management fee expenses respectively.

In addition, for the period ended 31 October 2017 and 2016, years ended 31 December 2016, 2015 and 2014, staff cost of HK$16,820,000, HK$19,953,000, HK$23,944,000, HK$17,495,000 and HK$20,809,000 are included in the management fee expenses respectively, which consist of salaries and other benefits, discretionary bonus and contribution to retirement benefit scheme.

9 OTHER GAIN/(LOSSES)

	Year ended 31 December			10 months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net foreign exchange gain/(losses)	286	(147)	(1,428)	(613)	1,991

10 FINANCE EXPENSES

	Year ended 31 December			10 months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest expense to a fellow subsidiary *(Note 24(a))*	–	–	1,578	1,075	1,266
Interest expense to an immediate holding company *(Note 24(a))*	2,294	2,324	1,464	1,238	567
Interest expense on bank borrowings	850	632	1,058	712	2,062
Interest expense to clients	264	146	898	744	501
Facility and loan arrangement fee	185	348	768	591	454
	3,593	3,450	5,766	4,360	4,850

11 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December			10 months ended 31 October	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hong Kong Profits Tax:					
– Provision for the year/period	4,343	2,718	–	–	–
– Overprovision in respect of prior years	(10)	(111)	–	–	(22)
	4,333	2,607	–	–	(22)

For the period ended 31 October 2017 and 2016, year ended 31 December 2016, no provision for Hong Kong Profits Tax has been made in the financial statements as the Company did not have any assessable profit during the year/period. For the year ended 31 December 2015 and 2014, Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit.

Income tax expense for the year can be reconciled to the profit before income tax per the statements of profit or loss as follows:

	Year ended 31 December			10 months ended 31 October	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before income tax	54,338	29,947	2,027	425	222,547
Tax calculated at the statutory tax rate of 16.5% (2016, 2015, 2014: 16.5%)	8,966	4,372	334	70	36,720
Tax effect of:					
– Income not subject to tax	(4,782)	(1,679)	(1,657)	(1,657)	(37,651)
– Expenses not deductible for tax	159	25	252	101	83
– Tax losses not recognised	–	–	1,071	1,486	848
– Overprovision in respect of prior years	(10)	(111)	–	–	(22)
Income tax expense/(credit)	4,333	2,607	–	–	(22)

At the end of the reporting period, the Company has estimated unused tax losses of approximately HK$11,633,000 (31 December 2016: HK$6,490,000, 2015 and 2014: nil) available for offset against future profits from the same business. No deferred tax has been recognised in respect of such losses in the current period due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

12 STATUTORY DEPOSITS

Statutory deposits represent deposits with HKEx, HKSCC and the Securities and Futures Commission ("SFC"). They are non-interest bearing.

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current portion				
Deposits with the HKEx:				
– Compensation fund	200	200	200	200
– Fidelity fund	200	200	200	200
– Stamp duty	250	250	250	150
Deposits with the HKSCC:				
– Admission fee	200	200	200	200
– Guarantee fund contribution	4,827	2,445	1,288	2,091
– Mainland security deposits *(Note (a))*	–	239	224	235
Deposits with SFC	50	50	50	50
	5,727	3,584	2,412	3,126
Current portion				
Deposits with the HKSCC:				
– Mainland settlement deposits *(Note (a))*	–	–	29,924	2,261
	5,727	3,584	32,336	5,387

Note:

(a) The Company participated in the China Connect Securities Trades and is required to provide HKSCC with Mainland Settlement Deposit and Mainland Security Deposit. The Mainland Settlement Deposit is calculated based on buy turnover, any overdue short positions and sell turnover, whilst the Mainland Security Deposit is computed according to the net settlement amount.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	247,034	328,357	389,440	369,991
Purchase of available-for-sale financial assets	52,578	–	–	–
Proceeds from disposal of available-for-sale financial assets	(50,821)	–	–	(449,184)
Stock dividend received *(Note 6)*	–	10,051	10,043	4,120
Change in fair value taken to equity	79,566	51,032	(29,492)	75,073
At 31 December	328,357	389,440	369,991	–

Available-for-sale financial assets represents equity securities listed in Hong Kong, and are denominated in Hong Kong Dollars.

14 ACCOUNTS RECEIVABLE

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accounts receivable arising from the business of dealing in securities:				
– Cash clients	11,282	79,137	12,851	76,017
– a fellow subsidiary *(Note 24(b))*	–	–	–	4,622
– key management personnel *(Note 24(b))*	–	–	–	18
– HKSCC *(Note 3.5(a))*	290,369	8,666	6,653	15,708
– Loans to securities margin clients	157,670	18,409	156,260	108,399
Less: Allowance for bad and doubtful debts	(3,154)	(3,154)	(3,154)	(3,154)
	456,167	103,058	172,610	201,610

The settlement term of accounts receivable arising from the business of dealing in securities in Hong Kong market is two days after trade date, whereas the settlement terms for Shanghai market is one day after trade date. The balance are repayable on demand after the settlement date.

In respect of the accounts receivable from cash clients arising from securities dealing, the ageing analysis, prepared with reference to trade date, is as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not-yet-due	3,085	77,735	11,231	79,688
0-30 days	3,310	602	388	153
31-60 days	658	–	–	–
61-90 days	1,312	–	–	–
Over 90 days	2,917	800	1,232	816
	11,282	79,137	12,851	80,657

At as 31 October 2017, impairment was made on the past-due accounts receivable from cash clients totaling HK$ 571,000 (31 December 2016, 2015, 2014: HK$571,000), after taking into account the collaterals pledged by these clients to the Company.

No impairment was made on the remaining past-due accounts receivable of HK$398,000 (31 December 2016: HK$1,049,000, 2015: HK$831,000 2014: HK$7,626,000) and those not-yet-due accounts receivable of HK$79,688,000 (31 December 2016: HK$11,231,000, 2015: HK$77,735,000, 2014: HK$3,085,000) as there has been a substantial settlement after the reporting date and there has not been any significant change in credit quality of the relevant clients.

Loans to securities margin clients are secured by clients' pledged securities at a fair value of approximately HK$408,143,000 (31 December 2016: HK$3,702,360,000, 2015: HK$86,550,000, 2014: HK$1,835,529,000). Included in the loans to securities margin clients, there is a client of outstanding loan balance of HK$2,583,000 (31 December 2016, 2015, 2014: HK$2,583,000) with no pledged securities. This loan was fully impaired. The loans are repayable on demand after settlement date and carry interest at prime rate +2.5% (2016, 2015, 2014:

prime rate+2.5%). No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis of loans to securities margin clients does not give additional value in view of the nature of business of securities margin financing.

Movement in the allowance for bad and doubtful debts:

	As at 31 December			As at 31 October
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at beginning of the year and at the end of the year	3,154	3,154	3,154	3,154

15 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 October
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank	161,418	226,267	204,167	161,583

The Company maintains segregated accounts with authorized institutions to hold clients' monies arising from its normal course of business. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance. The Company is not allowed to use the clients' monies to settle its own obligations. The Company has not recognised these clients' monies and the corresponding accounts payable to these clients on the statements of financial position. At as 31 October 2017, trust accounts not otherwise dealt with in these financial information amounted to HK$642,320,000 (31 December 2016: HK$957,789,000, 2015: HK$826,053,000, 2014: HK$399,482,000) *(Note 20)*.

16 LOAN TO A FELLOW SUBSIDIARY

	Effective interest rate	Maturity	
	(%)		*HK$'000*
As at 31 October 2017			
Non-current			
Loan to a fellow subsidiary – unsecured	1.3% plus 1-month HIBOR	2 October 2020	40,000
As at 31 December 2016			
Non-current			
Loan to a fellow subsidiary – unsecured	–	–	–
As at 31 December 2015			
Non-current			
Loan to a fellow subsidiary – unsecured	–	–	–
As at 31 December 2014			
Non-current			
Loan to a fellow subsidiary – unsecured	–	–	–

(a) The carrying amounts of the loan are denominated in Hong Kong Dollars.

(b) The loan was lent to China Insurance Group Finance Company Limited, its fellow subsidiary. It carried interest at 1.3% per annum plus 1-month HIBOR.

17 LOAN FROM A FELLOW SUBSIDIARY

	Effective interest rate *(%)*	**Maturity**	*HK$'000*
As at 31 October 2017			
Non-current			
Loan from a fellow subsidiary – unsecured (c)	–	–	–
As at 31 December 2016			
Non-current			
Loan from a fellow subsidiary – unsecured (b)	1% per annum plus 1-month HIBOR	2 May 2019	150,000
As at 31 December 2015			
Non-current			
Loan from a fellow subsidiary – unsecured	–	–	–
As at 31 December 2014			
Non-current			
Loan from a fellow subsidiary – unsecured	–	–	–

(a) The carrying amounts of the loan are denominated in Hong Kong Dollars.

(b) The loan was borrowed from China Insurance Group Finance Company Limited, a fellow subsidiary. It carried interest at 1% per annum plus 1-month HIBOR.

(c) The full loan amount of HK$150,000,000 has been early repaid on 28 July 2017. There was no penalty regarding the early repayment of the loan.

18 LOAN FROM AN IMMEDIATE HOLDING COMPANY

	Effective interest rate *(%)*	Maturity	*HK$'000*
As at 31 October 2017			
Non-current			
Loan from an immediate holding company – unsecured (d)	–	–	–
Current			
Loan from an immediate holding company – unsecured	–	–	–
			–
As at 31 December 2016			
Non-current			
Loan from an immediate holding company – unsecured (b), (c)	1.1% per annum plus 1-month HIBOR	11 May 2019	63,070
Current			
Loan from an immediate holding company – unsecured	–	–	–
			63,070
As at 31 December 2015			
Non-current			
Loan from an immediate holding company – unsecured	–	–	–
Current			
Loan from an immediate holding company – unsecured (b)	1.9% per annum plus 1-month HIBOR	16 May 2016	113,078
			113,078
As at 31 December 2014			
Non-current			
Loan from an immediate holding company – unsecured (b)	1.9% per annum plus 1-month HIBOR	16 May 2016	113,070
Current			
Loan from an immediate holding company – unsecured	–	–	–
			113,070

(a) The carrying amounts of the loan are denominated in Hong Kong Dollars.

(b) The loan of HK$113,070,000, was borrowed from Taiping Financial Holdings Company Limited, the immediate holding company on 28 February 2014 for a duration of 2.2 years. It carried interest at 1.9% per annum plus 1-month HIBOR. The Company entered into a new loan for the same amount from the same lender on 16 May 2016 that carried interest at 1.1% per annum plus 1-month HIBOR.

(c) HK$50,000,000 has been repaid on 7 December 2016, without penalty for early repayment.

(d) The remaining amount of HK$63,070,000 has been repaid early on 28 July 2017; there was no penalty regarding the early repayment of the loan.

19 PLEDGED BANK DEPOSITS

As at 31 December 2014, the Company has pledged bank fixed deposits of HK$16,000,000 to a bank to secure general banking facilities granted to the Company and a bank guarantee of HK$10,000,000 was issued by the bank to the HKSCC.

20 ACCOUNTS PAYABLE

	As at 31 December			**As at 31 October**
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable arising from the business of dealing in securities:				
– Cash and margin clients				
– third parties	474,222	626,648	511,040	367,412
– fellow subsidiaries *(Note 24(b))*	163,915	220,898	186,439	112,958
– an intermediate holding company *(Note 24(b))*	–	2,332	176,382	184,775
– immediate holding company *(Note 24(b))*	8,941	4,549	11,255	46
– key management personnel *(Note 24(b))*	1,031	515	131	185
– HKSCC *(Note 3.5(b))*	5,459	3,801	113,772	4,295
Less: Deposits held on behalf of clients *(Note 15)*	(399,482)	(826,053)	(957,789)	(642,320)
	254,086	32,690	41,230	27,351

The majority of the accounts payable balances is repayable on demand. Accounts payable to clients also included unsettled trade from business of dealing in securities. The settlement term for Hong Kong market is two days after trade date, whereas for Shanghai and Shenzhen market is one day after trade date. The balance are repayable on demand after the settlement date.

The Company has a practice to satisfy all the requests for payments immediately within the credit period. There is no overdue accounts payable balance as of the year end dates.

Accounts payable to clients also include those payables placed in trust accounts with authorised institutions of HK$642,320,000 (31 December 2016: HK$957,789,000, 2015: HK$826,053,000, 2014: HK$399,482,000). This balance is unsecured, bears interest at the bank deposit savings rate per annum and is repayable on demand.

21 BANK BORROWINGS

	As at 31 December			As at 31 October
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans	55,000	–	27,948	–

(a) The carrying amounts of the bank borrowings are denominated in Hong Kong dollars in 2014 and Renminbi ("RMB") in 2016.

(b) As at 31 December 2016, the bank borrowings were secured, interest-bearing at 1.9% per annum over 1-month HIBOR (2014: 1.75% per annum over 1-month HIBOR) and repayable on demand.

The fair value of current bank borrowings equals their carrying amount, as the impact of discounting is not significant.

The Company has the following undrawn borrowing facilities:

	As at 31 December			As at 31 October
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Floating rate:				
– Expiring beyond one year	111,000	450,000	272,052	300,000

As at 31 October 2017, 31 December 2016 and 2015, the banking facilities were secured by a corporate guarantee to the extent of HK$1,000,000,000 executed by China Taiping Insurance Holdings Company Limited, an intermediate holding company of the Company.

As at 31 December 2014, the banking facilities were secured by the followings:

(a) corporate guarantee to the extent of HK$160,000,000 and HK$150,000,000, executed by Taiping Financial Holdings Company Limited, its immediate holding company, and China Taiping Insurance Group (HK) Company Limited, its intermediate holding company, respectively;

(b) pledged over bank deposits of the Company amounting to HK$16,000,000; and

(c) pledged over a property owned by Taiping Financial Holdings Company Limited, its immediate holding company, with a carrying amount of HK$33,600,000.

22 SHARE CAPITAL

	Number of shares	Share Capital
	'000	*HK$'000*
Issued and fully paid at 1 January 2014, 31 December 2014, 2015, 2016 and 31 October 2017	363,870	363,870

23 DIVIDENDS

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Final dividends	30,000	–	11,710	–
Interim dividends	–	–	–	279,000

The dividends paid in 2017, 2016 and 2015 were HK$279,000,000 (HK$0.767 per share), HK$11,710,000 (HK$0.032 per share) and HK$30,000,000 (HK$0.082 per share) respectively. The interim dividend in 2017 was partly paid in cash (HK$14,401,000) and partly settled through the intercompany account with Taiping Financial Holdings Company Limited (HK$264,599,000).

24 RELATED PARTY TRANSACTIONS

For the purposes of these financial information, parties are considered to be related to the Company if they have the ability, directly or indirectly, to control or exercise significant influence over the Company in making financial and operating decisions. Related parties may be individuals or other entities.

(a) In addition to the transactions detailed elsewhere in these financial information, the Company had the following transaction with related parties during the year.

	Note	Year ended 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	10 months ended 31 October 2016 HK$'000 (unaudited)	2017 HK$'000
Income						
Commission and brokerage income from directors		89	58	170	136	141
Commission and brokerage income from fellow subsidiaries	*(i)*	13,124	25,824	7,009	6,245	7,217
Commission and brokerage income from a intermediate holding company		–	–	–	–	249
Commission and brokerage income from immediate holding company		–	–	–	–	223
Interest income from directors		43	12	9	7	6
Interest income from loan to a fellow subsidiary	*(ii)*	–	–	–	–	58
Transfer of available-for-sale financial assets	*(iii)*	–	–	–	–	216,479
Expenses						
Management fee to an immediate holding company	*(iv)*	36,233	37,107	39,559	32,966	28,314
Interest expense to a fellow subsidiary	*(v)*	–	–	1,578	1,075	1,266
Interest expense to immediate holding company	*(vi)*	2,294	2,324	1,464	1,238	567

Notes:

(i) The Company provided brokerage services, and received commission and brokerage income from its fellow subsidiaries in accordance with the terms of the signed brokerage service agreements.

(ii) The Company lent a loan to China Insurance Group Finance Company Limited, its fellow subsidiary. The loan is chargeable at an interest rate of 1.3% per annum plus 1-month HIBOR, effective from 3 October 2017.

(iii) For the period ended 31 October 2017, the Company transferred its available-for-sale financial assets to China Insurance Group Finance Company Limited ("CIGF") and Taiping Financial Future (HK) Company Limited ("TFF"), the fellow subsidiaries of the Company, at a consideration, being the fair value of the available-for-sale financial assets, amounted to HK$163,184,000 and HK$286,000,000 respectively, for detail, please refer to Note 26(a).

(iv) The Company received management service, including general corporate management, administrative, treasury, financial support and information technology support, and in return the Company paid management fee to, Taiping Financial Holdings Company Limited, its immediate holding company for the services and other expenses including rental expenses paid on behalf of the Company by Taiping Financial Holdings Company Limited.

(v) The Company borrowed two loans from CIGF, its fellow subsidiary. The loans were chargeable at interest rates ranging from 1% to 1.3% per annum plus 1-month HIBOR.

(vi) The Company borrowed two loans from Taiping Financial Holdings Company Limited, its immediate holding company. The loans were chargeable at interest rates of 1.9% per annum plus 1-month HIBOR and 1.1% per annum plus 1-month HIBOR, effective from 28 February 2014 to 15 May 2016 and from 16 May 2016 respectively.

(b) Outstanding balance with related parties:

		As at 31 December			As at 31 October
	Note	**2014**	**2015**	**2016**	**2017**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Loan to a fellow subsidiary	*(i)*	–	–	–	40,000
Accounts receivable from a fellow subsidiary	*(ii)*	–	–	–	4,622
Accounts receivable from a director	*(ii)*	–	–	–	18
Amounts due from fellow subsidiaries	*(iii)*	251	251	251	–
Amounts due from an immediate holding company	*(iii)*	42,697	55,142	92,757	–
		42,948	55,393	93,008	44,640
Liabilities					
Loan from a fellow subsidiary	*(iv)*	–	–	150,000	–
Loan from an immediate holding company	*(v)*	113,070	113,078	63,070	–
Accounts payable to fellow subsidiaries	*(ii)*	163,915	220,898	186,439	112,958
Accounts payable to an intermediate holding company	*(ii)*	–	2,332	176,382	184,775
Accounts payable to immediate holding company	*(ii)*	8,941	4,549	11,255	46
Accounts payable to directors	*(ii)*	1,031	515	131	185
Amounts due to fellow subsidiaries	*(iii)*	10,413	10,413	10,502	–
Amount due to an immediate holding company	*(iii)*	–	–	34	–
		286,957	351,785	597,813	297,964

Notes:

(i) The balance was unsecured, interest-bearing at 1.3% per annum plus 1-month HIBOR and repayable on 2 October 2020.

(ii) The balances were unsecured, bearing interest at the bank deposit saving rate per annum and is repayable on demand.

(iii) The balances were unsecured, interest-free and repayable on demand.

(iv) The balance was unsecured, interest-bearing at 1% per annum plus 1-month HIBOR and repayable on 2 May 2019. The amount has been early repaid on 28 July 2017.

(v) The balance was unsecured, interest-bearing at 1.1% per annum plus 1-month HIBOR and repayable on 11 May 2019 (2015, 2014: unsecured, interest-bearing at 1.9% per annum plus 1-month HIBOR and repayable on 16 May 2016). The amount has been early repaid on 28 July 2017.

The carrying amounts of amounts due approximately their fair value.

(c) Key management compensation:

For the year ended 31 October 2017, 31 December 2016, 2015 and 2014 the directors of the Company received emoluments from Taiping Financial Holdings Company Limited, its immediate holding company, in respect of their services to the Company and its fellow subsidiaries. No apportionment is made as the number of working hours spent by the individual directors on their services to the Company are considered to be insignificant and therefore they are regarded as incidental to their roles and responsibilities to the larger group.

25 OPERATING LEASE

The future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 31 October
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
No later than 1 year	204	204	1,373	693
Later than 1 year and no later than 5 years	408	–	445	–
	612	204	1,818	693

The operating lease commitment represents rental agreements signed by the Company.

26 MAJOR NON-CASH TRANSACTIONS

(a) On 30 October 2017, the Company entered into two transfers agreements pursuant to which the Company transferred its available-for-sale financial assets to China Insurance Group Finance Company Limited ("CIGF") and Taiping Financial Future (HK) Company Limited ("TFF"), fellow subsidiaries of the Company.

Under the agreement, the Company transferred certain financial assets to CIGF at a fair value of HK$163 million. The transfer was settled by CIGF through (i) cash of HK$27 million and (ii) an assignment of an amount due by Taiping Financial Holdings Company Limited to CIGF of HK$136 million to the Company.

The Company also transferred certain financial assets to TFF at a fair value of HK$286 million. The transfer was settled by TFF through (i) cash of HK$276 million and (ii) an offset of an amount due by TFF to the Company of HK$10 million.

(b) On 30 October 2017, the board declared an interim dividend of HK$279,000,000 to its immediate holding company, Taiping Financial Holdings Company Limited. The amount was settled through (i) cash of HK$14,401,000 and (ii) an offset of an amount due by Taiping Financial Holdings Company Limited to the Company of HK$264,599,000.

(c) Loan from an immediate holding company originally amounted to HK$113,070,000, was borrowed from Taiping Financial Holdings Company Limited, its immediate holding company on 28 February 2014. The Company entered into a new loan with the same amount on 16 May 2016. The original loan was settled in full by offsetting the new loan advanced on 16 May 2016.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 October 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 31 October 2017.

Set out below is the management discussion and analysis on the Target Company for the three years ended 31 December 2014, 2015 and 2016 and the ten months ended 31 October 2017. The following financial information is based on the audited financial information of the Target Company as set out in Appendix IIA to this circular.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY FOR EACH OF THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016 AND THE TEN MONTHS ENDED 31 OCTOBER 2017

BUSINESS OVERVIEW

The Target Company, a company incorporated in Hong Kong with limited liability, is principally engaged in the businesses of securities dealing and brokering and securities margin financing. The Target Company is a corporation licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong).

Segment Information

The management of the Target Company has determined that it has a single operating segment, which is the provision of securities dealing. The Target Group provides a mixture of financial services including securities brokerage service and margin financing.

The securities brokerage business is directly affected by the overall securities market and regulatory environment in Hong Kong. Regulatory oversight of the market is becoming increasingly heightened, leading to market uncertainties. Large-scale brokerage firms with PRC backgrounds have aggressively entered the market, intensifying competition within the industry and creating pricing pressure. Moreover, there is increasing market demand for higher degrees of specialization for the services provided, making it more expensive to bring in new customers and retain clients in general. However, the Shanghai/Shenzhen Stock Connect projects under the Mainland and Hong Kong Closer Economic Partnership Arrangement, along with the development of new products to serve customer needs on cross-market and cross-product bases, will create additional revenue-generating opportunities for companies in the securities brokerage businesses. The application of technology to the operational and product aspects of such companies could also bring changes to the existing business model.

Moving forward, it is the aim of the Target Company to develop more products and services as permitted by the Hong Kong regulators and keep pace with the market. The Target Company will recommend Exchange-traded products and third-party access products to more investors and provide clients with structured investment opportunities. The Target Company plans to continue to strengthen its services to and development of institutional clients by enhancing its sales and service teams.

Revenue

The Target Company recorded revenue for the financial years ended 31 December 2014, 2015 and 2016 of approximately HK$62,360,000, HK$63,222,000 and HK$42,351,000, respectively, and each of the ten months ended 31 October 2016 and 2017 of approximately HK$31,097,000 and HK$34,516,000, respectively, which mainly represented commission and brokerage income, interest income from clients, advisory fee income and underwriting commission income.

The revenue for the year ended 31 December 2015 increased by approximately 1.4% as compared to the year ended 31 December 2014, primarily due to an increase in commission and brokerage income, as a result of an increase in the trading of securities in the market in the first half of the year, which was offset by a decrease in interest income from clients, as a result of a number of existing clients choosing not to renew their agreements relating to margin financing services in 2015.

The revenue for the year ended 31 December 2016 decreased by approximately 33.0% as compared to the year ended 31 December 2015, primarily due to a decrease in commission and brokerage income from approximately HK$49,579,000 to HK$23,682,000 as a result of sustained depression in the overall market from the second half of 2015.

The revenue for the ten months ended 31 October 2017 increased by approximately 11.0% as compared to the ten months ended 31 October 2016, primarily due to a slight increase in commission and brokerage income from approximately HK$19,294,000 to HK$22,820,000 which was in line with the market increase in the trading of securities transactions in 2017.

Other Income

The Target Company recorded other income for the financial years ended 31 December 2014, 2015 and 2016 of approximately HK$40,725,000, HK$16,254,000 and HK$15,113,000, respectively, and each of the ten months ended 31 October 2016 and 2017 of approximately HK$14,134,000 and HK$230,645,000, respectively, which mainly comprised gain on disposal of available-for-sale investments, dividend income from available-for-sale financial assets, bank interest income, handling and trailer fees, sundry income and interest income from a loan to a fellow subsidiary. The significant decrease in other income for the financial year ended 31 December 2015 as compared to the year ended 31 December 2014 was primarily due to an one-off gain on the disposal of available-for-sale investments in 2014. The significant increase in other income for the ten months ended 31 October 2017 as compared to the ten months ended 31 October 2016 was a result of one-off realized gain on the disposal of available-for-sale investments.

Commission Expenses

The Target Company recorded commission expenses for the financial years ended 31 December 2014, 2015 and 2016 of approximately HK$5,074,000, HK$7,117,000 and HK$5,843,000, respectively, and each of the ten months ended 31 October 2016 and 2017 of approximately HK$4,583,000 and HK$6,825,000, respectively, which mainly represented rebates to clients and commission paid to sales representatives in relation to the trading of securities, underwriting and placing transactions being carried out by them in proportion to their respective commission rates.

Commission expenses for the year ended 31 December 2015 increased by approximately 40.3% as compared to the year ended 31 December 2014, primarily due to an increase in the trading of securities in line with overall securities market improvement in the first half of 2015, which led to an increase in the Target Company's commissions paid to account executives.

Commission expenses for the year ended 31 December 2016 decreased by approximately 17.9% as compared to the year ended 31 December 2015, primarily due to a decrease in trading of securities transactions being carried out as a result of the significant decline in the trading volume of the Hong Kong stock market, shrinking average daily turnover and decrease in fund raising activities in the Hong Kong securities market in 2016.

Commission expenses for the ten months ended 31 October 2017 increased by approximately 48.9% as compared to the ten months ended 31 October 2016, mainly as a result of (i) the Target Company's improved customer service efforts, which stimulated the trading turnover of existing clients; (ii) an adjusted performance appraisal mechanism to incentivize staff performance; and (iii) an increase in the trading of securities transactions in line with overall securities market improvement.

Employee Benefits

The Target Company recorded staff costs for the financial years ended 31 December 2014, 2015, 2016 of approximately HK$20,809,000, HK$17,495,000 and HK$23,944,000, respectively, and each of the ten months ended 31 October 2016 and 2017 of approximately HK$19,953,000 and HK$16,820,000, respectively, which comprised salaries and other benefits, discretionary bonus and contributions to retirement benefit scheme.

Staff costs for the year ended 31 December 2015 decreased by approximately 15.9% as compared to the year ended 31 December 2014 primarily due to a decrease in the payout of discretionary bonuses in line with lower profits.

Staff costs for the year ended 31 December 2016 increased by approximately 36.9% as compared to the year ended 31 December 2015 primarily due to an increase in number of employees from 30 to 36.

Staff costs for the ten months ended 31 October 2017 decreased by approximately 15.7% as compared to the ten months ended 31 October 2016 primarily due to a decrease in number of employees from 38 to 34.

Other Operating Expenses

The other operating expenses incurred by the Target Company during the financial years ended 31 December 2014, 2015 and 2016 of approximately HK$36,674,000, HK$37,740,000 and HK$39,993,000, respectively, and each of the ten months ended 31 October 2016 and 2017 of approximately HK$33,295,000 and HK$28,309,000, respectively, which mainly comprised auditor's remuneration, professional fees, management fee expenses (which includes rental expenses and staff costs) and other expenses.

Other operating expenses for the year ended 31 December 2015 increased slightly by approximately 2.9% as compared to the year ended 31 December 2014 primarily due to an increase in auditor's remuneration, as a result of an increase in inflation rate, an increase in management fee, and a decrease in professional fees.

Other operating expenses for the year ended 31 December 2016 increased slightly by approximately 6.0% as compared to the year ended 31 December 2015 primarily due to an increase in professional fees and management fee.

Other operating expenses for the ten months ended 31 October 2017 decreased by 15.0% as compared to the ten months ended 31 October 2016 primarily due to a decrease in management fees and other expenses as a result of the decrease in the amount of discretionary bonuses paid.

Profit/(Loss) for the Year/Period

The Target Company recorded net profit for the financial years ended 31 December 2014, 2015 and 2016 of approximately HK$50,005,000, HK$23,890,000 and HK$2,027,000, respectively, and each of the ten months ended 31 October 2016 and 2017 of approximately HK$425,000 and HK$222,569,000, respectively.

The net profit for the year ended 31 December 2015 decreased by approximately 52.2% as compared to the year ended 31 December 2014. The decrease in the profit for the year ended 31 December 2015 was primarily due to an one-off gain on disposal of available-for-sale investments of approximately HK$21,831,000, which only occurred in 2014.

The net profit for the year ended 31 December 2016 decreased by approximately 91.5% as compared to the year ended 31 December 2015. The decrease in the profit for the year was primarily due to a decrease in commission and brokerage income from approximately HK$49,579,000 to HK$23,682,000 as a result of sustained depression in the overall market from the second half of 2015, substantial decrease of overall trading volume of the Hong Kong stock market in 2016 and a drop in the number of local investors which make up the majority of the customer base of the Target Company.

The net profit for the ten months ended 31 October 2017 increased by approximately HK$222,144,000 as compared to the ten months ended 31 October 2016. The increase in the profit for the stated periods was primarily due to a gain on the disposal of listed equity securities, namely The Stock Exchange of Hong Kong Limited of HK$216,479,000.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2014, 2015, 2016 and 31 October 2017, the Target Company had net current assets of approximately HK$324,137,000, HK$226,674,000, HK$421,019,000 and HK$339,389,000, respectively. The current ratio (being current assets over current liabilities) as at 31 December 2014, 2015, 2016 and 31 October 2017 were approximately 1.9 times, 2.4 times, 6.2 times and 12.7 times respectively. The increase in the current ratio as at 31 December 2015 as compared to 31 December 2014 was mainly due to repayment of bank borrowings. The increase in the current ratio as at 31 December 2016 as compared to 31 December 2015 was mainly due to decrease in the current portion in the loan from its immediate holding company and affiliates. The increase in the current ratio as at 31 October 2017 as compared to 31 December 2016 was mainly due to an increase in accounts receivable repayment of bank borrowings.

Total assets mainly comprised of available-for-sale financial assets, accounts receivable, amount due from an immediate holding company and cash and cash equivalents. Total liabilities mainly comprised loan from an immediate holding company, accounts payable and bank borrowings.

As at 31 December 2014, 2015, 2016 and 31 October 2017, the Target Company had net assets of approximately HK$545,231,000, HK$620,153,000, HK$580,978,000 and HK$383,141,000 respectively. The gearing ratio (being total liabilities over total assets) as at 31 December 2014, 2015, 2016 and 31 October 2017 were approximately 46.3%, 20.5%, 33.7% and 7.1%, respectively. The decrease in the gearing ratio as at 31 December 2015 as compared to 31 December 2014 was mainly due to increase in accounts receivables. The increase in the gearing ratio as at 31 December 2016 as compared to 31 December 2015 was mainly due to loans of approximately HK$213,070,000 from an immediate holding company and a fellow subsidiary, which resulted in an increase in borrowings. The decrease in the gearing ratio as at 31 October 2017 as compared to 31 December 2016 was mainly due to repayment of bank borrowings.

As at 31 December 2014, 2015, 2016 and 31 October 2017, the bank balance of the Target Company amounted to approximately HK$161,418,000, HK$226,267,000, HK$204,167,000 and HK$161,583,000, respectively, which are primarily denominated in Hong Kong Dollars ("**HKD**"). These amounts comprise client monies that are maintained in segregated bank accounts, which arise from money deposited by clients and other institutions when the Target Company carries out regulated activities in its ordinary course of business.

As at 31 December 2014, 2015, 2016 and 31 October 2017, the outstanding bank borrowings of the Target Company amounted to approximately HK$55,000,000, nil, HK$27,948,000 and nil, respectively. The carrying amounts of the bank borrowings are denominated in Renminbi ("**RMB**"). The loans are repayable on demand and bear interest at the equivalent of 1.9% per annum over Hong Kong Interbank Offered Rate ("**HIBOR**").

As at 31 December 2014, 2015, 2016 and 31 October 2017, the outstanding amount due to the immediate holding company amounted to nil, nil, approximately HK$34,000 and nil, respectively.

Capital Structure

During the three financial years ended 31 December 2014, 2015 and 2016, the capital structure of the Target Company consisted of accounts payable and other payables and accruals, amount due to the immediate holding company, amount due to fellow subsidiaries, bank borrowings, net off cash and cash equivalents and equity attributable to owners of the Target Company, comprising share capital, investment revaluation reserves and retained earnings. As at 31 October 2017, the capital structure of the Target Company consisted of accounts payable, other payables and accruals, net off cash and cash equivalents and equity attributable to owners of the Target Company, comprising share capital and retained earnings. The directors of the Target Company review the capital structure regularly. As part of the review, the directors consider the cost of capital and the risk associated with each class of capital. Based on recommendations of the directors, the Target Company will balance its overall capital structure through payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

As at 31 October 2017, the issued and paid up capital of the Target Company was HK$363,870,350 divided into 363,870,350 shares. Movements in the share capital of the Target Company are reflected in note 22 to the financial statements of the Target Company in Appendix IIA to this circular.

Treasury and Funding Policies

During the reported period, the Target Company usually financed its working capital through internal funds and bank borrowings. To manage liquidity risk, the management of the Target Company closely monitors the liquidity position to ensure that the liquidity structure of the Target Company's asset, liabilities and commitments can meet its funding requirements. Furthermore, management monitors the Target Company's liquid capital on a daily basis to ensure it will meet the minimum liquid capital requirement in accordance with the Hong Kong Securities and Futures (Financial Resources) Rules adopted by the Securities and Futures Commission (the "**SFC**"). The required information is filed with the SFC on a monthly basis.

Credit Risk

The Target Company's credit risk is primarily attributable to accounts receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. As at 31 December 2014, 2015, 2016 and 31 October 2017, the Target Company's total accounts receivable were approximately HK$456,167,000, HK$103,058,000, HK$172,610,000 and HK$201,610,000, respectively.

The accounts receivable as at 31 December 2015 decreased by approximately 77.4% compared to 31 December 2014. The decrease in accounts receivable was primarily due to the repayment of loans by the Target Company's securities margin clients.

The accounts receivable as at 31 December 2016 increased by approximately 67.5% compared to 31 December 2015. The increase in accounts receivable was primarily due to an increase in outstanding loan amounts advanced to the Target Company's securities margin clients.

The accounts receivable as at 31 October 2017 increased by approximately 16.8% compared to 31 December 2016. The increase in accounts receivable was primarily due to an increase in the amount advanced to the Target Company's cash clients.

In order to minimise credit risk, the Target Company's management has a well-established credit risk management process, which are governed by credit policies and procedures approved by the Board of Directors. These processes involve the delegation of credit approval authorities, reviewing and establishing limits for each type of credit exposure for each client and counterparty and obtaining pledged securities in the margin financing businesses. The Target Company manages its exposure to credit risk arising from cash and cash equivalents by dealing with reputable companies, such as financial institutions which are governed by regulatory institutions including the Hong Kong Monetary Authority. The risk of default in repayment is considered to be minimal. As at 31 December 2015 and 2016, cash and bank balances were deposited in reputable large commercial banks with high credit ratings.

Interest Rate Exposure

The Target Company is exposed to cash flows interest rate risk in relation to loans to a fellow subsidiary, loans to margin clients, loans from a fellow subsidiary, loans from an immediate holding company and bank borrowings, which carry interest at variable rate. The Target Company's cash flow interest rate risk is mainly concentrated on the fluctuation of Prime Rate or HIBOR arising from the Target Company's variable interest rate instruments.

The Target Company currently does not have a cash flow interest rate hedging policy. The management of the Target Company closely monitors the interest rate exposure of the Target Company and would consider hedging significant interest rate exposure should the need arise.

FOREIGN EXCHANGE EXPOSURE

The cash and bank balances and the bank borrowings of the Target Company were mainly denominated in HKD. The business operation of the Target Company had been primarily conducted in HKD.

The majority of the Target Company's assets and liabilities are denominated in HKD (the Target Company's functional currency), RMB and United States dollars. Foreign exchange risk arising from the normal course of operations is considered minimal. As such, no hedging against foreign currency exposure has been carried out by the Target Company, and the Target Company does not have a foreign currency hedging policy. Management will closely monitor the fluctuation in the currency and take appropriate actions when conditions arises.

EMPLOYEE AND REMUNERATION POLICY

There were 27, 30, 36 and 38 staff employed by the Target Company as at 31 December 2014, 2015, 2016 and 31 October 2017, respectively. The total staff costs amounted to approximately HK$20,809,000, HK$17,495,000 and HK$23,944,000 for the years ended 31 December 2014, 2015 and 2016, respectively, and approximately HK$16,820,000 for the ten months ended 31 October 2017.

The Target Company reviews staff remuneration once a year, or as its management considers appropriate. Changes in remuneration are based on a range of factors including the Target Company's performance, the competitiveness of remuneration with the external market and individual employee's performance. The Target Company's employees were paid at fixed remuneration with discretionary bonus and benefits of medical insurance, mandatory provident fund contributions and necessary training.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

There were no material acquisitions and disposals of subsidiaries and associated companies of the Target Company and no significant investments made during the years ended 31 December 2014, 2015, 2016 and the ten months ended 31 October 2017. The Target Company has no future plans for material investments or capital assets.

CAPITAL COMMITMENTS

As at 31 December 2014, 2015, 2016 and 31 October 2017, the Target Company did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2014, 2015, 2016 and 31 October 2017, the Target Company did not have material contingent liabilities.

PLEDGE OF ASSETS

No assets of the Target Company were pledged as at 31 December 2015, 2016 and 31 October 2017. Bank deposits of the Company amounting to HK$16,000,000 and property owned by Taiping Financial Holdings Company Limited, the Target Company's immediate holding company, of a carrying amount of HK$33,600,000 were pledged to a bank to secure the Target Company's banking facilities as of 31 December 2014, *The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the Enlarged Group's unaudited pro forma financial information for the purpose of inclusion in this Circular.*

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an unaudited pro forma consolidated statement of financial position of the Enlarged Group (the "Unaudited Pro Forma Consolidated Statement of Financial Position") which has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the proposed acquisition of 50% of the issued share capital in Taiping Securities (HK) Co Limited ("Target Company") ("Acquisition") as if the Acquisition had been completed on 30 June 2017.

The Unaudited Pro Forma Consolidated Statement of Financial Position is prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2017 which has been extracted from the published interim report of the Company for the six months ended 30 June 2017 dated on 25 August 2017; and (ii) the audited statement of financial position of the Target Company as at 31 October 2017 as extracted from the accountants' report as set out in the Appendix IIA to this Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable; and (ii) factually supportable as if the Acquisition had been undertaken as at 30 June 2017.

The Unaudited Pro Forma Consolidated Statement of Financial Position has been prepared by the directors of the Company based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Consolidated Statement of Financial Position does not purport to describe the financial position of the Enlarged Group that would have been attained had the Acquisition been completed as at 30 June 2017, nor purport to predict the future financial position of the Enlarged Group.

	The Group as at 30 June 2017 *RMB'000* (Unaudited)	*Notes*	Pro forma adjustments for the Acquisition *RMB'000*	Pro forma Enlarged Group after the Acquisition *RMB'000* (Unaudited)
Non-current assets				
Property, plant and equipment	1,024			1,024
Intangible assets	10,675			10,675
Goodwill	19,541			19,541
Interests in associates	46,881	*3*	195,459	242,340
Available-for-sale securities	–			–
Deferred tax assets	381			381
	78,502			273,961
Current assets				
Inventories	1,466			1,466
Trade and other receivables	243,117			243,117
Amount due from an associate	11,456			11,456
Trading securities	11,473			11,473
Pledged bank deposits	2,357			2,357
Cash and cash equivalents	59,324			59,324
	329,193			329,193
Total assets	407,695			603,154
Current liabilities				
Trade and other payables	51,564	*4*	3,001	54,565
Borrowings	30,346			30,346
Current taxation	5,666			5,666
	87,576			90,577
Net current assets	241,617			238,616
Total assets less current liabilities	320,119			512,577

	The Group as at 30 June 2017	Notes	Pro forma adjustments for the Acquisition	Pro forma Enlarged Group after the Acquisition
	RMB'000		*RMB'000*	*RMB'000*
	(Unaudited)			(Unaudited)
Capital and reserves				
Share capital	44,711	*3(a)(i)*	11,122	55,833
Share premium and reserves	182,190	*3(a)(i)*	111,217	300,072
		3(a)(ii)	11,576	
		3(a)(ii)	(1,910)	
		4	(3,001)	
	226,901			355,905
Non– controlling interests	93,171			93,171
Total equity	320,072			449,076
Non-current liabilities				
Convertible bonds	–	*3(a)(ii)*	61,544	61,544
Deferred tax liabilities	47	*3(a)(ii)*	1,910	1,957
	47			63,501
	320,119			512,577

Notes to Unaudited Pro Forma Financial Information

1 The net identifiable assets of the Target Company are extracted from the accountants' report as set out in Appendix IIA to this Circular and translated into RMB at the exchange rate of Hong Kong dollars ("HK$") 1 to RMB0.8502 prevailing at the close of business on 31 October 2017. No representation is made that HK$ amounts have been, could have been or could be converted to RMB, or vice versa, at the applied or at any other rates or at all.

2 The Acquisition is accounted for using equity method of accounting in accordance with Hong Kong Accounting Standard ("HKAS") 28 "Investments in Associates and Joint Ventures" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3 For the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group, the pro forma fair values of the identifiable assets and liabilities (other than goodwill) of the Target Company as at 31 October 2017 are assumed to be the same as their carrying amounts as at 31 October 2017 as if the Acquisition had been completed as at 30 June 2017. The recognition of pro forma goodwill arising on the Acquisition as if the Acquisition had been completed as at 30 June 2017 is as follows:

Pro forma goodwill arising on the Acquisition:

	RMB'000
Considerations *(note (a))*	195,459
Less: Estimated fair value of net identifiable assets acquired *(note (b))*	(162,883)
Goodwill arising from the Acquisition	32,576

(a) Assumed fair value of the Considerations for the Acquisition:

	RMB'000
Consideration Shares *(note (a)(i))*	122,339
Convertible Bonds *(note (a)(ii))*	73,120
Total Consideration	195,459

The Consideration for the Acquisition shall be approximately HK$229,885,000 (equivalent to approximately RMB195,459,000) (subject to the adjustment), which shall be satisfied in the following manner:

(i) as to approximately HK$143,886,000 (equivalent to approximately RMB122,339,000) shall be payable by the Company, which shall allot and issue 130,805,603 Consideration Shares of HK$0.1 each in the share capital of the Company, to the vendor (or its nominee(s)) at the issue price of HK$1.10 per Consideration Share upon completion which was determined with reference to the prevailing market price of the Shares. Upon completion, the allotment and issuance of Consideration Shares, it will result an increase in share capital and share premium account by approximately HK$13,081,000 (equivalent to approximately RMB11,122,000) and HK$130,806,000 (equivalent to approximately RMB 111,217,000) respectively; and

(ii) the remaining balance of the Considerations shall be payable by the Company, which shall issue the Convertible Bonds with assumed principal amount of approximately HK$85,999,000 (equivalent to approximately RMB73,120,000) to the vendor (or its nominee(s)) upon completion, with the initial conversion price of such Convertible Bonds at HK$1.10 each. The Convertible Bonds are non-interest bearing and shall mature in second anniversary of the date of issue.

The respective fair values of the liability and equity component of the Convertible Bonds are determined by the Directors by reference to a professional valuation conducted by APAC Asset Valuation and Consulting Limited, details of which are as follows:

	RMB'000
Liability component determined using effective interest method at an effective interest rate of 9%	61,544
Equity component	24,557
	86,101
Face value of the financial instruments	73,120
Less: Carrying amount of the financial instrument	(61,544)
Temporary difference (residual value)	11,576
Deferred tax liabilities at a tax rate of 16.5%	1,910

The final valuation of the Considerations Shares and Convertible Bonds to be recognised at actual Completion may be different from the amounts stated herein.

		HK$'000
(b)	Net identifiable assets of the Target Company as at 31 October 2017	383,141
	Share of 50% of net identifiable assets	191,570
		RMB'000
	Equivalent to	162,883

The fair value of the identifiable assets and liabilities of the Target Company will be re-assessed at the actual completion date of the Acquisition, the amount of goodwill to be recognised in connection with the Acquisition at the completion date are therefore subject to changes from the pro forma amounts shown above.

(c) Pro forma goodwill arose on the Acquisition because the Company expected synergy arising from the Acquisition provides a prime opportunity for the Group to further expand its business via the financial services industry in Hong Kong and create value to the Group and its shareholders as a whole. Therefore, the Considerations paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and the future market development of the Enlarged Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

(d) For the purpose of the preparation of the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group, the Directors have assessed if any impairment loss on goodwill arising from the Acquisition, with reference to market available information and in accordance with the Hong Kong Accounting Standard 36 "Impairment of Assets" which is consistent with the Group's accounting policy and consider that no impairment is required in respect of the goodwill arising from the Acquisition taking into account the business potential of the Target Company and other factors as disclosed in the section headed "Reasons for and benefits of the Acquisition" in the "Letter from the Board" in this Circular. The reporting accountants concurred with the Directors' assessment of impairment of goodwill in the Unaudited Pro Forma Financial Information and adoption of consistent accounting policies and principal assumptions in the preparation of the consolidated financial statements of the Group after the completion of the Acquisition. The Directors confirmed that consistent accounting policy will be applied for annual impairment test for the cash-generating unit to which the goodwill has been allocated, and the Company's auditors will perform audit procedures thereon in respect of their audit of the consolidated financial statements of the Group for the next financial year in accordance with the requirements of Hong Kong Accounting Standard 36 "Impairment of Assets".

4 The adjustment represents the estimated transaction costs, including mainly legal and professional fees of approximately RMB3,001,000 to be incurred by the Company and recognised in the Statement of Profit or Loss, upon the completion of the Acquisition.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of the Company, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

23 January 2018

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

To The Directors of Enterprise Development Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Enterprise Development Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2017 and related notes as set out on pages III-1 to III-6 of the circular dated 23 January 2018 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-6 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 50% of the issued share capital in Taiping Securities (HK) Co Limited by the Company ("**Proposed Transaction**") on the Group's financial position as at 30 June 2017 as if the Proposed Transaction had taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's published unaudited consolidated interim financial statements for the six months ended 30 June 2017.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *"Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus"* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the significant event or transaction on unadjusted financial information of the Group as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction as at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hong Kong

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 regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after (i) the allotment and issue of the Consideration Shares; and (ii) the allotment and issue of the Conversion Shares upon exercise in full of the conversion rights attaching to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares and the Conversion Shares since the Latest Practicable Date up to Completion):

(a) as at the Latest Practicable Date

Authorised:		*HK$*
10,000,000,000	Shares of HK$0.10 each	1,000,000,000.00
Issued and fully-paid or credited as fully-paid:		
526,508,982	Shares of HK$0.10 each	52,650,898.20

(b) immediately after (i) the allotment and issue of the Consideration Shares; and (ii) the allotment and issue of the Conversion Shares upon exercise in full of the conversion rights attaching to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds

Authorised:		*HK$*
10,000,000,000	Shares of HK$0.10 each	1,000,000,000.00
Issued and fully-paid or credited as fully-paid:		*HK$*
526,508,982	Shares in issue as at the Latest Practicable Date	52,650,898.20
130,805,603	Consideration Shares to be allotted and issued upon Completion	13,080,560.30
94,733,668	Conversion Shares to be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds *(Note)*	9,473,366.80
752,048,253	Shares of HK$0.10 each *(Note)*	75,204,825.30

Note: The above table shows that 94,733,668 Conversion Shares may be allotted and issued upon the exercise in full of the conversion rights attaching to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds (of which 78,180,565 Conversion Shares shall be allotted and issued upon the exercise in full of the conversion rights attaching to the Convertible Bonds of an initial amount of HK$85,998,621.70; and the additional 16,553,103 Conversion Shares may be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds).

3. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Long position in the underlying shares of Rentian, an associated corporation

Name of Director	Capacity/ Nature of interest	Number of underlying shares of Rentian	Approximate percentage of the total issued share capital of Rentian
Ms. Fan Carol	Beneficial owner	50,000,000 *(Note)*	0.45%

Note: Rentian is deemed to be interested in 229,354,292 Shares, representing approximately 43.56% of the issued share capital of the Company. These 50,000,000 underlying shares of Rentian are derived from the interest in share options granted by Rentian pursuant to its share option scheme adopted on 6 August 2007.

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

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long position in the Shares

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital in the Company
Mr. King	Interest in controlled corporation *(Notes 1 & 2)*	307,179,792	58.34%
Affluent Start	Beneficial owner *(Note 1)*	60,435,500	11.48%
Rentian	Interest in controlled corporation *(Note 2)*	229,354,292	43.56%
Luck Success	Beneficial owner *(Note 2)*	186,672,292	35.45%
Sino Wealthy	Beneficial owner *(Note 2)*	42,682,000	8.11%

Notes:

(1) Mr. King is deemed to be interested in (i) 60,435,500 Shares held through Affluent Start; (ii) 13,390,000 Shares held through Elite Mile; (iii) 4,000,000 Shares held through Mystery Idea; (iv) 186,672,292 Shares held through Luck Success; and (v) 42,682,000 Shares held through Sino Wealthy under the SFO. Each of Affluent Start, Elite Mile and Mystery Idea is wholly-owned by Mr. King. Each of Luck Success and Sino Wealthy is wholly-owned by Rentian, which in turn is indirectly owned as to approximately 55.97% by Mr. King.

(2) Rentian is deemed to be interested in (i) 186,672,292 Shares held through Luck Success; and (ii) 42,682,000 Shares held through Sino Wealthy under the SFO.

Luck Success and Sino Wealthy have respectively charged 186,672,292 Shares and 17,182,000 Shares to China Insurance Group Finance Company Limited.

Save as disclosed above and as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective close associates (as defined in the Listing Rules) was interested in any business apart from the business of the Enlarged Group, which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

7. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2016 (being the date to which the latest published audited financial statements of the Enlarged Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. EXPERTS AND CONSENTS

The followings are the qualification of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not have any interest, either directly or indirectly, in any assets which had been since 31 December 2016 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. LITIGATION

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

10. MATERIAL CONTRACTS

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

(1) the placing agreement dated 6 April 2016 and entered into between the Company as issuer, and China Rise Securities Asset Management Company Limited as placing agent, in relation to the placing, on a best effort basis, of 696,540,000 shares at the placing price of HK$0.057 per placing share;

(2) the sale and purchase agreement dated 9 May 2016 and entered into between Fine Time Global Limited, a direct wholly-owned subsidiary of the Company, as purchaser, and Wisdom Master Investments Limited as vendor, in relation to the acquisition of 28 shares, representing 28% of the issued share capital of All Treasure International Industrial Limited, for the consideration of HK$71,706,600;

(3) the loan agreement dated 5 September 2016 (as supplemented by the supplemental agreement dated 5 March 2017) and entered into between the Company as lender, and All Treasure International Industrial Limited as borrower, in relation to the loan advancement in the amount of HK$12,000,000 at an interest rate of 12% per annum, repayable in full on 5 September 2018;

(4) the placing agreement dated 30 November 2016 and entered into between the Company as issuer, and Get Nice Securities Limited as placing agent, in relation to the placing, on a best effort basis of 83,584,000 shares at the placing price of HK$0.65 per placing share;

(5) the sale and purchase agreement dated 16 May 2017 (as supplemented by the supplemental agreement dated 16 November 2017) and entered into among Magic Stars Investments Limited, a direct wholly-owned subsidiary of the Company, as purchaser, and Mr. Chan Hing Tuen, Ms. Cheung Wai Han and Mr. Ng Chi Man as vendors, in relation to the acquisition of 18,000,000 shares, representing the entire issued share capital of Ho Fung Shares Investment Limited, for the consideration of HK$15,000,000 (subject to adjustment);

(6) the placing agreement dated 22 May 2017 and entered into between the Company as issuer, and Get Nice Securities Limited as placing agent, in relation to the placing, on a best effort basis, of 25,000,000 shares at the placing price of HK$1.23 per placing share; and

(7) the Sale and Purchase Agreement.

11. CORPORATE INFORMATION OF THE GROUP

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Flat B, 11/F Hing Lung Commercial Building 68-74 Bonham Strand Sheung Wan Hong Kong
Principal share registrar and transfer office	SMP Partners (Cayman) Limited Royal Bank House – 3rd Floor 24 Shedden Road, P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Company secretary	Mr. Chu Chun Ming *(a member of The Hong Kong Institute of Certified Public Accountants and CPA Australia)*

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at Flat B, 11/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association and the articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016;

(c) the interim report of the Company for the six months ended 30 June 2017;

(d) the accountants' report issued by PricewaterhouseCoopers on the financial information of the Target Company, the text of which is set out in Appendix IIA to this circular;

(e) the accountants' report issued by HLB Hodgson Impey Cheng Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

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

(g) the material contracts referred to in the paragraph headed "Material contracts" of this appendix; and

(h) this circular.

ENTERPRISE DEVELOPMENT HOLDINGS LIMITED
企 展 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1808)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of Enterprise Development Holdings Limited (the "**Company**") will be held at PLAZA meeting room, Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 8 February 2018 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 14 November 2017 and entered into between Taiping Financial Holdings Company Limited as vendor, Reliable Intelligence Asia Limited, a wholly-owned subsidiary of the Company, as purchaser and the Company, in relation to the sale and purchase of 50% of the issued share capital in Taiping Securities (HK) Co Limited for the initial consideration of HK$229,884,785.00 (subject to adjustment as set out in the Sale and Purchase Agreement) (a copy of the Sale and Purchase Agreement is produced to the EGM marked "A" and initialed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) subject to the fulfillment or waiver of the conditions precedent set out in the Sale and Purchase Agreement, the allotment and issue 130,805,603 new shares ("**Consideration Share(s)**") of HK$0.10 each of the Company ("**Share(s)**"), all credited as fully paid, at the issue price of HK$1.10 per Consideration Share, pursuant to the terms and conditions of the Sale and Purchase Agreement be and is hereby approved;

(c) subject to the fulfillment or waiver of the conditions precedent set out in the Sale and Purchase Agreement, the issue of the convertible bonds (the "**Convertible Bonds**") in the principal amount of up to HK$131,998,836.70, which entitling the holder(s) of the Convertible Bonds to convert up to 94,733,668 Shares ("**Conversion Share(s)**") at the initial conversion price of HK$1.10 per Conversion Share (subject to adjustment) pursuant to the terms and conditions of the Convertible Bonds be and is hereby approved; and

(d) any one or more directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient to give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder."

Yours faithfully,
For and of behalf of the Board
Enterprise Development Holdings Limited
Lam Kai Tai
Chairman

Hong Kong, 23 January 2018

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

Principal place of business in Hong Kong:
Flat B, 11/F
Hing Lung Commercial Building
68-74 Bonham Strand
Sheung Wan
Hong Kong

Notes:

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

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.

3. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Friday, 2 February 2018.

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

5. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at http://www.1808.com.hk and on the "Latest Company Announcements" page of the Stock Exchange website at http://www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled meeting.

6. The Chinese version of the notice is for reference only. Should there be any discrepancies, the English version will prevail.