THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in MASON GROUP HOLDINGS LIMITED, you should hand this circular and proxy form enclosed with this circular to the purchaser or transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

茂宸集團
MASON GROUP

MASON GROUP HOLDINGS LIMITED
茂宸集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 273)

(1) MAJOR TRANSACTION
ACQUISITION OF THE TARGET GROUP
AND
(2) NOTICE OF GM

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

A notice convening the GM to be held at 23/F, Euro Trade Centre, 21–23 Des Voeux Road Central, Central, Hong Kong at 11:30 a.m. on 17 January 2018 is set out on pages GM-1 to GM-2 of this circular. A form of proxy for use at the GM is also enclosed. Whether or not you intend to attend the GM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the GM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjournment thereof if you so wish.

22 December 2017

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

"Acquisition"	the acquisition of the Sale Shares pursuant to the terms and conditions of the SPA
"Announcements"	the announcements of the Company dated 7 September 2017 and 19 September 2017 in relation to the Acquisition
"Board"	the board of Directors
"Business Day"	a day (excluding Saturdays) on which commercial banks are generally open for banking business in Hong Kong
"Company"	Mason Group Holdings Limited (formerly known as Mason Financial Holdings Limited), a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition
"Completion Date"	the date which Completion occurs
"Condition(s)"	the condition(s) set out in paragraph headed "Conditions" in the Letter from the Board
"Condition Deadline"	the last date of the 6th month from the date of signing of the SPA ("**Initial Deadline**") or if the Conditions provided under paragraph (j) is not satisfied by the Initial Deadline, the last date of the 12th month from the date of signing the SPA; or any later date as may be postponed pursuant to the provisions of the SPA
"Consideration"	HK$116,500,000, subject to the adjustment as set out in the paragraph headed "Adjustment to the Consideration" in the Letter from the Board
"Deposit"	a sum of HK$10,000,000
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Company and its subsidiaries immediately after Completion
"Escrow Agent'	Chan & Young, the Vendor's solicitors
"Escrow Agreement"	the agreement entered into among the Vendor, the Purchaser and the Escrow Agent in respect of the Deposit

"FY" or "Financial Year"	a financial year of the Target Group ending on 31 March (for illustrative purpose, "FY2018" means the financial year from 1 April 2017 to 31 March 2018 and "FY2019" means the financial year from 1 April 2018 to 31 March 2019)
"GM"	the general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the SPA and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Harris Fraser HK"	Harris Fraser (Hong Kong) Limited, a company incorporated in Hong Kong, owned as to 100% by the Vendor as at the Latest Practicable Date
"Harris Fraser International"	Harris Fraser (International) Limited, a wholly owned subsidiary of HFG licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) Regulated Activities
"Harris Fraser Taiwan"	Harris Fraser (Taiwan) Limited, a private limited company incorporated in British Virgin Islands, the issued share capital of which is owned as to 100% by the Vendor as at the Latest Practicable Date
"HFG'	Harris Fraser Group Limited, a company incorporated in the British Virgin Islands, owned as to 100% by the Vendor as at the Latest Practicable Date
"HFG Group"	HFG and its subsidiaries
"HF Partners"	HF Partners Limited, a company incorporated in Hong Kong, owned as to 100% by HFG as at the Latest Practicable Date
"HK$" or "Hong Kong Dollar"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	party(ies) independent of the Company and connected persons (as defined in the Listing Rules) of the Company
"Key Management Persons"	the Vendor and Lau Tuen Mui

"Latest Practicable Date"	18 December 2017, being the last practicable date for the purpose of ascertaining certain information for inclusion of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Macau Company"	Halena Co. Ltd, a limited liability company by quotas incorporated in Macau, the issued share capital of which is owned as to approximately 22.3% directly by the Vendor, approximately 11.1% directly by Harris Fraser HK and approximately 66.6% directly and indirectly by HFG as at the Latest Practicable Date
"MOP"	Macau Pataca, the lawful currency of Macau
"Net Working Capital"	the sum of cash, bank deposits, commissions receivables, other current receivables and a deposit of £160,000 placed with a united kingdom counsel ("**UK Deposit**") (if refunded to the Target Group prior to Completion), less the sum of commissions payable, other payables, other current liabilities and accrued expenses of the Target Group. In the event the UK Deposit is not refunded to the Target Group prior to Completion, such UK Deposit shall not be included as part of the Net Working Capital. According to the Vendor, such deposit was required by a UK developer ("**Developer**") in order for the Target Company to obtain an exclusive marketing right for certain floors for a refurbished building in Manchester, UK. There were a total of 32 units and the Developer had requested £5,000 per unit as deposit which will be released back to the Target Group after each unit was sold. The Developer and the Target Group had come to an agreement in September 2017 that the Developer will no longer require the UK Deposit and the UK Deposit was returned to the Target Group in October 2017.
"percentage ratios"	as defined in the Listing Rules
"PRC"	People's Republic of China
"Purchaser"	Mason Strategic Investment Company Limited, an indirect wholly owned subsidiary of the Company

"Regulated Activities"	the SFC regulated activities and any other regulated activities which any Target Company carries out or is permitted to carry out by relevant authority in the relevant jurisdictions, including, without limitation, the Hong Kong Professional Insurance Broker Association, the Hong Kong Mandatory Provident Fund Authority and the Macau Monetary Authority
"Sale Shares"	(i) the entire issued share capital in HFG and Harris Fraser HK; and (ii) all of the issued share capital held by the Vendor in the Macau Company (being quota in the amount of MOP22,300)
"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 the Company
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"SPA"	the sale and purchase agreement entered into by the Purchaser and the Vendor dated 7 September 2017
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sustainable NAV"	the net asset value that is maintained at HK$10,000,000 such that sufficient operating working capital is left for operation and statutory capital requirement can be met
"Target Companies", collectively, the "Target Group"	HFG, the subsidiaries of HFG, Harris Fraser HK and the Macau Company, and a "Target Company" shall mean any one of them
"U.S."	the United States of America, its territories and possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Vendor"	Ng Yuen Yee
"%"	per cent.

茂宸集團
MASON GROUP

MASON GROUP HOLDINGS LIMITED
茂宸集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 273)

Executive Directors:
Mr. Ko Po Ming
(Joint Chairman and Chief Executive Officer)
Mr. Chang Tat Joel
Ms. Lui Choi Yiu, Angela
Ms. Fu Yau Ching Shirley

Non-executive Directors:
Mr. Tong Tang, Joseph *(Joint Chairman)*
Ms. Hui Mei Mei, Carol

Independent Non-executive Directors:
Mr. Tian Ren Can
Ms. Kan Lai Kuen, Alice
Mr. Chen Wai Chung Edmund

Registered and principal office:
Units 4708–10, 47/F
The Center
99 Queen's Road Central
Hong Kong

22 December 2017

To the Shareholders

Dear Sir/Madam,

(1) MAJOR TRANSACTION ACQUISITION OF THE TARGET GROUP AND (2) NOTICE OF GM

(A) INTRODUCTION

Reference is made to the Announcements.

On 7 September 2017, the Purchaser entered into the SPA with the Vendor in respect of the acquisition of the Sale Shares.

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Acquisition exceeds 25% but is less than 100%, the Acquisition contemplated under the SPA constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The GM will be convened for the purpose of considering and, if thought fit, approving, the SPA and the transactions contemplated thereunder. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge, information and belief, none of the Shareholders has a material interest in the SPA and will be required to abstain from voting at the GM in respect of the resolution(s) relating to the SPA and the transactions contemplated thereunder.

Completion is subject to and conditional upon fulfilment (or waiver, where applicable) of the Conditions. Upon Completion, the Target Companies will become indirect wholly owned subsidiaries of the Company. Accordingly, the consolidated financial results of the Target Companies will be consolidated into the financial statements of the Company.

The purpose of this circular is to provide the Shareholders with (i) further information on the Target Group, the SPA and the transactions contemplated thereunder; (ii) the financial information of the Target Group; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) the valuation report in relation to the Target Group; and (v) the notice of the GM, in accordance with the requirements under the Listing Rules.

(B) THE ACQUISITION

On 7 September 2017 (after trading hours), the Vendor (an Independent Third Party) entered into the SPA with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares at a total consideration of HK$116,500,000 (subject to adjustment as described under the paragraph headed "Adjustment to the Consideration" below).

The SPA

The major terms of the SPA are set out below:

Date: 7 September 2017 (after trading hours)

Parties:

(a) Vendor: Ng Yuen Yee

(b) Purchaser: Mason Strategic Investment Company Limited, a wholly owned subsidiary of the Company

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge, information and belief, the Vendor is an Independent Third Party.

Assets to be acquired

The Vendor has agreed to sell and procure to sell to the Purchaser at Completion (a) the entire issued share capital in HFG and Harris Fraser HK; and (b) all of the issued capital, held by the Vendor in the Macau Company, subject to and upon the terms and conditions of the SPA.

Deposit

The Purchaser has paid to the Escrow Agent the Deposit. The Deposit will be held and applied upon the terms and conditions contained in the Escrow Agreement, without limitation, as follows:

(a) the Deposit will upon Completion represent part payment of such part of the Initial Consideration Payment (as defined in the paragraph headed "Consideration" below) and shall be paid to the Vendor upon Completion;

(b) if Completion does not take place for reasons other than the Purchaser's default or failure to perform its obligations under the SPA, the Deposit shall be returned to the Purchaser in full but without interest; and

(c) if Completion does not take place solely due to the Purchaser's default or failure to perform its obligations under the SPA, the Deposit shall be paid over to the Vendor,

and the Vendor and the Purchaser agree to jointly give, as soon as the right of any of the parties to receive the Deposit as provided above shall have arisen, instructions in writing to the Escrow Agent instructing the release or payment of the Deposit to the person to whom it should be released or paid in accordance with the above.

Consideration

Subject to the adjustment as provided in the paragraph headed "Adjustment to the Consideration" below and the terms of the SPA, the aggregate consideration for the Sale Shares shall be HK$116,500,000.

The Consideration shall be paid by the Purchaser to the Vendor in the following manner:

(a) upon Completion, the Purchaser shall pay and procure to pay to the Vendor HK$81,550,000, being an amount equivalent to 70% of the Consideration ("**Initial Consideration Payment**");

(b) the remaining balance of the Consideration (subject to the adjustment as provided in the paragraph headed "Adjustment to the Consideration" below) shall be payable to the Vendor in two instalments:

    (i) an amount equivalent to 15% of the Consideration, being HK$17,475,000 ("**First Deferred Payment**") shall be payable to the Vendor within fifteen (15) Business Days of the day on which the audited consolidated or combined financial accounts of the Target Group in respect of FY2018 are available but in any event not later than 30 September 2018; and

(ii) an amount equivalent to the remaining 15% of the Consideration, being HK$17,475,000 ("**Second Deferred Payment**") subject to the adjustment as provided in the paragraph headed "Adjustment to the Consideration" below, shall be payable to the Vendor within fifteen (15) Business Days of the day on which the audited consolidated or combined financial accounts of the Target Group in respect of FY2019 are available but in any event not later than 30 September 2019.

The Consideration will be satisfied by part of the net proceeds from the rights issue of the Company completed in February 2017. As at the Latest Practicable Date, the Executive Directors have no intention to conduct equity fund raising activities for the business of the Target Group.

The Consideration was determined by the parties after arm's length negotiations and taking into account, among other things, the financial performance, business growth and prospects of the Target Group, the control premium of 100% stake of a well-established independent financial advisory services platform, and the synergies between the Target Group and the Group to be created which is essential for the Group to become a comprehensive health and wealth solutions provider, the details of which are further elaborated under the section headed "Reasons and Benefits of the Acquisition".

Valuation of the Target Group

The Company has engaged an independent valuer to appraise the value of the Target Group, the details of which are set out in "Appendix V — Valuation Report" to this circular ("**Valuation Report**"). The independent valuer used the market approach to appraise the value of 100% equity interest of the Target Group.

The valuer has considered a number of commonly adopted multiples under the market approach for the valuation, including but not limited to price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), enterprise value/earnings before interests and taxes ("**EV/EBIT**") and enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

The P/B multiple is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a price-to-book ratio of larger than one), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the price-to-book ratio and so in general, the equity's book value has little bearing with its fair value. Thus, the price-to-book is not a good measurement of the fair value of the Target Group.

The P/E multiple is not adopted as tax policies differ in different listing countries and the effect of tax on earnings of comparable companies should be eliminated. EV/EBIT multiples have eliminated tax effect on earnings but they still comprise non-cash items in earnings, such as depreciation and amortisation of fixed assets.

The independent valuer considered that EV/EBITDA multiple is the most appropriate indicator of the fair value of the Target Group, as this multiple removes any tax effect on earnings as well as non-cash items in earnings. Enterprise value is generally derived based on the market capitalization of a company, plus net debt (total debt minus cash and short-term investment), minority interest and preferred shares and the independent valuer has reviewed the calculation of enterprise value of each comparable company.

As the Target Group is unlikely to undergo public offering and shares of the Target Group are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, the ownership interest in the Target Group is not readily marketable. However, the EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such EV/EBITDA multiple, therefore, represents the marketable interest. Thus, Lack of Marketability Discount ("**LOMD**") was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

In the valuation exercise, the independent valuer has assessed the LOMD using the put option method, which is one of the most commonly used theoretical models. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. Valuation alternative available in determining the LOMD include restricted share studies and differential in P/E multiples in acquiring public and privately held companies. The independent valuer considered option pricing method as more appropriate because (i) put option pricing model explicitly takes into account volatility factor of guideline companies and better reflects the impact of industry conditions on liquidity of the Target Group's equity interest; and (ii) put option pricing model reflects the leading time to potential exit of the investment.

The Company has no intention to carry out any liquidity event for the Target Group at this moment. As such, in considering the maturity period in the put option model, the independent valuer has made reference to a survey on the median holding periods for buyouts, which indicates the theoretical holding period of any investment from the perspective of market participants, and adopted an assumption of 3 years as an input to the put option model. This is considered to be consistent with the definition of fair value according to the independent valuer. The independent valuer has performed a further cross-check work on the LOMD with reference to restricted share studies, which further supports the reasonableness of the LOMD calculated with the put option model. The Executive Directors considers the assessment performed by the independent valuer to be fair and reasonable.

The selection of the comparable companies was based on the comparability of the overall industry sector. The independent valuer has selected the comparable companies mainly with reference to the following selection criteria: (i) the primary industry of the companies is insurance brokerage and agency; (ii) the companies are listed in stock markets of major developed markets; and (iii) the financial information of the companies is available to the public. The independent valuer has reviewed revenue contribution of the comparable companies based on the disclosed latest annual financial information and revenue segment information of the comparable companies, sourced from S&P Capital IQ and annual reports of the comparable companies. Based on the available information obtained, it is observed that over 50% of revenue of the comparable companies were generated through insurance brokerage and agency related businesses. These companies are therefore considered comparable to the Target Group, in which the principal business of the Target Group is insurance brokerage business.

With the abovementioned selection criteria, only one local listed company is identified. However, as this company has recorded negative last 12 months earnings before interest, taxes, depreciation and amortization ("**EBITDA**"), such that the EV/EBITDA multiple calculated would not be meaningful, this company is therefore not selected as one of the comparable companies.

In preparing the valuation, the independent valuer has considered the following factors:

(a) the economic outlook for the region operated by the Target Group and specific competitive environments affecting the industry;

(b) the business risk of the Target Group;

(c) the price multiples of the comparable companies engaging in business operations similar to the Target Group;

(d) the experience of the management team of the Target Group and support from its shareholders;

(e) the legal and regulatory issues of the industry in general;

(f) there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;

(g) the Target Group does not have material non-operating assets/(liabilities), and its enterprise value would be fairly equal to its equity value;

(h) there is no material change in the financial positions of the Target Group between 31 March 2017 and 31 August 2017.

The independent valuer has been provided the relevant documents and conducted several rounds of discussions with the management of the Company and the Target Group to support the valuation. No material issues have been observed which may affect the fairness and reasonableness of the assumptions adopted in the valuation.

The Executive Directors has discussed the investment proposal of the Acquisition which sets out, among other things, the business and financials of the Target Group, the due diligence results on the Target Group, comparable analysis, the major terms of the SPA and the reasons for and the benefits of the Acquisition with the Company's investment committee.

Taking into account the below factors:

(a) the consolidated non-current assets of the HFG Group of approximately HK$638,000 and HK$625,000, respectively, as at 31 March 2017 and 30 June 2017;

(b) the consolidated current assets of the HFG Group of approximately HK$44,692,000 and HK$49,056,000, respectively, as at 31 March 2017 and 30 June 2017, which were primarily made up of, among other things, bank and cash balances of approximately HK$31,334,000 and HK$35,447,000, respectively; and

(c) the monthly working capital requirement of the Target Company of approximately HK$1.4 million,

the Executive Directors are of the view that the Target Group does not require much capital or assets to operate its business, therefore it is a capital-light and asset-light business.

In determining the most appropriate valuation indicator of the fair value of the Target Group, the Executive Directors consider that, since the Target Group is a capital-light and asset-light business, P/B which only captures the tangible assets of the company, is not considered appropriate for valuation of the Target Group, whereas P/E and EV/EBITDA are the two most relevant valuation multiples. The Executive Directors consider EV/EBITDA more appropriate due to the following reasons:

(a) EV/EBITDA is a capital structure-neutral method, and, therefore, this multiple can be used to directly compare companies with different levels of debt, capital structure and fixed assets.

(b) P/E multiple is not adopted as tax policies differ in different listing countries and the effect of tax on earnings of comparable companies should be eliminated.

Further, after discussing with the independent valuer about the details of the valuation as set out in the Valuation Report and taking into account (i) the relevant valuation experience of the independent valuer; (ii) over 50% of revenue of the comparable companies were generated through insurance brokerage and agency related businesses, which the Company considers reasonable as the insurance brokerage is the current main business of the Target Group; (iii) the opinion of the independent valuer who has concluded that the market approach is the most appropriate approach for assessing the market value of the Target Group; (iv) the opinion of the independent valuer who has concluded that the EV/EBITDA multiple is the most appropriate indicator of the fair value of the Target Group; (v) the opinion of the independent valuer who has concluded that the put option model is the most appropriate approach in determining LOMD; and (vi) the data of the comparable companies used in the model were obtained from S&P Capital IQ database and public annual reports of the comparable companies, the Executive Directors concurred with the view of the independent valuer that the basis and assumptions adopted in the Valuation Report are appropriate. The Executive Directors are also of the view that the methodology and assumptions adopted were arrived at after due and careful consideration and are fair and reasonable. Further details on the valuation of the Target Group are set out in "Appendix V — Valuation Report" to this circular.

Without taking into account any potential adjustment, the aggregate consideration for the Sale Shares shall be HK$116,500,000, which is lower than the valuation of the Target Group provided by the independent valuer. In addition to the lower consideration amount as compared to the valuation provided by the independent valuer, the Executive Directors have also taken into account, among other things, the financial performance, business growth and prospects of the Target Group, the control premium of 100% stake of a well-established independent financial advisory services platform, the synergies between the Target Group and the Group to be created which are essential for the Group to become a comprehensive health and wealth solutions provider, and the reasons and benefits of the Acquisition as set out under the section headed "Reasons and Benefits of the Acquisition", and consider that the Acquisition, which has been entered into on normal commercial terms, and the terms of the SPA including, amongst others, the Consideration, are fair and reasonable. The entering into of the SPA is in the interests of the Company and its Shareholders as a whole.

Adjustment to the Consideration

Provided that the Vendor not having exercised her right to repurchase the Sale Shares pursuant to the paragraph headed "Repurchase" below, the Consideration shall be adjusted as follows:

(a) in the event that the aggregate net profit of the Target Group ("**Aggregate Net Profit**") for FY2019 based on the audited consolidated or combined financial accounts of the Target Group in respect of that Financial Year is less than HK$7.5 million ("**Guaranteed Profits**"), the Consideration shall be adjusted downward in accordance with the following formula:

Adjusted Amount for FY2019 = (Guaranteed Profits — Aggregate Net Profit in the relevant Financial Year) x 15

(b) the adjusted amount for FY2019 (if any) shall be deducted from the Second Deferred Payment provided that if the adjusted amount for FY2019 ("**Adjusted Amount**") is greater than the Second Deferred Payment (the difference between the Adjusted Amount and the Second Deferred Payment being referred to as "**2019 Shortfall**"), the Vendor shall pay to the Purchaser a sum representing the 2019 Shortfall.

The Guaranteed Profits of HK$7,500,000 were determined with reference to historical net profit after tax of the Target Group for FY2017, i.e. approximately HK$7,692,000, according to the unaudited combined management accounts of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards, assuming that the business performance of the Target Group in terms of the net profit for FY2019 would be maintained at the stable level as that in FY2017.

The Guaranteed Profit for FY2019 is not an assumption that the profit level for FY2019 will be similar to FY2017, but rather it is the ''base'' or minimum profit level that the Vendor would be willing to guarantee as an assurance to the Company that the Target Group will achieve in FY2019. Such amount of the Guaranteed Profit represents an assessment of what is a realistic base level of business based on the existing momentum of the business of the Target Group and the external environment, and is an amount that the Vendor is in fact confident to guarantee as its minimum FY2019 profit. This represents a base level of business and is different from the new business which the parties hope can be created base from the implementation of the possible new business initiatives. The parties have agreed to a profit-sharing arrangement which will be triggered if there is a growth of 20% in the Guaranteed Profit. The profit-sharing arrangement is to incentivize the attainment of such proposed targets, but the Vendor does not personally guarantee that such new initiatives will succeed as the Vendor does not have full control over performance and there is no assurance of their success.

The amount of the Guaranteed Profit represents a level of business that both the Company and the Vendor consider to be feasible, and an amount the Vendor is willing and confident to guarantee and make good if it is not in fact achieved. In deciding what should be the amount of the Guaranteed Profit, the Executive Directors took into account (a) the type and nature of the insurance business carried out by the Target Group in 2017 and the results that were achieved; (b) the external macroeconomic trends since 2017 which could impact such business, including the increasing requirement for wealth management products in East Asia region; and (c) the resources available to the Target Group. While the intention of the Company and the Vendor is to leverage on the strengths of the parties and expand the businesses together after Completion, there will be inherent risks involved and the Vendor does not commercially agree to provide a profit guarantee at a level higher than FY2017 for FY2019. The Company considers that such a profit guarantee is fair and reasonable and is in the interest of the Company and its shareholders, as it provides a minimum level of profitability for the Target Group which will not be less than FY2017.

The Guaranteed Profits will not exclude any one-off or extraordinary gains of the Target Group for FY2019 but the Executive Directors do not expect there would be extraordinary gain for the below reasons:

(i) since the Target Group is asset-light business, no source of extraordinary gain is expected; and

(ii) the Target Group will be under the control of the Company upon completion, and therefore it is not likely that the Vendor can intentionally make an extraordinary gain.

The multiple of 15 times in determining the Adjusted Amount for FY2019 was determined based on the implied historical price to earnings multiple for FY2017 as represented by the Consideration, which is approximately 15 times. The Executive Directors are of the view that the use of the same P/E multiple of 15 times for calculating the Adjusted Amount for FY2019 provides protection to the Group, in that if the Aggregated Net Profit for FY2019 is less than that of FY2017, the Consideration will be adjusted downward and if the Aggregated Net Profit is higher than that of FY2017, it will be treated as additional income to the Group. Therefore, the Executive Directors consider the Consideration together with the adjustment mechanism to the Consideration are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Profit-sharing arrangement

The following profit-sharing arrangement in respect of the Aggregate Net Profit for FY2018 (based on the audited consolidated or combined financial accounts of the Target Group for FY2018) will be implemented:

(a) the Vendor shall be entitled to a sum equivalent to such part of the Aggregate Net Profit for FY2018 in proportion to the number of calendar days during the period as from 1 April 2017 to the day immediately before the Completion Date in FY2018; and

(b) the Purchaser shall be entitled to a sum equivalent to such part of the Aggregate Net Profit for FY2018 in proportion to the number of calendar days during the period as from the Completion Date in FY2018 to 31 March 2018.

The payment of the above profits shall be made within thirty (30) days of the provision of the audited consolidated or combined financial accounts of the Target Group for FY2018 by the Purchaser to the Vendor.

The Vendor shall be entitled to a profit-sharing payment under the following circumstances:

(a) in the event the Aggregate Net Profit for FY2019 exceeds HK$9,000,000 but is less than HK$11,250,000 (i.e. where such Aggregate Net Profit exceeds the Guaranteed Profits by 20% and below 50%), the Purchaser shall pay to the Vendor a cash payment equivalent to 40% of the amount of such part of the Aggregate Net Profit for FY2019 in excess of HK$9,000,000 ("**Initial Sum**"); and

(b) in the event the Aggregate Net Profit for FY2019 is or exceeds HK$11,250,000 (i.e. where such Aggregate Net Profit exceeds the Guaranteed Profits by over 50%), the Purchaser shall pay to the Vendor a cash payment equivalent to the consummation of (i) the Initial Sum and (ii) a sum equivalent to 50% of the amount in excess of HK$11,250,000,

such payment shall be payable by the Purchaser to the Vendor within thirty (30) days of the provision of the audited consolidated or combined financial accounts of the Target Group for FY2019.

The following table illustrates that the implied P/E ratios of the Target Group in different scenarios after taking into account the profit-sharing arrangement:

	Scenario 1	**Scenario 2**	**Scenario 3**
FY2019 Profit	9,000,000	11,250,000	15,000,000
Consideration before profit sharing	116,500,000	116,500,000	116,500,000
Amount to be shared under the profit sharing arrangement	—	900,000	2,775,000
Consideration after profit sharing	116,500,000	117,400,000	119,275,000
Implied P/E ratio	12.9	10.4	8.0

Note: The implied P/E ratios were calculated by dividing the total consideration after profit sharing by the FY2019 Profit in each scenario.

Under the profit-sharing arrangement, the implied P/E ratio decreases when the profit for FY2019 increases. This implies that the profit-sharing arrangement is beneficial to the performance of the Target Group and creates a win-win situation to both the Company and the Vendor. In addition, if the Vendor fails to increase the profit, no additional consideration is payable by the Company. Such profit-sharing mechanism will not create extra burden to the Company.

The Executive Directors are of the view that the transition period after Completion is very important to the Group to manage and develop the business of the Target Group and create synergies between the Target Group and the Group so as to benefit the overall development of the Group. As such, the profit-sharing arrangement is formulated to be an incentive to motivate the Vendor who will be appointed as the CEO of the Target Group to continue to manage the Target Group to promote integration of the Target Group with the Group and to improve the performance of the Target Group. Such a practice is in the best interest of the Company and its Shareholders. The incentive scheme is for only one financial year and is not a permanent long term arrangement.

The Company had rounds of commercial negotiations with the Vendor to agree on the profit-sharing arrangement. Such profit-sharing arrangement will incentivize the employees to earn more profit for the Company even after accounting for the employees' share. The arrangement does not pose any risk to the interest of the Company or its Shareholders. The Executive Directors are of the view that the profit-sharing arrangement is fair and reasonable and beneficial to the Company and its Shareholders as a whole.

Special Dividend

The parties to the SPA agree that a special dividend in the amount set out below will be declared by the relevant Target Companies to the Vendor immediately prior to Completion, and paid to the Vendor, subject to and on the following terms:

(a) the sum of the special dividend shall be no less than HK$20,000,000 and no more than HK$25,000,000;

(b) the sum of the special dividend shall be determined on the premise that the Target Group shall continue to maintain a Sustainable NAV of HK$10,000,000 immediately after declaration (but before payment) of the special dividend;

(c) the special dividend declared shall be paid to the Vendor as follows:

  (i) the Purchaser shall determine the amount of the special dividend payable to the Vendor immediately prior to Completion, and such amount shall be no more than HK$20,000,000. In determining such amount, the Purchaser shall be satisfied that the Target Group shall maintain a sustainable Net Working Capital of HK$10,000,000 after such payment. In the event the resulting Net Working Capital is less than HK$10,000,000, the amount of special dividend payable immediately prior to Completion shall be reduced accordingly so that the sustainable Net Working Capital will be no less than HK$10,000,000; and

  (ii) any special dividend declared but not paid before Completion (if any) shall be paid to the Vendor in 2018 (or later at a subsequent year end) as and when, in the reasonable opinion of the Purchaser, the Target Group will be able to maintain a sustainable Net Working Capital of HK$10,000,000 after pay-out; and

(d) the Target Companies shall not pay any dividends to the Purchaser unless and until the whole of the special dividend is fully paid to the Vendor except for the purposes as described under the paragraph headed "Profit-sharing arrangement" above.

Given that the HFG Group had consolidated cash and bank balance of approximately HK$31.3 million and HK$35.4 million as at 31 March 2017 and 30 June 2017, respectively, after deducting the Sustainable NAV of HK$10 million to be maintained in the Target Group for working capital purposes, the special dividend to be declared is expected to be not less than HK$20 million and no more than HK$25 million.

The monthly working capital requirement of the Target Group mainly includes the staff cost, office and administrative expenses, which amounted to approximately HK$1.4 million. The Executive Directors have reviewed the monthly operating cashflow of the Target Group from August 2016 to July 2017 ("**Review Period**") and found they are generally positive.

The Executive Directors confirm that they have reviewed the paid-up share capital of Harris Fraser International and it met the minimum paid-up share capital amount of HK$5 million as required under the Securities and Futures (Financial Resources) Rules ("**FRR**") during the Review Period. In addition, the Executive Directors have reviewed the liquid capital position of Harris Fraser International for the Review Period and confirm that at all times during the Review Period Harris Fraser International maintained a liquid capital of the higher of HK$3.6 million (i.e. minimum of HK$3 million plus 20% buffer) or 5% of its adjusted liabilities.

The liquidity of the Target Group was maintained at a relatively high level with cash and bank balance accounted for approximately 70% to 90% of the total assets of the Target Group every month in the Review Period with an average of approximately 85%. Cash and bank balances were also consistently more than the net asset value every month during the Review Period. Therefore, the Executive Directors believe that positive operating cashflow is already an important factor to determine the level of working capital requirement and we do not need to build in a large buffer of net asset value.

The Sustainable NAV of HK$10 million was determined, after discussion among the Purchaser, the management of the Target Group, and the Vendor, based on the operating cash flow and the statutory capital requirement the Target Group needs, which are sufficient for (i) approximately 5 months of the working capital of the Target Group (i.e. HK$1.4 million per month); and (ii) the minimum liquid capital requirement of HK$3 million, and therefore the Executive Directors consider maintaining the Sustainable NAV of HK$10 million as fair and reasonable. The Company considers (i) the generally positive monthly operating cashflow of the Target Group during the Review Period; and (ii) cash and bank balances were also consistently more than the net asset value every month during the Review Period, and is of the view that the Sustainable NAV is a more appropriate benchmark for determining a prudent reserve compared to cash balance as Sustainable NAV represents the net asset value which is calculated after deducting total liabilities from total assets, whereas the cash balance does not take into account the liabilities.

The excess cash and bank balance within the Target Group does not form part of the Consideration and dividend distribution prior to Completion can eliminate excess cash maintained in the Target Group. After taking into account the latest retained earning within the Target Group, the operating cash flow and the statutory capital requirement the Target Group needs, and the latest cash balance within the Target Group, the Executive Directors considered that the declaration of dividend between HK$20 million and HK$25 million while maintaining a Sustainable NAV of HK$10 million prior to Completion will leave sufficient operating working capital for the Target Group.

Given that the dividend distribution of the excess cash held by the Target Group immediately prior to Completion can enable the Vendor to realize its return in the investment of the Target Group while leaving sufficient operating working capital for the Target Group, and the profit sharing arrangement would encourage the Vendor to enable the Target Group to achieve desired profits, the Executive Directors are of the view that special dividend and profit sharing arrangement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

Repurchase

If the Aggregate Net Profit for FY2019 (based on the audited consolidated or combined financial accounts of the Target Group in respect of FY2019) is HK$2,250,000 or less (being 30% of the Guaranteed Profits as determined by the Purchaser and the Vendor after arm's length negotiation), the Vendor shall be entitled to repurchase the Sale Shares at a price equivalent to the sum of (i) the Consideration; (ii) all additional follow-on capital contribution or shareholders' loan to the Target Group provided by the Group to the Target Group after Completion if necessary; (iii) all fees incurred by the Purchaser in relation to the transactions contemplated under the SPA (including, without limitation, attorneys' fees and accountants' fees); and (iv) an interest of 5% per annum on items (i) to (iii) above, save for the interest rate for follow-on shareholders' loan (if any) which is subject to the further negotiation between the Vendor and the Purchaser.

The Company does not have the right to require the Vendor to repurchase. The Executive Directors consider that the adjustment to the Consideration has already provided downside risks protection to the Group, the Target Group's competitive advantage in the insurance brokerage business will become an important complement to the Group's wealth management business, and the expected synergies will be created between the Target Group and the Group as further elaborated under the section headed ''Reasons and Benefits of the Acquisition'', and are of the view that it is in the interest of the Company and its Shareholders as a whole.

Conditions

Completion is conditional on the following conditions being satisfied, or waived by the Purchaser, on or before the Condition Deadline:

(a) all of the issued capital in the Macau Company held by Harris Fraser Taiwan (being quota of MOP11,100, i.e. 11.1% of the total quotas issued) having been transferred to HFG (''**Pre-Completion Restructuring**'') and that: (i) all pre-emption rights in relation to such Pre-Completion Restructuring having been waived with evidence confirming the same furnished to the Purchaser; (ii) all approvals and/or filings or registration in relation to such transfer as may be required by the relevant authority having been obtained; and (iii) all disclosures or notification of such Pre-Completion Restructuring as required under applicable laws having been made to the relevant authority in compliance with applicable laws;

(b) there has not been any material adverse change in respect of any Target Companies from the date of the SPA to the date on which the last of the Conditions has been satisfied;

(c) the Vendor's warranties remaining true and accurate in all material respects and not misleading in any material respect immediately prior to Completion by reference to the facts and circumstances subsisting immediately prior to Completion;

(d) there is no outstanding indebtedness owed by a Target Company to any other Target Company and/or the Vendor (including their affiliates);

(e) all necessary approvals in respect of the transactions contemplated under the SPA, including all relevant consents and approvals from the Target Companies and any third parties as which are necessary in conjunction with the proposed direct or indirect change in shareholding of the Target Companies, having been obtained and such approvals not being revoked, withdrawn or modified at any time before Completion;

(f) at all times on and prior to the Completion Date, each Target Company shall have such number of responsible officer, licensed representative and/or registered officeholder as may be required under applicable laws to carry on any Regulated Activities. Without limitation to the foregoing, to the extent that the Vendor and Lau Tuen Mui are the responsible officers, licensed representatives and/or registered officeholders of any Target Company, the Vendor and Lau Tuen Mui shall remain as the responsible officers, licensed representatives and/or registered officeholders of such Target Company at all times on and prior to the Completion Date, including, without limitation, that the Vendor and Lau Tuen Mui shall remain as the responsible officers (as defined under the SFO) of Harris Fraser International (who are duly approved or licensed by the SFC as such in relation to the Regulated Activities) to carry on the Regulated Activities of Harris Fraser International;

(g) each of the Key Management Persons shall have duly entered into valid employment contracts with relevant Target Company;

(h) the waiver of any pre-emption or similar rights in relation to the sale of the Sale Shares, whether under its articles of association or otherwise, having been obtained;

(i) all records in the company books (including, without limitation, statutory registers) of the Target Companies having been rectified and written up-to-date to the satisfaction of the Purchaser;

(j) the SFC having approved in writing (if such approval is subject to any conditions laid by the SFC, the Vendor must agree to such conditions) all the persons who/which will be deemed by the SFC to be the substantial shareholders (as defined in the SFO) of Harris Fraser International after Completion ("**SFC Approval**"); and

(k) all necessary board and shareholders' approval of the Purchaser and the Company in respect of the transactions contemplated under the SPA as required under the Listing Rules having been obtained and all disclosure requirements in connection therewith having been complied with.

Save for the Condition under paragraph (a) above, none of the above Condition has been satisfied as at the Latest Practicable Date.

The Vendor shall use her best endeavours to satisfy the Conditions under paragraphs (a) to (i) above, as soon as reasonably practicable after signing of the SPA and in any event before the Condition Deadline. The Purchaser shall use its best endeavours to satisfy the Conditions under paragraphs (j) to (k) above as soon as reasonably practicable after signing of the SPA and in any event before the Condition Deadline.

In relation to paragraph (h) above, we are not aware of pre-emptive or similar rights over the shares in Harris Fraser HK and HFG. In relation to Macau Company, there are pre-emptive rights over its quotas, which will be waived at or before Completion.

If any Condition has not been satisfied on or before the Condition Deadline, the Purchaser may on that date, at its option (but without prejudice to any other right or remedy it may have), by notice to the Vendor: (a) waive the Condition(s) then unsatisfied; or (b) postpone the Condition Deadline to a date (being a Business Day) as agreed by the Purchaser and the Vendor, provided that where the Condition which has not been satisfied on or before the Condition Deadline is the receipt of approval from the relevant authority (including the SFC Approval) under paragraphs (e) and (j) above, the parties shall negotiate in good faith a period for the postponement of the Condition Deadline to facilitate completion of the transactions contemplated under the SPA.

In any event, if any Condition has not been satisfied on or before the last date of the 12th month from the date of signing of the SPA, then any party is entitled to, but without prejudice to any other right or remedy the parties may have, by notice to the other party terminate the SPA.

The Vendor agrees and shall procure that Harris Fraser Taiwan shall agree, that:

(a) the Purchaser and the Target Companies shall transfer and assign all rights in and to the trade mark in the name of Harris Fraser Taiwan and all other trade marks owned by Harris Fraser Taiwan bearing the words "Harris Fraser" or "HF" and the Harris Fraser logo (if any) to the Purchaser and/or its nominee with effect from the Completion Date;

(b) the assignment referred to in paragraph (a) above shall be executed by the Vendor and Harris Fraser Taiwan and delivered to the Purchaser at Completion;

(c) the Vendor and Harris Fraser Taiwan shall provide all necessary assistance to the Purchaser to complete all filings and/or registrations pertaining to the assignment contemplated above; and

(d) with effect from Completion, she and/or her affiliates shall (i) cease to use the trade mark, trade name, logo or other intellectual property referred to in paragraph (a) to (c); (ii) take all necessary actions for the purpose of (i) above including without limitation altering the names of any affiliates; and (iii) refrain from representing that she and/or her affiliates are in any manner connected or related to the Target Group and its trade mark or trade name other than in the capacity of employee(s) of the Target Group.

Completion

The SPA shall be completed on a date within fifteen Business Days as agreed by the Vendor and the Purchaser after the notification of the satisfaction of the last Condition, or such date as may be agreed between the Vendor and the Purchaser, and in any event if the Vendor and the Purchaser fail to reach an agreement, on the 30th Business Day after the notification of the satisfaction of the last Condition.

Non-compete and non-solicit restrictions

For the purpose of assuring to the Purchaser the full benefit of the business and goodwill of the Target Group, the Vendor agrees and undertakes with the Purchaser (for its benefit and as trustee for the Target Group) that for a period of three years following Completion, she will not and will procure that each of her affiliates will not, either on her/its own account or in conjunction with or on behalf of any other person, firm or company, directly or indirectly:

(a) carry on or be engaged, concerned or interested whether as shareholder, director, employee, partner, agent, with or in any activities which have the object or effect of selling, distributing or providing or allowing the selling, distribution or provision of any products or services similar to or in competition with such products or services provided by any member of the Target Group, or otherwise in carrying on any business in directly competition with the business of the Target Group as carried on by the Target Group at the date of the SPA in a territory in which that business is carried on at that date;

(b) solicit or entice away or attempt to solicit or entice away from any member of the Target Group any person who is or shall at any time within two years prior to Completion have been a customer, client, identified prospective customer or client of any member of the Target Group or in the habit of dealing with the Target Group; or

(c) engage, employ or solicit for employment any person who is or shall at any time within two years prior to Completion have been an employee, officer, manager, consultant or agent or any member of the Target Group.

The above restriction shall not operate to prohibit the Vendor (together with her affiliates) from holding in aggregate up to 10% of the shares or equitable interest of any competing company.

(C) INFORMATION ABOUT THE VENDOR AND THE TARGET GROUP

The Vendor has worked in the Target Group since 1990 and has been appointed as the chairman and executive director of the Target Group since 2000. The Vendor is a responsible officer for the Type 1, Type 4 and Type 9 licenses of Harris Fraser International. Since 2002, the Vendor has served as the chairman of the Investment-linked Sub-committee of the Professional Insurance Brokers Association. The Vendor graduated from Central Pacific University in the USA in 1999 with a degree in Master of Business Administration. As indicated in the internet archive, Central Pacific University was not accredited by an accrediting agency recognized by the US Department of Education. According to our informal enquiry made to the Council for Higher Education Accreditation, to the best of its research, the Company is unable to find any information to indicate that Central Pacific University was (or is) accredited by an accreditor recognised by the Council for Higher Education Accreditation and/or by the US Department of Education. The Company has also made informal enquiry with the US Department of Education. As at the Latest Practicable Date, the Company has not received any feedback from the US Department of Education. According to Ms. Ng, she has no information whether Central Pacific University was accredited by an accrediting agency recognized by the US Department of Education and when it was incorporated or dissolved. Based on the information available on the internet, Central Pacific University was incorporated in Hawaii in 1999 and was dissolved in 2002. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge, information and belief, the Company has no official information to confirm whether Central Pacific University was an accredited organization under the US Secretary of Education at the time the Vendor graduated from Central Pacific University and when Central Pacific University was incorporated and dissolved.

The Director, having made all reasonable enquiries, confirm that to the best of their knowledge, information and belief, the Vendor did not have other relationship (including shareholding, business, previous disposal or otherwise) with the Company and its connected persons.

The Target Group is principally engaged in the provision of wealth management services, including asset management, corporate and trust services, investment savings plans, tax planning, life and general insurance, mandatory provident fund advisory and overseas property investments advisory. Among the companies within the Target Group, Harris Fraser International is licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) Regulated Activities in Hong Kong. For Type 9 (asset management) Regulated Activities, Harris Fraser International shall not provide a service of managing portfolio of future contracts for another person. For Type 1 (dealing in securities), Harris Fraser International shall not conduct business other than: (a) dealing in interests in collective investment scheme; (b) communicating offers to effect dealings in securities to a corporation that is licensed by or registered with the SFC for Type 1 regulated activity, in the names of the persons from whom those offers are received; and (c) introducing persons to a corporation that is licensed by or registered with the SFC to Type 1 regulated activity, in order that they may (i) effect dealings in securities; or (ii) make offers to deal in securities. For Harris Fraser HK and HF Partners Limited, they are both members of the Professional Insurance Brokers Association (PIBA) and registered with the Mandatory Provident Fund Schemes Authority.

With a Pan-Asian wide footprint since 1990 and good reputation for its services, the Target Group has expanded its global network with a well-established operation in Hong Kong for the past quarter-century. The Target Group is supported by many proficient and dedicated investment personnel and currently, services more than 14,000 clients in Asia Pacific.

A summary of the consolidated financial information of the HFG Group for the two years ended 31 March 2016 and 31 March 2017 respectively prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the accountants' report set out in Appendix IIA to this circular is set out as follows:

	For the year ended 31 March 2016 (audited) *Approximately HK$'000*	**For the year ended 31 March 2017** (audited) *Approximately HK$'000*
Profit before tax	3,630	8,266
Profit after tax	3,624	8,069

The audited book value of the net assets of the HFG Group as at 30 June 2017 prepared in accordance with Hong Kong Financial Reporting Standards was approximately HK$26,857,000.

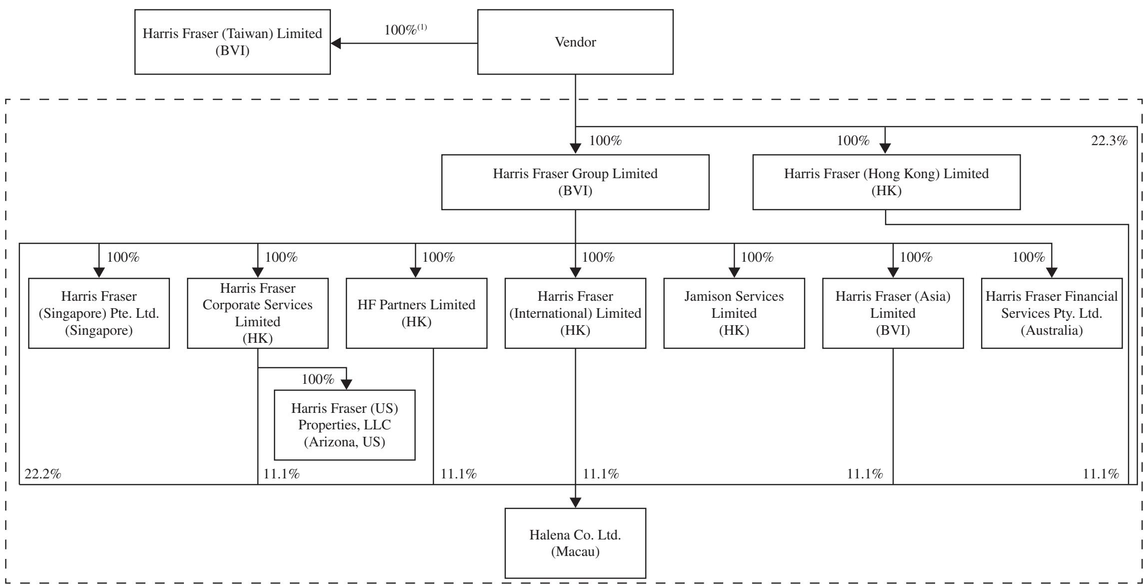
A summary of the financial information of Harris Fraser HK for the two years ended 31 March 2016 and 31 March 2017 respectively prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the accountants' report set out in Appendix IIB to this circular is set out as follows:

	For the year ended 31 March 2016 (audited) *Approximately HK$'000*	**For the year ended 31 March 2017** (audited) *Approximately HK$'000*
Loss before tax	(47)	(38)
Loss after tax	(47)	(38)

The audited book value of the net assets of Harris Fraser HK as at 30 June 2017 prepared in accordance with Hong Kong Financial Reporting Standards was approximately HK$1,397,000.

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date and after Completion:

Group structure of the Target Group as at the Latest Practicable Date

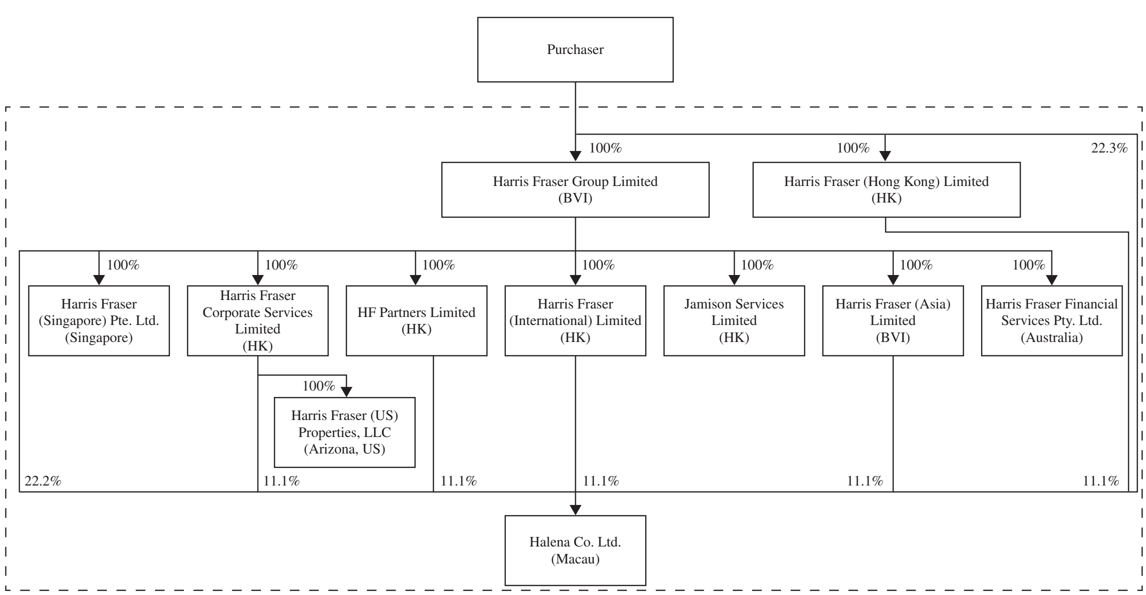


Note:

(1) Harris Fraser Taiwan is indirectly owned as to 100% by the Vendor.

The Target Group

Group structure of the Target Group immediately after Completion



The Target Group

(D) FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Group, including HFG and its subsidiaries, Harris Fraser HK and the Macau Company, will be wholly owned by the Purchaser. As such, the financial information of the Target Group will be consolidated into the Company's financial statements after Completion.

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the pro forma consolidated total assets of the Group as at 30 June 2017 would increase from approximately HK$7,637,000,000 to approximately HK$7,726,000,000 and the pro forma consolidated total liabilities of the Group as at 30 June 2017 would increase from approximately HK$1,208,000,000 to approximately HK$1,303,000,000 as a result of the Acquisition.

Fair value adjustments have been made to the connection network, brand name and trading rights of the Enlarged Group. The trademarks recognised in the financial statements of the Target Group was initially measured at cost, while the connection network of approximately HK$15,500,000, brand name of approximately HK$30,250,000 and trading rights of approximately HK$7,047,000 as at the date of acquisition have been recognised in the unaudited pro forma financial information of the Enlarged Group in accordance with HKFRS 3 (Revised) Business Combinations as if the Acquisition had been completed on 30 June 2017.

Connection network represents the network of independent financial advisors ("**IFA(s)**") with which the Target Group maintains stable business relationships. The Target Group has developed a proven and capable distribution network historically, which is one of the major sources for the Target Group to liaise for businesses. Brand name represents the name of the Target Group in providing investment advisory services, securities dealing services, assets management services, insurance brokerage services and corporate secretarial services. With periodic media exposure on different platforms and the long-established history, the brand name of "Harris Fraser" is regarded as well recognized among the industry. Trading rights represent the rights of the Target Group to trade on or through the Stock Exchange. The Target Group is a licensed corporation to carry out regulated activities under the Securities and Futures Ordinance ("**SFO**").

The recognition of the intangible assets in the financial statements of the Target Group has to fulfil the definition of intangible assets according to Hong Kong Accounting Standard 38 ("**HKAS 38**") "Intangible assets". According to paragraph 63 of HKAS 38, the internally generated brand name, customer relationship and items similar in substance (i.e. trading licenses) shall not be recognised as intangible assets in the financial statements of the Target Group. However, in the case of business combination, these intangible assets are able to fulfil the definition of intangible assets in the Enlarged Group. According to paragraph 34 of HKAS 38 and HKFRS 3 (Revised), the Group recognises at the acquisition date, separately from goodwill, intangible assets of the Target Group, irrespectively of whether the asset had been recognised by the Target Group before the business combination. The reporting accountants concurred with the accounting treatment of the above intangible assets of the Enlarged Group in the unaudited Pro Forma Financial Information.

The connection network of approximately HK$15,500,000, brand name of approximately HK$30,250,000 and trading rights of approximately HK$7,047,000 recognised in the unaudited pro forma financial information of the Enlarged Group as a result of the Acquisition are required to be stated at fair value at the acquisition date in accordance with HKFRS 3 Business Combinations.

The details of the financial effect of the Acquisition on the financial position of the Group together with the basis 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.

The Acquisition would have increased the profits of the Group had the Acquisition been completed on 30 June 2017. The Acquisition is expected to contribute towards broadening the revenue and earnings base for the Enlarged Group in the future.

(E) REASONS AND BENEFITS OF THE ACQUISITION

The Group is a health and wealth solutions service conglomerate. It principally provides comprehensive financial services in Hong Kong, including dealing in securities, commodities broking, bullion trading services, provision of securities margin financing, provision of investment and corporate finance advisory services, investment in securities trading, money lending and investment holding. The Group is also engaged in the health care and mother-infant-child care related business. Capitalising on its existing health and wealth solutions services platform, the Company continues to develop its business into direct investment, provision of wealth management complimenting the securities and fund management business.

The Target Group is a well-established wealth management company with long history and its services include asset management, corporate and trust services, investment savings plans, tax planning, life and general insurance and mandatory provident fund advisory and overseas property investments advisory.

The Target Group has developed a proven and capable distribution network in East Asia region with an extensive team of IFAs and has accumulated a client base of over 14,000 accounts over more than 20 years of business operation. As at the Latest Practicable Date, the Group has not yet developed a comprehensive insurance distribution network, and it does not have the relevant license and the team to provide such service. After Completion, the Group should immediately have a distribution network to facilitate its development plan for its insurance brokerage and wealth management business which aims to provide a wide range of wealth solution to its clients in the East Asia region. Leveraging on the geographic coverage and distribution capability of the Target Group in the region and the Group's parental and financial resource support, the Target Group will further strengthen its wealth management business in the Asia Pacific region, more specifically expansion into Southeast Asia and Australia. In addition, the Group will gain access to the high-net-worth clients of the Target Group to cross-sell its financial and healthcare products. The Target Group's IFA network can be connected with the high-net-worth customers of the Group's healthcare and mother-infant-child care related business after Completion.

The Target Group's experience in the insurance brokerage business would help to widen the Group's wealth planning product range and become an important complement to the Group's wealth management business. In addition to its insurance brokerage business, the Group believes that the wealth management and estate planning businesses of the Target Group will become an important product to the Group's wealth management business platform.

The Vendor and the Company are working closely together to implement the new business plan based on the premises that the Company will provide a broader range of wealth management products for the Target Group to distribute, and the Company will also provide parental supports which include back office support and control functions.

To strengthen the leadership and product development capabilities of the Company's wealth management platform, the Company has equipped itself with senior executives with extensive experience from multinational financial institutions specializing in asset management and wealth management. The Company is developing and will jointly develop together with the Target Group, new wealth management products and services in fund management, securities advisory, portfolio advisory and trust.

The Vendor will act as the CEO of the Target Group after Completion and continue to be responsible for leading the Target Group to achieve its business objectives, including to secure existing business and expand its wealth management client base and business initiatives. The Vendor has over 20 years of experience in wealth management business and is capable to lead the Target Group to become an important complement within the Group's wealth management platform.

Having considered the reasons for and benefits of the Acquisition as mentioned above, the Directors consider the Acquisition has been entered into on normal commercial terms and that the terms of the SPA are fair and reasonable and the entering into of the SPA is in the interests of the Company and the Shareholders as a whole.

(F) IMPLICATIONS OF THE LISTING RULES

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Acquisition exceeds 25% but is less than 100%, the Acquisition contemplated under the SPA constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

(G) GM

A notice convening the GM to be held at 23/F, Euro Trade Centre, 21–23 Des Voeux Road Central, Central, Hong Kong at 11:30 a.m. on 17 January 2018 for the purpose of considering, and if thought fit, approving the SPA and the transactions contemplated thereunder is set out on pages GM-1 to GM-2 of this circular.

A proxy form for the GM is enclosed. Whether or not you intend to attend and vote at the GM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for holding the GM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the GM or any adjournment thereof should you so wish.

The GM will be convened for the purpose of considering and, if thought fit, approving, the SPA and the transactions contemplated thereunder. The Directors, having made all reasonable enquiries, confirm that to their best knowledge, information and belief, none of the Shareholders has a material interest in the SPA and will be required to abstain from voting at the GM in respect of the resolution(s) relating to the SPA and the transactions contemplated thereunder.

(H) RECOMMENDATION

The Board considers that the terms of the SPA and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to approve the SPA and the transactions contemplated thereunder at the GM.

(I) ADDITIONAL INFORMATION

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

By order of the Board
Mason Group Holdings Limited
Ko Po Ming
Joint Chairman and Chief Executive Officer

A. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for each of the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the unaudited interim results for the six months ended 30 June 2017, have been disclosed in the following annual reports of the Company and results announcement of the Company which are available on the Company's website at http://www.masonhk.com/en/and the website of the Stock Exchange at www.hkexnews.hk:

- annual report of the Company for the year ended 31 December 2014 (pages 32–136) published on 27 April 2015 at http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0427/LTN20150427033.pdf;

- annual report of the Company for the year ended 31 December 2015 (pages 46–168) published on 25 April 2015 at http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0425/LTN20160425003.pdf;

- annual report of the Company for the year ended 31 December 2016 (pages 76–224) published on 13 April 2017 at http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0413/LTN20170413019.pdf; and

- interim report of the Company for the six months ended 30 June 2017 published on 27 September 2017 at http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0927/LTN20170927177.pdf.

B. STATEMENT OF INDEBTEDNESS

The Group

As at 31 October 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately HK$767,569,000, details of which are set out below:

	HK$'000
Secured bank and other loans	529,880
Secured other loans interest payables	1,890
Unsecured other loans	210,880
Unsecured other loans interest payables	2,410
Unsecured bonds	20,000
Unsecured bonds interest payables	714
Obligations under finance leases	1,230
Amount due to former shareholders of a subsidiary	565
	767,569

Borrowings

As at 31 October 2017, the Group had outstanding secured bank and other loans of HK$529,880,000, which comprised of i) six bank loans with an aggregate amount of HK$355,783,000, which are secured by inventories of RMB51,000,000 (equivalent to HK$59,910,000) and corporate guarantees issued by the Company, a subsidiary of the Company and/or companies owned by the beneficial owners of non-controlling interests of a subsidiary; ii) a loan of HK$160,000,000 from a subsidiary of a bank, which is secured by the Group's 55.02% interests in subsidiaries with the Group's share of carrying amount of net assets value of HK$218,202,000, financial assets at fair value through profit or loss with carrying amount of HK$400,441,000 and corporate guarantee issued by the Company; and iii) the remaining loans of HK$14,097,000 are secured by corporate guarantees issued by certain subsidiaries of the Company.

Loan facilities

The Group has a loan facility of HK$42,000,000 from a financial institution, which is secured by the Company's corporate guarantee, none of which had been utilised as at 31 October 2017.

Obligations under finance leases

As at 31 October 2017, the Group had outstanding obligations under finance leases of HK$1,230,000 secured by charges over a motor vehicle and equipment.

Commitment

As at 31 October 2017, the Group had the following capital expenditure commitments contracted but not provided for, net of deposit paid:

	HK$'000
Acquisition of property, plant and equipment	225
Acquisition of intangible assets — computer software and systems	1,268
Subscription of investment in joint ventures	24,620
Subscription of private funds	128,410
	154,523

Pledge of assets

As at 31 October 2017, the Group had bank deposits of RMB29,357,000 (equivalent to HK$34,486,000) which was pledged to banks for bills payables of RMB33,753,000 (equivalent to HK$39,650,000).

Financial guarantee

As at 31 October 2017, Group had issued a financial guarantee in respect of a loan granted to a third party individual with the principal amount of RMB51,000,000 (equivalent to HK$59,910,000) to a third party. The Directors consider no present obligation for the Company under this financial guarantee as at 31 October 2017 as it was not probable that the repayment of the loan would be in default.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 31 October 2017.

Target Group

As at 31 October 2017, being the latest practicable date for the purpose of the indebtedness statement of the Target Group prior to the printing of this circular, the Target Group had an amount due to a director of approximately HK$718,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Target Group did not have any outstanding mortgages, charges, debentures, convertible bonds, or other loan capital, bank overdrafts or loans, term loans, debt securities, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities on 31 October 2017.

C. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the effects of the completion of the Proposed Acquisition and the financial resources available to the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements and for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

D. MATERIAL ADVERSE CHANGE

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 were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Reference is made to the interim report of the Group for the six months ended 30 June 2017.

Looking ahead, Hong Kong's financial market is awash with both uncertainties and opportunities. Hong Kong has long served as the bridge between China and other parts of the world, conveying trade and investment flows both ways. In recent years, the economic connection between mainland China and Hong Kong has become stronger. Northbound bond trading commenced in July 2017 while southbound trading is slated to start at a later date. Together they will allow overseas investors from Hong Kong and other regions to invest in the China interbank bond market through mutual access arrangements in respect of trading, custody and settlement. Hong Kong remains as a major overseas center for mainland investors to allocate their wealth through channels such as the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Meanwhile, China's healthcare and medical sector is expected to grow rapidly, on the back of an aging population and the two-child policy, coupled with the rising health awareness and the increase in the domestic per capita disposable income. Another factor driving growth is the surging medical expenditure by Chinese citizens. The total medical expenditure will increase to RMB4.7 trillion in 2017, representing 6.1% of China's GDP, according to China's Pharmaceutical Industry and Investment Analysis (2014–2019) issued by Zhongshang Industry Institute.

2017 is a pilot year for the Group since its transformation which started in the fourth quarter of 2016. It is a year during which, the Group is embracing new challenges and is moving forward towards its vision of becoming the "Health and Wealth Solution Partner" for its customers through its "Enterprise + Finance" parallel strategy. Demonstrating initial success of the strategy, the Group achieved a turnaround in its revenue and a significant decrease in net loss for the six months ended 30 June 2017. On the strength of its abundant capital, differentiated development strategy, experienced management with global insight and outstanding servicing team, the Group will execute strategic plans for more mergers and acquisitions in both the enterprise and financial sectors, reinforcing a balanced and complementary development in both segments.

In the financial sector, the Group will strive to offer its clients a wider array of products in order to continue to boost its customer base, as well as to further diversify its businesses. To achieve this, the Group will expand the existing business in securities, brokerage and margin financing, and set its sight on business opportunities in other financial sectors such as insurance and fund management, embracing the vast opportunities in Hong Kong's financial market. At the same time, the Group will continue to assess potential acquisition targets, acquiring targets which are beneficial to the development of the Group and those which will create synergistic value with the Group's other business sectors. One of its aims is to acquire financial institutions in the U.S., Europe, and Asia, in order to build a financial platform with world-wide asset allocation capabilities.

In the enterprise sector, the Group will continue to be engaged in the high-end, high-quality health care and mother-infant-child care related business. The success of its previous acquisitions suggests that the Group's enterprise business development is on the right track, while the newly acquired companies are expected to be one of the key revenue drivers in future. In the face of the rising demand in medical and mother-infant-child products in mainland China and the enormous potential within the industry, the Group will actively expand its business along the value chain of medical services and the mother-infant-child industry.

In addition, the Group intends to grow its international business, strengthen its position in developing markets and expand on a global scale. The Group's recent strategic alliance with Wattle Health has been a milestone in the Group's development in the enterprise sector. The Group endeavors to deliver high quality products and services to the mother-infant-child industry chain and to build up industry-specific private equity, thereby creating a synergistic mechanism where the financial, healthcare and medical sector can complement and benefit each other.

As at the Latest Practicable Date, the Company is not in negotiation of, or has entered into any agreement, arrangement, undertaking and understanding in relation to disposal of its existing business or has any intention to scale down its existing business.

The following is the text of a report set out on pages IIA-1 to IIA-41, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this investment circular.

RSM

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

22 December 2017

The Board of Directors
Mason Group Holdings Limited
Units 4708–10
47/F., The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MASON GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Harris Fraser Group Limited ("**HFG**") and its subsidiaries (hereinafter collectively referred to as "**HFG Group**") set out on pages IIA-4 to IIA-41, which comprises the consolidated statements of financial position of HFG Group as at 31 March 2015, 2016 and 2017 and 30 June 2017, the statements of financial position of HFG as at 31 March 2015, 2016 and 2017 and 30 June 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 March 2015, 2016 and 2017 and three months ended 30 June 2017 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIA-4 to IIA-41 forms an integral part of this report, which has been prepared for inclusion in the investment circular of Mason Group Holdings Limited (the "**Company**") dated 22 December 2017 (the "**Investment Circular**") in connection with the proposed acquisition of the entire equity interest in HFG.

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 and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of HFG's financial position as at 31 March 2015, 2016 and 2017 and 30 June 2017 and HFG Group's financial position as at 31 March 2015, 2016 and 2017 and 30 June 2017 and of HFG Group's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of HFG Group which comprises statements of consolidated profit or loss and other comprehensive income, changes in equity and cash flows for the three months ended 30 June 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 and presentation set out in Note 2 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 that an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited

Adjustments

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

RSM Hong Kong
Certified Public Accountants
Hong Kong

HISTORICAL FINANCIAL INFORMATION OF HFG GROUP

Preparation of Historical Financial Information

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

The financial statements of HFG Group for the Relevant Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Three months ended 30 June	
		2015	2016	2017	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	*7*	89,919	106,626	152,705	33,374	39,758
Cost of services rendered		(69,767)	(85,210)	(125,407)	(27,234)	(32,939)
Gross profit		20,152	21,416	27,298	6,140	6,819
Other income	*8*	268	610	262	116	48
Other gains and losses	*9*	(504)	(369)	(383)	(321)	180
Administrative expenses		(12,539)	(18,027)	(18,911)	(4,788)	(4,975)
Profit before tax		7,377	3,630	8,266	1,147	2,072
Income tax expense	*11*	(1,026)	(6)	(197)	(83)	(154)
Profit for the year/period	*12*	6,351	3,624	8,069	1,064	1,918
Other comprehensive income after tax:						
Items that may be reclassified to profit or loss:						
Exchange differences on translating foreign operations		(613)	57	(63)	(1)	35
Exchange differences reclassified to profit or loss on disposal of foreign operations		—	433	—	—	—
		(613)	490	(63)	(1)	35
Total comprehensive income for the year/period		5,738	4,114	8,006	1,063	1,953
Profit for the year/period attributable to:						
Owner of HFG		6,542	2,952	7,971	1,112	1,771
Non-controlling interests		(191)	672	98	(48)	147
		6,351	3,624	8,069	1,064	1,918
Total comprehensive income for the year/period attributable to:						
Owner of HFG		5,929	3,442	7,908	1,111	1,806
Non-controlling interests		(191)	672	98	(48)	147
		5,738	4,114	8,006	1,063	1,953

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 30 June
		2015	2016	2017	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*15*	547	1,094	513	508
Intangible assets	*16*	184	154	125	117
		731	1,248	638	625
Current assets					
Trade receivables	*18*	10,458	8,259	7,882	7,653
Prepayments, deposits and other receivables		1,863	3,006	5,296	5,776
Current tax assets		703	529	180	180
Bank and cash balances	*20*	19,797	18,490	31,334	35,447
		32,821	30,284	44,692	49,056
Current liabilities					
Trade payables	*21*	18,582	11,006	15,364	17,482
Accruals and other payables		954	2,282	3,638	3,826
Due to a director	*19*	355	1,149	1,076	1,014
Current tax liabilities		4	3	348	502
		19,895	14,440	20,426	22,824
Net current assets		12,926	15,844	24,266	26,232
NET ASSETS		13,657	17,092	24,904	26,857
Capital and reserves					
Equity attributable to owner of HFG					
Share capital	*23*	16	16	16	16
Reserves	*24(b)*	13,789	16,855	24,763	26,569
		13,805	16,871	24,779	26,585
Non-controlling interests		(148)	221	125	272
TOTAL EQUITY		13,657	17,092	24,904	26,857

STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 30 June
		2015	2016	2017	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Intangible assets	*16*	184	154	125	117
Investments in subsidiaries	*17*	9,474	7,674	7,674	7,674
		9,658	7,828	7,799	7,791
Current assets					
Prepayments, deposits and other receivables		22	149	148	148
Due from subsidiaries	*19*	1,040	505	672	697
Bank and cash balances	*20*	2,121	883	955	963
		3,183	1,537	1,775	1,808
Current liabilities					
Accruals and other payables		200	400	600	820
Due to a director	*19*	54	54	54	54
Due to subsidiaries	*19*	11,362	6,155	6,159	6,182
		11,616	6,609	6,813	7,056
Net current liabilities		(8,433)	(5,072)	(5,038)	(5,248)
NET ASSETS		1,225	2,756	2,761	2,543
Capital and reserves					
Share capital	*23*	16	16	16	16
Reserves	*24(c)*	1,209	2,740	2,745	2,527
EQUITY		1,225	2,756	2,761	2,543

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of HFG						
	Share capital HK$'000	Legal reserve HK$'000	Foreign currency translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
At 1 April 2014	16	—	(33)	7,893	7,876	—	7,876
Acquisition of a subsidiary	—	—	—	—	—	43	43
Total comprehensive income for the year	—	—	(613)	6,542	5,929	(191)	5,738
At 31 March 2015	16	—	(646)	14,435	13,805	(148)	13,657
At 1 April 2015	16	—	(646)	14,435	13,805	(148)	13,657
Total comprehensive income for the year	—	—	490	2,952	3,442	672	4,114
Dividend paid by a subsidiary	—	—	—	(376)	(376)	(303)	(679)
At 31 March 2016	16	—	(156)	17,011	16,871	221	17,092
At 1 April 2016	16	—	(156)	17,011	16,871	221	17,092
Total comprehensive income for the year	—	—	(63)	7,971	7,908	98	8,006
Dividend paid by a subsidiary	—	—	—	—	—	(194)	(194)
Transfer of reserves	—	49	—	(49)	—	—	—
At 31 March 2017	16	49	(219)	24,933	24,779	125	24,904
At 1 April 2017	16	49	(219)	24,933	24,779	125	24,904
Total comprehensive income for the period	—	—	35	1,771	1,806	147	1,953
At 30 June 2017	16	49	(184)	26,704	26,585	272	26,857
At 1 April 2016	16	—	(156)	17,011	16,871	221	17,092
Total comprehensive income for the period	—	—	(1)	1,112	1,111	(48)	1,063
At 30 June 2016 (unaudited)	16	—	(157)	18,123	17,982	173	18,155

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 March			Three months ended 30 June	
		2015	2016	2017	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		7,377	3,630	8,266	1,147	2,072
Adjustments for:						
Amortisation	*16*	30	30	29	—	8
Depreciation	*15*	236	788	680	—	48
Loss on disposal of property, plant and equipment		—	35	—	—	—
Interest income	*8*	(3)	(5)	(1)	—	—
Loss on disposal of a subsidiary	*9*	—	240	—	—	—
Operating profit before working capital changes		7,640	4,718	8,974	1,147	2,128
(Increase)/decrease in trade receivables		(888)	1,756	377	2,775	229
Increase in prepayments, deposits and other receivables		(84)	(1,175)	(2,290)	(746)	(480)
(Decrease)/increase in trade payables		(12,328)	(7,063)	4,358	4,104	2,118
(Decrease)/increase in accruals and other payables		(3,207)	1,447	1,356	2,435	188
(Decrease)/increase in amount due to a director		(166)	794	(73)	(20)	(62)
Cash (used in)/generated from operations		(9,033)	477	12,702	9,695	4,121
Income taxes (paid)/refunded		(2,680)	167	497	(3)	—
Net cash (used in)/generated from operating activities		(11,713)	644	13,199	9,692	4,121

		Year ended 31 March			Three months ended 30 June	
		2015	2016	2017	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of a subsidiary		43	—	—	—	—
Purchases of property, plant and equipment		(18)	(1,370)	(99)	(47)	(43)
Purchases of intangible assets		(14)	—	—	—	—
Disposal of a subsidiary	*25*	—	36	—	—	—
Interest received		3	5	1	—	—
Net cash generated from/(used in) investing activities		14	(1,329)	(98)	(47)	(43)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividend paid		—	(679)	(194)	—	—
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,699)	(1,364)	12,907	9,645	4,078
Effect of exchange rate changes		(613)	57	(63)	(1)	35
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/ PERIOD		32,109	19,797	18,490	18,490	31,334
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		19,797	18,490	31,334	28,134	35,447
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Bank and cash balances		19,797	18,490	31,334	28,134	35,447

1. GENERAL INFORMATION

Harris Fraser Group Limited ("**HFG**") was incorporated in the British Virgin Islands with limited liability on 24 May 2002. The address of its registered office is 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands.

The principal activities of HFG and its subsidiaries (collectively referred to as "**HFG Group**") are engaged in providing investment advisory services, securities dealing, assets management services, insurance brokerage services and corporate secretarial services.

In the opinion of the directors of the Company, Ms. Ng Yuen Yee is the ultimate controlling party of HFG.

2. BASIS OF PREPARATION

These Historical Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by HFG Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of HFG Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to HFG Group for the current and prior accounting periods reflected in these Historical Financial Information.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2017. None of these developments have had a material effect on how HFG Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

HFG Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2017. These new and revised HKFRSs include the following which may be relevant to HFG Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019

HFG Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far HFG Group has identified some aspects of the new standards which may have a significant impact on the Historical Financial Information. Further details of the expected impacts are discussed below. As HFG Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

The directors of HFG anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of HFG Group's financial assets in relation to the impairment assessment on receivables, with the potential early recognition of credit losses based on the expected loss model in relation to HFG Group's financial assets measured at amortised costs. However, it is not practicable to provide a reasonable estimate of the effect until the directors of HFG have performed a detailed review. Except for abovementioned, the directors of HFG anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of HFG Group's financial assets and financial liabilities based on an analysis of HFG Group's financial instruments as at 31 March 2015, 2016 and 2017 and 30 June 2017.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

HFG Group is currently assessing the impacts of adopting HKFRS 15 on the Historical Financial Information but it is unable to estimate the impact of the new standard on the Historical Financial Information until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HFG Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 HFG Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. HFG Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 27, HFG Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$3,458,000, HK$1,762,000, HK$3,669,000 and HK$3,711,000 as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively. HFG Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying HFG Group's accounting policies. The areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information include the financial statements of HFG and its subsidiaries made up to 31 March or 30 June. Subsidiaries are entities over which HFG Group has control. HFG Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. HFG Group has power over an entity when HFG Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, HFG Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to HFG Group. It is de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) HFG's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by HFG Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to HFG. Non-controlling interests are presented in the consolidated statements of financial position and consolidated statements of changes in equity within equity. Non-controlling interests are presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the Relevant Period between the non-controlling shareholders and owner of HFG.

Profit or loss and each component of other comprehensive income are attributed to the owner of HFG and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

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

(b) Merger accounting for business combination under common control

HFG acquired 55.5% interest in Halena Company Limited ("**HCL**") from Ms. Ng Yuen Yee (the "**Acquisition**"). The Acquisition was completed on 26 September 2016.

HCL is principally engaged in providing insurance brokerage services.

As HFG and HCL were both controlled by Ms. Ng Yuen Yee before and after the Acquisition, the Acquisition was accounted for as a business combination of entities under common control. The Historical Financial Information of HFG Group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Acquisition had occurred from the date when the combining entities first came under the control of Ms. Ng Yuen Yee. Comparative figures have been restated accordingly.

The Historical Financial Information incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if HFG Group structure as at 31 March 2015, 2016 and 2017 and 30 June 2017 had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of HFG Group's accounting policies.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of HFG Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information are presented in Hong Kong dollars, which is HFG's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all HFG Group entities that have a functional currency different from HFG's presentation currency are translated into HFG's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(d) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to HFG Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%–50%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Operating lease

Leases that do not substantially transfer to HFG Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Trademarks

Trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when HFG Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; HFG Group transfers substantially all the risks and rewards of ownership of the assets; or HFG Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(h) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

HFG Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(i) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of HFG Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by HFG are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to HFG Group and the amount of revenue can be measured reliably.

Insurance advisory commission income is recognised when the services are rendered.

Commission and services income on investment advisory services and securities dealing are recognised when the relevant services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Portfolio/fund management fee income is recognised when the services are rendered.

Company secretary and administrative service fee income on corporate services is recognised when the services are rendered.

Commission income in relation to land banking and property investment and management is recognised when the services are rendered.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligation

HFG Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by HFG Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by HFG Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when HFG Group can no longer withdraw the offer of those benefits, and when HFG Group recognises restructuring costs and involves the payment of termination benefits.

(p) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. HFG Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where HFG Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and HFG Group intends to settle its current tax assets and liabilities on a net basis.

(q) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statements of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(r) Impairment of financial assets

At the end of each reporting period, HFG Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, HFG Group assesses them collectively for impairment, based on HFG Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when HFG Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(t) Events after the reporting period

Events after the reporting period that provide additional information about HFG Group's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Property, plant and equipment and depreciation

HFG Group determines the estimated useful lives, residual values and related depreciation charges for HFG Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. HFG Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 March 2015, 2016 and 2017 and 30 June 2017 was approximately HK$547,000, HK$1,094,000, HK$513,000 and HK$508,000 respectively.

(b) Income taxes

HFG Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the years ended 31 March 2015, 2016 and 2017 and three months ended 30 June 2016 (unaudited) and 2017, approximately HK$1,026,000, HK$6,000, HK$197,000, HK$83,000 and HK$154,000 respectively of income tax was charged to profit or loss based on the estimated profit.

(c) Impairment loss for bad and doubtful debts

HFG Group assesses impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the Relevant Period in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

As at 31 March 2015, 2016 and 2017 and 30 June 2017, no accumulated impairment loss for bad and doubtful debts was made.

6. FINANCIAL RISK MANAGEMENT

HFG Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. HFG Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on HFG Group's financial performance.

(a) Foreign currency risk

HFG Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of HFG Group entities. HFG Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. HFG Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2015, 2016 and 2017 and 30 June 2017, if the Hong Kong dollar had weakened 5 per cent against the British pounds with all other variables held constant, consolidated profit after tax for the Relevant Period would have been HK$132,000, HK$128,000, HK$132,000 and HK$136,000 higher respectively, arising mainly as a result of the foreign exchange gain on trade receivables, bank and deposit balances denominated in British pounds. If the Hong Kong dollar had strengthened 5 per cent against the British pounds with all other variables held constant, consolidated profit after tax for the Relevant Period would have been HK$132,000, HK$128,000, HK$132,000 and HK$136,000 lower respectively, arising mainly as a result of the foreign exchange loss on trade receivables, bank and deposit balances denominated in British pounds.

At 31 March 2015, 2016 and 2017 and 30 June 2017, if the Hong Kong dollar had weakened 5 per cent against the Canadian dollars with all other variables held constant, consolidated profit after tax for the Relevant Period would have been HK$165,000, HK$121,000, HK$118,000 and HK$122,000 higher respectively, arising mainly as a result of the foreign exchange gain on bank balances denominated in Canadian dollars. If the Hong Kong dollar had strengthened 5 per cent against the Canadian dollars with all other variables held constant, consolidated profit after tax for the Relevant Period would have been HK$165,000, HK$121,000, HK$118,000 and HK$122,000 lower respectively, arising mainly as a result of the foreign exchange loss on bank balances denominated in Canadian dollars.

At 31 March 2015, 2016 and 2017 and 30 June 2017, if the Hong Kong dollar had weakened 5 per cent against the Australian dollars with all other variables held constant, consolidated profit after tax for the Relevant Period would have been HK$135,000, HK$166,000, HK$240,000 and HK$268,000 higher respectively, arising mainly as a result of the foreign exchange gain on trade and other receivables and bank balances denominated in Australian dollars. If the Hong Kong dollar had strengthened 5 per cent against the Australian dollars with all other variables held constant, consolidated profit after tax for the Relevant Period would have been HK$135,000, HK$166,000, HK$240,000 and HK$268,000 lower respectively, arising mainly as a result of the foreign exchange loss on trade and other receivables and bank balances denominated in Australian dollars.

At 31 March 2015, 2016 and 2017 and 30 June 2017, if the Hong Kong dollar had weakened 5 per cent against the Macau Pataca with all other variables held constant, consolidated profit after tax for the Relevant Period would have been HK$23,000, HK$70,000, HK$10,000 and HK$143,000 higher respectively, arising mainly as a result of the foreign exchange gain on trade receivables, bank and deposit balances denominated in Macau Pataca. If the Hong Kong dollar had strengthened 5 per cent against the Macau Pataca with all other variables held constant, consolidated profit after tax for the Relevant Period would have been HK$23,000, HK$70,000, HK$10,000 and HK$143,000 lower respectively, arising mainly as a result of the foreign exchange loss on trade receivables, bank and deposit balances denominated in Macau Pataca.

(b) Credit risk

HFG Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that HFG Group's credit risk is significantly reduced.

The total amount due from HFG Group's three largest customers represents the following percentage of the total trade receivables:

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
Due from HFG Group's three largest customers	45%	67%	57%	67%

It has policies in place to ensure that services are rendered to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

HFG Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity based on contractual undiscounted cash flows of HFG Group is less than one year.

(d) Interest rate risk

As HFG Group has no significant interest-bearing assets and liabilities, HFG Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets:				
Loans and receivables (including cash and cash equivalents)	31,998	28,215	42,800	46,716
Financial liabilities:				
Financial liabilities at amortised cost	19,891	13,287	17,715	20,155

(f) Fair values

The carrying amounts of HFG Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

7. REVENUE

An analysis of HFG Group's revenue for the Relevant Period is as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Commission and services income	88,831	105,771	151,848	33,175	39,721
Management fee income	584	610	407	75	23
Company secretary and administrative service fee income	504	245	450	124	14
	89,919	106,626	152,705	33,374	39,758

8. OTHER INCOME

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income	3	5	1	—	—
Sundry income	265	605	261	116	48
	268	610	262	116	48

9. OTHER GAINS AND LOSSES

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Loss on disposal of a subsidiary	—	(240)	—	—	—
Loss on disposal of property, plant and equipment	—	(35)	—	—	—
Net foreign exchange (losses)/gains	(504)	(94)	(383)	(321)	180
	(504)	(369)	(383)	(321)	180

10. SEGMENT INFORMATION

HFG Group has two operating segments as follows:

Securities Dealing — Provision of securities brokerage, securities advisory and assets management

Insurance brokerage business — Provision of insurance brokerage business and IFA services

HFG Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies

HFG Group's other operating segments include corporate services and administration business. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the 'others' column.

The accounting policies of the operating segments are the same as those described in note 4 to the Historical Financial Information. Segment profits or losses do not include unallocated administrative expenses, other income, other gains and losses and income tax expense. Segment assets do not include current tax assets. Segment liabilities do not include current tax liabilities. Segment non-current assets do not include deferred tax assets.

Information about operating segment revenue, profit or loss, assets and liabilities:

	Securities Dealing *HK$'000*	Insurance brokerage business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2015				
Revenue from external customers	10,787	71,312	7,820	89,919
Segment profit	2,063	15,022	3,067	20,152
Income tax expense	(145)	(802)	(79)	(1,026)
As at 31 March 2015				
Segment assets	12,431	12,233	8,185	32,849
Segment liabilities	1,474	17,082	1,335	19,891

	Securities Dealing *HK$'000*	Insurance brokerage business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2016				
Revenue from external customers	9,198	93,040	4,388	106,626
Segment profit	2,117	17,385	1,914	21,416
Income tax (expense)/credit	(198)	278	(86)	(6)
As at 31 March 2016				
Segment assets	8,365	17,310	5,328	31,003
Segment liabilities	1,046	12,355	1,036	14,437

	Securities Dealing *HK$'000*	Insurance brokerage business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2017				
Revenue from external customers	7,404	143,827	1,474	152,705
Segment profit	1,697	24,923	678	27,298
Income tax (expense)/credit	(53)	(335)	191	(197)
As at 31 March 2017				
Segment assets	9,708	29,266	6,176	45,150
Segment liabilities	918	18,710	450	20,078

	Securities Dealing *HK$'000*	Insurance brokerage business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Three months ended 30 June 2016 (unaudited)				
Revenue from external customers	1,661	31,131	582	33,374
Segment profit	349	5,535	256	6,140
Income tax expense	(13)	(69)	(1)	(83)

	Securities Dealing *HK$'000*	Insurance brokerage business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Three months ended 30 June 2017				
Revenue from external customers	2,403	37,314	41	39,758
Segment profit	600	6,219	—	6,819
Income tax expense	(28)	(126)	—	(154)
As at 30 June 2017				
Segment assets	10,540	32,839	6,122	49,501
Segment liabilities	1,187	20,541	594	22,322

Reconciliations of segment revenue and profit or loss:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue					
Total revenue of reporting segments	89,919	106,626	152,705	33,374	39,758

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit or loss					
Total profit or loss of reportable segments	20,152	21,416	27,298	6,140	6,819
Unallocated amounts:					
Administrative expenses	(12,539)	(18,027)	(18,911)	(4,788)	(4,975)
Other income	268	610	262	116	48
Other gains and losses	(504)	(369)	(383)	(321)	180
Consolidated profit before tax	7,377	3,630	8,266	1,147	2,072

Reconciliations of segment assets and liabilities:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Total assets of reportable segments	32,849	31,003	45,150	49,501
Unallocated				
Current tax assets	703	529	180	180
Consolidated total assets	33,552	31,532	45,330	49,681
Liabilities				
Total liabilities of reportable segments	19,891	14,437	20,078	22,322
Unallocated				
Current tax liabilities	4	3	348	502
Consolidated total liabilities	19,895	14,440	20,426	22,824

Geographical information:

HFG Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue					Non-current assets			
	Year ended 31 March			Three months ended 30 June		As at 31 March			As at 30 June
	2015	2016	2017	2016	2017	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	79,525	44,680	88,703	19,490	20,306	731	1,245	636	623
Macau	436	46,738	28,674	6,891	7,361	—	3	2	2
United Kingdom	4,995	14,904	35,199	6,993	12,091	—	—	—	—
Others	4,963	304	129	—	—	—	—	—	—
	89,919	106,626	152,705	33,374	39,758	731	1,248	638	625

Revenue from major customers:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Insurance brokerage					
Customer a	16,219	687	1,293	227	425
Customer b	14,279	2,935	3,407	986	890
Customer c	9,707	13,858	18,630	3,586	2,401
Customer d	1,023	7,888	24,565	7,430	7,145
Customer e	7,065	10,571	33,528	8,147	12,117
Customer f	—	46,721	28,674	6,891	7,361

11. INCOME TAX EXPENSE

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax					
Provision for the year/period	885	245	436	83	154
Over-provision in prior years	—	(239)	(239)	—	—
	885	6	197	83	154
Deferred tax *(note 22)*	141	—	—	—	—
	1,026	6	197	83	154

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the years ended 31 March 2015, 2016 and 2017 and three months ended 30 June 2017.

PRC Enterprise Income Tax has been provided at a rate of 25%.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which HFG Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before tax	7,377	3,630	8,266	1,147	2,072
Tax at the Hong Kong Profits Tax rate of 16.5%	1,217	599	1,364	189	342
Tax effect of income that is not taxable	(1,348)	(2,157)	(5,731)	(1,096)	(2,014)
Tax effect of expenses that are not deductible	999	1,768	5,024	999	1,862
Tax effect of temporary differences not recognised	(16)	40	66	(7)	(3)
Tax concession	(12)	(290)	(76)	(25)	(65)
Tax effect of tax losses not recognised	182	285	79	23	32
Tax effect of utilisation of tax losses not previously recognised	—	—	(290)	—	—
Over-provision in prior years	—	(239)	(239)	—	—
Effect of different tax rates of subsidiaries	4	—	—	—	—
Income tax expense	1,026	6	197	83	154

12. PROFIT FOR THE YEAR/PERIOD

HFG Group's profit for the Relevant Period is stated after charging the following:

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Amortisation	30	30	29	—	8
Auditors' remuneration	422	364	353	19	220
Depreciation	236	788	680	—	48
Loss on disposal of property, plant and equipment	—	35	—	—	—
Operating lease charges — land and building	1,747	2,350	2,296	578	596

13. EMPLOYEE BENEFITS EXPENSES

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Employee benefits expense:					
Salaries, bonuses and allowances	7,426	10,802	11,058	2,698	2,561
Retirement benefit scheme contributions	394	436	315	71	83
	7,820	11,238	11,373	2,769	2,644

Five highest paid individuals

The five highest paid individuals in HFG Group during the years ended 31 March 2015, 2016 and 2017 and three months ended 30 June 2016 and 2017 included two directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining three individuals are set out below:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, bonuses and allowances	1,542	2,387	2,764	791	684
Retirement benefit scheme contributions	19	18	36	9	10
	1,561	2,405	2,800	800	694

The emoluments fell within the following band:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016 (unaudited)	2017
Nil to HK$1,000,000	3	3	2	3	3
HK$1,000,001–HK$1,500,000	—	—	—	—	—
HK$1,500,001–HK$2,000,000	—	—	1	—	—
	3	3	3	3	3

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of HFG or its subsidiary undertaking		
	Salaries	**Housing allowance**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Name of director			
Ms. Ng Yuen Yee	—	234	234
Ms. Lau Tuen Mui	780	—	780
Mr. Joseph Frank Attrux	—	—	—
Total for the year ended 31 March 2015	780	234	1,014
Name of director			
Ms. Ng Yuen Yee	—	546	546
Ms. Lau Tuen Mui	818	—	818
Mr. Joseph Frank Attrux *(note)*	—	—	—
Total for the year ended 31 March 2016	818	546	1,364
Name of director			
Ms. Ng Yuen Yee	—	936	936
Ms. Lau Tuen Mui	790	—	790
Total for the year ended 31 March 2017	790	936	1,726
Name of director			
Ms. Ng Yuen Yee	—	292	292
Ms. Lau Tuen Mui	225	—	225
Total for the three months ended 30 June 2016 (unaudited)	225	292	517
Name of director			
Ms. Ng Yuen Yee	—	156	156
Ms. Lau Tuen Mui	166	—	166
Total for the three months ended 30 June 2017	166	156	322

Note: Resigned on 15 June 2015

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to HFG Group's business to which HFG was a party and in which a director of HFG and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Period or at any time during the Relevant Period.

15. PROPERTY, PLANT AND EQUIPMENT

HFG Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Cost					
At 1 April 2014	183	66	361	551	1,161
Additions	—	—	—	18	18
At 31 March 2015 and 1 April 2015	183	66	361	569	1,179
Additions	796	232	39	303	1,370
Disposals	(38)	—	—	(5)	(43)
At 31 March 2016 and 1 April 2016	941	298	400	867	2,506
Additions	—	8	—	91	99
At 31 March 2017 and 1 April 2017	941	306	400	958	2,605
Additions	—	7	20	16	43
At 30 June 2017	941	313	420	974	2,648
Accumulated depreciation					
At 1 April 2014	18	20	159	199	396
Charge for the year	36	14	72	114	236
At 31 March 2015 and 1 April 2015	54	34	231	313	632
Charge for the year	475	59	80	174	788
Disposals	(6)	—	—	(2)	(8)
At 31 March 2016 and 1 April 2016	523	93	311	485	1,412
Charge for the year	418	58	48	156	680
At 31 March 2017 and 1 April 2017	941	151	359	641	2,092
Charge for the period	—	13	5	30	48
At 30 June 2017	941	164	364	671	2,140
Carrying amount					
At 31 March 2015	129	32	130	256	547
At 31 March 2016	418	205	89	382	1,094
At 31 March 2017	—	155	41	317	513
At 30 June 2017	—	149	56	303	508

16. INTANGIBLE ASSETS

HFG Group and HFG

	Trademarks (purchased) *HK$'000*
Cost	
At 1 April 2014	282
Additions	14
At 31 March 2015, 2016 and 2017 and 30 June 2017	296
Accumulated amortisation	
At 1 April 2014	82
Charge for the year	30
At 31 March 2015 and 1 April 2015	112
Charge for the year	30
At 31 March 2016 and 1 April 2016	142
Charge for the year	29
At 31 March 2017 and 1 April 2017	171
Charge for the period	8
At 30 June 2017	179
Carrying amount	
At 31 March 2015	184
At 31 March 2016	154
At 31 March 2017	125
At 30 June 2017	117

17. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 March 2015, 2016 and 2017 and 30 June 2017 are as follows:

Name of subsidiaries	Place of incorporation and operation	Registered and paid up capital	Percentage of ownership interest directly held by HFG As at 31 March 2015	2016	2017	As at 30 June 2017	Principal activity
Harris Fraser Corporate Services Limited	Hong Kong	500,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Providing corporate services and consulting services in relation to land banking
Harris Fraser (International) Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Providing investment advisory services and dealing in unit trust/ mutual funds and portfolio/fund management services
HF Partners Limited	Hong Kong	302,612 ordinary shares of HK$1 each	100%	100%	100%	100%	Providing insurance advisory services
Jamison Services Limited	Hong Kong	1 ordinary share of HK$1 each	100%	100%	100%	100%	Providing nominee director and nominee shareholder services
Capital One Trust Limited	New Zealand	100 ordinary shares of US$1 each	100%	—	—	—	Providing trustee services for family trusts for clients
Harris Fraser (Australia) Pty Limited	Australia	138,000 ordinary shares of AUD1 each	100%	—	—	—	Providing investment advisory services
Harris Fraser Singapore Pte. Limited	Singapore	222,000 ordinary shares of US$1 each	100%	100%	100%	100%	Providing asset management services
Harris Fraser (Asia) Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	100%	100%	100%	Providing insurance and property advisory services
Harris Fraser (US) Properties, LLC	United States of America	N/A	100%	100%	100%	100%	Providing property management services
Harris Fraser Financial Services Pty Limited	Australia	12 ordinary shares of AUD1 each	100%	100%	100%	100%	Dormant
Halena Company Limited	Macau	Registered capital of MOP100,000	55.5%	55.5%	55.5%	55.5%	Providing insurance advisory services

The above list contains the particulars of principal subsidiaries which principally affected the result, assets or liabilities of HFG Group.

The following table shows information on the subsidiary that has non-controlling interests ("**NCI**") material to HFG Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Halena Company Limited As at 31 March 2015	2016	2017	As at 30 June 2017
Principal place of business/country of incorporation	Macau			
% of ownership interests/voting rights held by NCI	44.5%/ 44.5%	44.5%/ 44.5%	44.5%/ 44.5%	44.5%/ 44.5%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March/30 June:				
Non-current assets	—	3	2	2
Current assets	565	3,143	1,561	4,797
Current liabilities	(898)	(2,648)	(1,283)	(4,187)
Net (liabilities)/assets	(333)	498	280	612
Accumulated NCI	(148)	221	125	272

	Year ended 31 March 2015	2016	2017	Three months ended 30 June 2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	436	46,721	28,674	6,891	7,361
(Loss)/profit	(430)	1,510	220	(109)	331
Total comprehensive income	(430)	1,510	220	(109)	331
(Loss)/profit allocated to NCI	(191)	672	98	(48)	147
Dividends paid to NCI	—	303	194	—	—
Net cash generated from operating activities	3	2,331	60	438	537
Net cash used in investing activities	—	(3)	—	—	—
Net cash generated from/(used in) financing activities	97	(680)	(437)	—	—
Net increase/(decrease) in cash and cash equivalents	100	1,648	(377)	438	537

18. TRADE RECEIVABLES

HFG Group

HFG Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 90 days	10,458	8,259	7,882	7,653

As of 31 March 2015, 2016 and 2017 and 30 June 2017, no trade receivables were past due but not impaired.

The carrying amounts of HFG Group's trade receivables are denominated in the following currencies:

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Australian dollars	837	223	329	845
British pounds	1,536	100	—	—
Euro	2	3	3	3
Hong Kong dollars	6,874	6,226	7,136	3,869
Japanese yen	304	—	—	—
Macau Pataca	436	1,364	154	2,823
United States dollars	469	343	260	113
	10,458	8,259	7,882	7,653

19. DUE FROM/TO SUBSIDIARIES/A DIRECTOR

HFG Group and HFG

The amounts due are unsecured, interest-free and have no fixed repayment terms.

20. BANK AND CASH BALANCES

HFG Group

As at 31 March 2015, 2016 and 2017 and 30 June 2017, the bank and cash balances of HFG Group denominated in Renminbi ("**RMB**") amounted to approximately HK$Nil, HK$Nil, HK$87,000 and HK$89,000 respectively.

HFG

As at 31 March 2015, 2016 and 2017 and 30 June 2017, the bank and cash balances of HFG denominated in RMB amounted to approximately HK$Nil, HK$Nil, HK$82,000 and HK$84,000 respectively.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

21. TRADE PAYABLES

HFG Group

The aging analysis of trade payables based on the date of rendering of services, is as follows:

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 90 days	9,918	7,971	7,693	8,583
91 to 180 days	8,328	901	3,107	3,742
181 to 365 days	336	2,122	4,564	5,157
Over 365 days	—	12	—	—
	18,582	11,006	15,364	17,482

The carrying amounts of HFG Group's trade payables are denominated in the following currencies:

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Australian dollars	513	—	—	—
British pounds	514	404	35	489
Hong Kong dollars	16,934	10,228	14,851	16,558
Japanese yen	244	—	—	—
United States dollars	377	374	478	435
	18,582	11,006	15,364	17,482

22. DEFERRED TAX

The following are the deferred tax assets recognised by HFG Group.

	Tax losses
	HK$'000
At 1 April 2014	(141)
Charge to profit or loss for the year *(note 11)*	141
At 31 March 2015, 2016 and 2017 and 30 June 2017	—

23. SHARE CAPITAL

	As at 31 March			As at 30 June
	2015	2016	2017	2017
Authorised:				
50,000 ordinary shares of US$1 each	US$50,000	US$50,000	US$50,000	US$50,000
Equivalent to	HK$390,000	HK$390,000	HK$390,000	HK$390,000
Issued and fully paid:				
2,000 ordinary shares of US$1 each	US$2,000	US$2,000	US$2,000	US$2,000
Equivalent to	HK$15,500	HK$15,500	HK$15,500	HK$15,500

HFG Group's objectives when managing capital are to safeguard HFG Group's ability to continue as a going concern and to maximum the return to the shareholder through the optimisation of the debt and equity balance.

HFG Group currently does not have any specific policies and processes for managing capital.

24. RESERVES

(a) Group

The amounts of HFG Group's reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the Historical Financial Information.

(ii) Legal reserve

In accordance with the Article 377 of the Macao Commercial Code, part of the profits of the accounting period of no less than 25% shall be retained as legal reserve by the Macau subsidiary until it reaches an amount equal to half of its registered capital.

(c) Reserve movement of HFG

	Retained profits
	HK$'000
At 1 April 2014	1,531
Total comprehensive income for the year	(322)
At 31 March 2015	1,209
At 1 April 2015	1,209
Total comprehensive income for the year	1,531
AT 31 March 2016	2,740
At 1 April 2016	2,740
Total comprehensive income for the year	5
At 31 March 2017	2,745
At 1 April 2017	2,745
Total comprehensive income for the period	(218)
At 30 June 2017	2,527
At 1 April 2016	2,740
Total comprehensive income for the period	(26)
At 30 June 2016 (unaudited)	2,714

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Disposal of a subsidiary

On 1 April 2015 HFG Group disposed its subsidiary Harris Fraser (Australia) Pty Limited.

Net liabilities at the date of disposal were as follows:

	HK$'000
Trade receivables	443
Deposits and other receivables	32
Bank balance	141
Trade payables	(513)
Other payables and accruals	(119)
Net liabilities disposed of	(16)
Release of foreign currency translation reserve	433
Loss on disposal of a subsidiary	(240)
Total consideration	177
Consideration satisfied by cash	177
Net cash inflow arising on disposal:	
Cash consideration received	36

26. CONTINGENT LIABILITIES

As at 31 March 2015, 2016 and 2017 and 30 June 2017, HFG Group did not have any significant contingent liabilities.

27. LEASE COMMITMENTS

HFG Group

At the end of the reporting period the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March			**As at 30 June**
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,793	1,762	1,976	2,441
In the second to fifth years inclusive	1,665	—	1,693	1,270
	3,458	1,762	3,669	3,711

Operating lease payments represent rental payables by HFG Group for certain of its offices. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms and do not include contingent rentals.

28. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, HFG Group had the following transactions with its related parties during the Relevant Period:

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Commissions paid to a related company *(Note i)*	65	118	80	3	17
Legal and professional fees paid to a related company *(Note ii)*	515	23	—	—	—
Staff quarters expenses paid to a related company *(Note i)*	234	546	936	234	234

Notes:

(i) A director, Ms. Ng Yuen Yee, has significant influence over the related companies.

(ii) A director, Mr. Joseph Frank Attrux, has significant influence over the related company.

29. EVENTS AFTER THE REPORTING PERIOD

HFG Group did not have any significant events after each of the reporting period.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by HFG Group in respect of any period subsequent to 30 June 2017.

The following is the text of a report, set out on pages IIB-1 to IIB-18, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this investment circular.

RSM

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

22 December 2017

The Board of Directors
Mason Group Holdings Limited
Units 4708–10
47/F., The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MASON GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Harris Fraser (Hong Kong) Limited ("**HFHK**") set out on pages IIB-4 to IIB-18, which comprises the statements of financial position of HFHK as at 31 March 2015, 2016 and 2017 and 30 June 2017, and 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 years ended 31 March 2015, 2016 and 2017 and three months ended 30 June 2017 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIB-4 to IIB-18 forms an integral part of this report, which has been prepared for inclusion in the investment circular of Mason Group Holdings Limited (the "**Company**") dated 22 December 2017 (the "**Investment Circular**") in connection with the proposed acquisition of the entire equity interest in HFHK.

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 and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of HFHK's financial position as at 31 March 2015, 2016 and 2017 and 30 June 2017 and of HFHK's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of HFHK which comprises statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months ended 30 June 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 and presentation set out in Note 2 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 that an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited

Adjustments

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

RSM Hong Kong
Certified Public Accountants
Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The statutory financial statements of HFHK for the years ended 31 March 2015, 2016 and 2017 were audited by Global Vision CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The financial statements of HFHK for the Relevant Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			**Three months ended 30 June**	
		2015	**2016**	**2017**	**2016**	**2017**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	*7*	—	—	—	—	—
Other income		56	—	—	—	—
Administrative expenses		(51)	(47)	(38)	(28)	(27)
Profit/(loss) before tax		5	(47)	(38)	(28)	(27)
Income tax expense	*8*	—	—	—	—	—
Profit/(loss) for the year/period	*9*	5	(47)	(38)	(28)	(27)
Other comprehensive income for the year/period, net of tax		—	—	—	—	—
Total comprehensive income for the year/period		5	(47)	(38)	(28)	(27)

STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 30 June
		2015	2016	2017	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*11*	4	—	—	—
Available-for-sale financial assets	*12*	—	—	—	11
		4	—	—	11
Current assets					
Prepayments		6	6	5	5
Due from director	*10(b)*	1,035	1,163	1,040	1,015
Bank balances		473	302	388	377
		1,514	1,471	1,433	1,397
Current liabilities					
Accruals and other payables		9	9	9	11
Net current assets		1,505	1,462	1,424	1,386
NET ASSETS		1,509	1,462	1,424	1,397
Capital and reserves					
Share capital	*14*	6,000	6,000	6,000	6,000
Reserves		(4,491)	(4,538)	(4,576)	(4,603)
EQUITY		1,509	1,462	1,424	1,397

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2014	6,000	(4,496)	1,504
Total comprehensive income for the year	—	5	5
At 31 March 2015	6,000	(4,491)	1,509
At 1 April 2015	6,000	(4,491)	1,509
Total comprehensive income for the year	—	(47)	(47)
At 31 March 2016	6,000	(4,538)	1,462
At 1 April 2016	6,000	(4,538)	1,462
Total comprehensive income for the year	—	(38)	(38)
At 31 March 2017	6,000	(4,576)	1,424
At 1 April 2017	6,000	(4,576)	1,424
Total comprehensive income for the period	—	(27)	(27)
At 30 June 2017	6,000	(4,603)	1,397
At 1 April 2016	6,000	(4,538)	1,462
Total comprehensive income for the period	—	(28)	(28)
At 30 June 2016 (unaudited)	6,000	(4,566)	1,434

STATEMENTS OF CASH FLOWS

		Year ended 31 March			Three months ended 30 June	
		2015	2016	2017	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		5	(47)	(38)	(28)	(27)
Adjustment for depreciation	*11*	3	4	—	—	—
Operating profit/(loss) before working capital changes		8	(43)	(38)	(28)	(27)
Decrease in prepayments and deposits		159	—	1	1	—
(Decrease)/increase in accruals and other payables		(55)	—	—	2	2
Net cash generated from/(used in) operating activities		112	(43)	(37)	(25)	(25)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of available-for-sale financial assets		—	—	—	—	(11)
Decrease in amount due from a related company		2,740	—	—	—	—
(Increase)/decrease in amount due from director		(2,707)	(128)	123	20	25
Net cash generated from/(used in) investing activities		33	(128)	123	20	14
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		145	(171)	86	(5)	(11)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		328	473	302	302	388
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		473	302	388	297	377
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Bank balances		473	302	388	297	377

1. GENERAL INFORMATION

Harris Fraser (Hong Kong) Limited ("**HFHK**") was incorporated in Hong Kong with limited liability on 29 May 2002. The address of its registered office is Room 901–2, 9/F., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

HFHK is engaged in providing insurance brokerage services.

In the opinion of the directors of the Company, Ms. Ng Yuen Yee is the ultimate controlling party of HFHK.

2. BASIS OF PREPARATION

These Historical Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These Historical Financial Information do not constitute the statutory annual financial statements of HFHK for the Relevant Period. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

As HFHK is a private company, it is not required to deliver its financial statements for the years ended 31 March 2015, 2016 and 2017 to the Registrar of Companies and has not done so.

HFHK's auditor has reported on those financial statements. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

Significant accounting policies adopted by HFHK are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of HFHK. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to HFHK for the current and prior accounting periods reflected in these Historical Financial Information.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2017. None of these developments have had a material effect on how HFHK's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

HFHK has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2017. These new and revised HKFRSs include the following which may be relevant to HFHK.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018

HFHK is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. The directors of the Company expect there will be no material impact to HFHK's financial statements upon adoption of the new standards.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying HFHK's accounting policies. The areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in Hong Kong dollars, which is HFHK's functional and presentation currency.

(ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(b) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to HFHK and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at 20% which is sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

(c) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when HFHK becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; HFHK transfers substantially all the risks and rewards of ownership of the assets; or HFHK neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(d) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

HFHK classifies its financial assets 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 financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

(e) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(f) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(g) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of HFHK after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(h) Other payables

Other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Equity instruments

Equity instruments issued by HFHK are recorded at the proceeds received, net of direct issue costs.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to HFHK and the amount of revenue can be measured reliably.

(k) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. HFHK's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and HFHK intends to settle its current tax assets and liabilities on a net basis.

(l) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statements of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(m) Impairment of financial assets

At the end of each reporting period, HFHK assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

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

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when HFHK has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(o) Events after the reporting period

Events after the reporting period that provide additional information about HFHK's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Property, plant and equipment and depreciation

HFHK determines the estimated useful lives, residual values and related depreciation charges for HFHK's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. HFHK will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 March 2015, 2016 and 2017 and 30 June 2017 was approximately HK$4,000, HK$Nil, HK$Nil and HK$Nil respectively.

(b) Impairment of available-for-sale financial assets

Determining whether the investment is impaired requires the management to estimate the future cash flows expected to arise from the investee company and a suitable discount rate in order to calculate the present value.

6. FINANCIAL RISK MANAGEMENT

HFHK's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. HFHK's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on HFHK's financial performance.

(a) Foreign currency risk

HFHK has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars. HFHK currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. HFHK monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

HFHK has no significant concentrations of credit risk.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

HFHK's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity based on contractual undiscounted cash flows of HFHK is less than one year.

(d) Interest rate risk

As HFHK has no significant interest-bearing assets and liabilities, HFHK's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets:				
Loans and receivables (including cash and cash equivalents)	1,508	1,465	1,428	1,392
Available-for-sale financial assets	—	—	—	11
Financial liabilities:				
Financial liabilities at amortised cost	9	9	9	11

(f) Fair values

The carrying amounts of HFHK's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

7. REVENUE

HFHK has no revenue during the Relevant Period.

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since HFHK has no assessable profit for the Relevant Period.

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before tax	5	(47)	(38)	(28)	(27)
Tax at the Hong Kong Profits Tax rate of 16.5%	1	(8)	(6)	(5)	(4)
Tax effect of income that is not taxable	(9)	—	—	—	—
Tax effect of expenses that are not deductible	8	8	6	5	4
Income tax expense	—	—	—	—	—

9. PROFIT/(LOSS) FOR THE YEAR/PERIOD

HFHK's profit/(loss) for the Relevant Period is stated after charging the following:

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditors' remuneration	9	9	9	2	2
Depreciation	3	4	—	—	—

10. BENEFITS AND INTERESTS OF DIRECTOR

(a) Director's emoluments

The sole director of HFHK did not receive any fees or remunerations in respect of her service rendered to HFHK during the Relevant Period.

(b) The information about loan entered into by HFHK in favour of the sole director of HFHK is as follows:

Name of director	Outstanding amount at the beginning of the year/ period *HK$'000*	Outstanding amount at the end of the year/ period *HK$'000*	Maximum outstanding amount during the year/period *HK$'000*	Term	Interest	Security
As at 31 March 2015						
Loan:						
Ms. Ng Yuen Yee	—	1,035	1,035	Nil	Nil	Nil
As at 31 March 2016						
Loan:						
Ms. Ng Yuen Yee	1,035	1,163	1,163	Nil	Nil	Nil
As at 31 March 2017						
Loan:						
Ms. Ng Yuen Yee	1,163	1,040	1,163	Nil	Nil	Nil
As at 30 June 2017						
Loan:						
Ms. Ng Yuen Yee	1,040	1,015	1,040	Nil	Nil	Nil

(c) Director's material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to HFHK's business to which HFHK was a party and in which the sole director of HFHK and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Period or at any time during the Relevant Period.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2014	535	1,115	1,650
Disposals	—	(219)	(219)
At 31 March 2015, 2016 and 2017 and 30 June 2017	535	896	1,431
Accumulated depreciation			
At 1 April 2014	535	1,108	1,643
Charge for the year	—	3	3
Disposals	—	(219)	(219)
At 31 March 2015 and 1 April 2015	535	892	1,427
Charge for the year	—	4	4
At 31 March 2016 and 2017 and 30 June 2017	535	896	1,431
Carrying amount			
At 31 March 2015	—	4	4
At 31 March 2016	—	—	—
At 31 March 2017	—	—	—
At 30 June 2017	—	—	—

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 March			As at 30 June
	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2017 *HK$'000*
Unlisted equity securities	—	—	—	11
Analysed as:				
Non-current assets	—	—	—	11

Unlisted equity securities with carrying amount of approximately HK$11,000 were carried at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

13. DEFERRED TAX

As at 31 March 2015, 2016 and 2017 and 30 June 2017 HFHK has unused tax losses of approximately HK$4,101,000, HK$4,188,000, HK$4,268,000 and HK$4,303,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

14. SHARE CAPITAL

	As at 31 March						As at 30 June	
	2015		2016		2017		2017	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	*HK$'000*	*'000*	*HK$'000*	*'000*	*HK$'000*	*'000*	*HK$'000*
Ordinary shares, issued and fully paid:								
At beginning of year/period and end of year/period	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000

HFHK's objectives when managing capital are to safeguard HFHK's ability to continue as a going concern and to maximum the return to the shareholder through the optimisation of the debt and equity balance.

HFHK currently does not have any specific policies and processes for managing capital.

15. CONTINGENT LIABILITIES

As at 31 March 2015, 2016 and 2017 and 30 June 2017, HFHK did not have any significant contingent liabilities.

16. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, HFHK had the following transactions with its related party during the Relevant Period:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Acquisition of available-for-sale financial assets from director	—	—	—	—	11

17. EVENTS AFTER THE REPORTING PERIOD

HFHK did not have any significant events after each of the reporting period.

18. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by HFHK in respect of any period subsequent to 30 June 2017.

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

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

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22 December 2017

To the Directors of Mason Group Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Mason Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2017 and the related notes (the "**Pro Forma Financial Information**") as set out in Appendix III to the circular dated 22 December 2017 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are described on pages III-4 to III-10 in Appendix III to the Circular.

The Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed acquisition (the "**Proposed Acquisition**") of (i) 100% issued share capital in Harris Fraser Group Limited ("**HFG**") and Harris Fraser (Hong Kong) Limited ("**HFHK**"); and (ii) the remaining interests in Halena Co. Ltd., a limited liability company by quotas incorporated in Macau, which is a 55.5% owned subsidiary of HFG, on the Group's unaudited consolidated statement of assets and liabilities as at 30 June 2017 as if the Proposed Acquisition had taken place on 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2017, on which a review report has been published. Information about (i) the consolidated statement of assets and liabilities of HFG and its subsidiaries (collectively referred to as the "**HFG Group**") as at 30 June 2017; and (ii) the statement of assets and liabilities of HFHK as at 30 June 2017 have been extracted by the directors from the accountants' reports of HFG Group and HFHK as set out in Appendix IIA and Appendix IIB of the Circular respectively, if applicable.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the 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**").

Reporting Accountants' 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 behavior.

We apply Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintain 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 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 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 Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7.

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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the 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 Proposed Acquisition at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The 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 entity, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 Pro Forma Financial Information has been properly compiled on the basis stated;

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong

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

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities (the "**Pro Forma Financial Information**") of the Enlarged Group (being Mason Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") together with Harris Fraser Group Limited and its subsidiaries ("**HFG Group**"), Harris Fraser (Hong Kong) Limited ("**HFHK**") and Halena Co. Ltd. ("**Halena**") (collectively referred to as the "**Target Group**")) in connection with the proposed acquisition of the entire issued capital of the Target Group by the Group (the "**Proposed Acquisition**").

The accompanying Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") to illustrate the effect of the Proposed Acquisition on the unaudited consolidated statement of assets and liabilities of the Group as if the Proposed Acquisition had been completed on 30 June 2017.

The Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group and the Target Group as included elsewhere in the circular dated 22 December 2017 (the "**Circular**") and the Company's published interim report for the six months ended 30 June 2017 and annual report for the year ended 31 December 2016.

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

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017, as extracted from the published interim report of the Company for the six months ended 30 June 2017; (ii) the consolidated statement of financial position of HFG Group as at 30 June 2017, as extracted by the executive directors of the Company (the "**Executive Directors**") from the accountants' report of HFG Group as set out in Appendix IIA of the Circular; and (iii) the statement of financial position of HFHK as at 30 June 2017, as extracted by the Executive Directors from the accountants' report of HFHK as set out in Appendix IIB of the Circular, with adjustments described below that are directly attributable to the Proposed Acquisition and not relating to future events or decisions, factually supportable and clearly identified as to those have/have no continuing effect on the Group.

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2017	Audited consolidated statement of assets and liabilities of HFG Group as at 30 June 2017	Audited statement of assets and liabilities of HFHK as at 30 June 2017	Pro forma Adjustment	Pro forma Adjustment	Pro forma Adjustment	Pro forma Adjustment	Unaudited pro forma adjusted consolidated statement of assets and liabilities of the Enlarged Group immediately after completion of the Proposed Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Non-current assets								
Property, plant and equipment	38,536	508	—					39,044
Intangible assets	763,288	117	—			52,797		816,202
Goodwill	477,094	—	—			66,063		543,157
Interests in subsidiaries	—	—	—		118,391	(118,391)		—
Interests in associates	215,168	—	—					215,168
Interests in joint ventures	32,380	—	—					32,380
Non-current deposits paid and prepayments	9,676	—	—					9,676
Available-for-sale financial assets	677,148	—	11			(11)		677,148
Loans receivables	248,122	—	—					248,122
Deferred tax assets	306	—	—					306
	2,461,718	625	11					2,581,203
Current assets								
Inventories	272,967	—	—					272,967
Financial assets at fair value through profit or loss	443,328	—	—					443,328
Loans receivables	775,126	—	—					775,126
Trade and other receivables	1,037,223	13,429	1,020					1,051,672
Tax recoverable	—	180	—					180
Pledged bank deposits	53,179	—	—					53,179
Bank balances and cash	2,593,906	35,447	377		(81,550)			2,548,180
	5,175,729	49,056	1,397					5,144,632

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2017	Audited consolidated statement of assets and liabilities of HFG Group as at 30 June 2017	Audited statement of assets and liabilities of HFHK as at 30 June 2017	Pro forma Adjustment	Pro forma Adjustment	Pro forma Adjustment	Pro forma Adjustment	Unaudited pro forma adjusted consolidated statement of assets and liabilities of the Enlarged Group immediately after completion of the Proposed Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Current liabilities								
Trade and other payables	661,804	22,322	11		19,366		5,783	709,286
Dividend payable	—	—	—	20,000				20,000
Interest-bearing borrowings	349,305	—	—					349,305
Tax payables	21,798	502	—					22,300
	1,032,907	22,824	11					1,100,891
Net current assets	4,142,822	26,232	1,386					4,043,741
Total assets less current liabilities	6,604,540	26,857	1,397					6,624,944
Non-current liabilities								
Other payables	—	—	—		17,475			17,475
Interest-bearing borrowings	20,000	—	—					20,000
Deferred tax liabilities	155,585	—	—			8,712		164,297
	175,585	—	—					201,772
Net assets	6,428,955	26,857	1,397					6,423,172

Notes:

(1) The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Company's interim report for the six months ended 30 June 2017.

(2) The balances are extracted from the audited consolidated statement of financial position of HFG Group as at 30 June 2017 as set out in Appendix IIA to this Circular.

(3) The balances are extracted from the audited statement of financial position of HFHK as at 30 June 2017 as set out in Appendix IIB to this Circular.

(4) The adjustment represents a special dividend of HK$20,000,000 declared by the Target Group prior to the completion of the Proposed Acquisition according to the sale and purchase agreement entered into by Ms. Ng Yuen Yee (the "**Vendor**") and Mason Strategic Investments Company Limited, a wholly-owned subsidiary of the Company, on 7 September 2017 (the "**Sale and Purchase Agreement**"). The timing to make the payment depends on when the Group shall be satisfied that the Target Group maintains a sustainable net working capital of HK$10,000,000 after such payment.

Based on the consolidated statement of financial position of HFG Group and the statement of financial position of HFHK as at 30 June 2017, the combined net assets value and the combined net working capital of the Target Group as at 30 June 2017 were HK$28,254,000 and HK$27,618,000 respectively. In the event the declaration of the special dividend of HK$20,000,000 has been paid, the net working capital of the Target Group shall be HK$7,618,000, which is less than HK$10,000,000. In the opinion of the Executive Directors, the Target Group will be able to maintain a sustainable net working capital of HK$10,000,000 after pay-out before 30 June 2018 and therefore, the payment of special dividend of HK$20,000,000 has been recognised as "Dividend payable" under current liabilities in the unaudited pro forma statement of assets and liabilities of the Enlarged Group. Details of the special dividend has been set out in the paragraph headed "Special Dividend" in the Circular.

(5) The adjustment represents the fair value of cash consideration of the Proposed Acquisition of HK$118,391,000 to be paid by internal resources of the Group, which comprises of:

(a) Pursuant to the Sale and Purchase Agreement, the consideration of the Proposed Acquisition is HK$116,500,000 (the "**Consideration**") (subject to the adjustments, if any), which would be satisfied in the manner of (i) HK$81,550,000, representing 70% of the Consideration, shall be paid upon completion of the Proposed Acquisition; (ii) HK$17,475,000, representing 15% of the Consideration, shall be payable to the Vendor within 15 business days of the day on which the audited consolidated or combined financial statements of the Target Group in respect of the financial year ending 31 March 2018 ("**FY2018**") are available but in any event not later than 30 September 2018; and (iii) HK$17,475,000, representing the remaining 15% of the Consideration, subject to the adjustment as provided in the paragraph headed "Adjustment to the Consideration" as set out in the Circular, shall be payable to the Vendor within 15 business days of the day on which the audited consolidated or combined financial statements of the Target Group in respect of financial year ending 31 March 2019 ("**FY2019**") are available but in any event not later than 30 September 2019 ("**Second Deferred Payment**").

(b) Pursuant to the Sale and Purchase Agreement, the Vendor shall be entitled to a sum equivalent to such part of the aggregate net profit of the Target Group ("**Aggregate Net Profit**") for FY2018 in proportion to the number of calendar days during the period as from 1 April 2017 to the day immediately before the completion date in FY2018. According to the accountants' reports of HFG Group and HFHK as set out in the Appendix II of the Circular, the Aggregated Net Profit of the Target Group for the period from 1 April 2017 to 30 June 2017 would be approximately HK$1,891,000 as if the Proposed Acquisition had been completed on 30 June 2017, which shall be payable to the Vendor within 30 days of the provision of the audited consolidated or combined financial statements of the Target Group for FY2018.

Pursuant to the Sale and Purchase Agreement, the Consideration is subject to the following adjustments:

(a) If the Aggregate Net Profit for FY2019 (based on the audited consolidated or combined financial statements of the Target Group in respect of FY2019) is HK$2,250,000 or less (being 30% of the Guaranteed Profits (as defined underneath)), the Vendor shall be entitled to repurchase the sale shares (the "**Repurchase**") at a price equivalent to the consummation of (i) Consideration; (ii) all additional follow-on capital contribution or shareholder's loan to the Group; and (iii) all fees reasonably incurred by the Group in relation to the transactions contemplated under the Sale and Purchase Agreement (including, without limitation, attorneys' fees and accountants' fees) plus an interest of 5% per annum on items (i) to (iii) above.

(b) Provided that the Vendor not having exercised her right to repurchase the sale shares, in the event that the Aggregate Net Profit for FY2019 based on the audited consolidated or combined financial statements of the Target Group in respect of that financial year is less than HK$7,500,000 (the "**Guaranteed Profits**"), the Consideration shall be adjusted by the amount being the difference between the actual Aggregate Net Profit and the Guaranteed Profits for FY2019 multiplied by 15, which shall be deducted from the Second Deferred Payment provided that if the adjusted amount for FY2019 is greater than the Second Deferred Payment (the difference between the adjusted amount and the Second Deferred Payment being referred to as "**2019 Shortfall**"), the Vendor shall pay to the Group a sum representing the 2019 Shortfall.

(c) In the event the Aggregate Net Profit for FY2019 exceeds HK$9,000,000 (the "**Profit Sharing Level**") but is less than HK$11,250,000, the Group shall pay to the Vendor a cash payment equivalent to 40% of the amount of such part of the Aggregate Net Profit for FY2019 in excess of HK$9,000,000 (the "**Initial Sum**") while in the event the Aggregate Net Profit for FY2019 is or exceeds HK$11,250,000, the Group shall pay to the Vendor a cash payment equivalent to the consummation of the Initial Sum and a sum equivalent to 50% of the amount in excess of HK$11,250,000 (the "**Profit Sharing**").

The Executive Directors have reviewed the historical financial information of the Target Group. As at the date of this Pro Forma Financial Information, the Executive Directors expect the Aggregate Net Profit of the Target Group for FY2019 will not be less than the Guaranteed Profits and will not be more than the Profit Sharing Level. Accordingly, the Executive Directors are of the opinion that the fair value of the contingent consideration payable to the Vendor being the adjustments to the Consideration in connection with the Repurchase, the Guaranteed Profits and the Profit Sharing are considered to be zero.

The fair value of the adjustments to the Consideration based on the Executive Directors' estimation on the probability of occurrence and the Aggregate Net Profit of the Target Group for FY2019 will be reassessed after the completion of the Proposed Acquisition, in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") until they are paid to the Vendor in full. The fair value of the adjustments to the Consideration will have to be reassessed at each reporting date after the completion of the Proposed Acquisition, any differences have to be charged/credited to profit or loss. Such adjustments are expected to have a continuing effect to the Enlarged Group until the adjustments to the Consideration is paid to the Vendor in full.

(6) The Group will recognise the acquisition of the Target Group as a business combination in accordance with HKFRS 3 (Revised) "*Business Combination*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Goodwill of HK$66,063,000 arising from the Proposed Acquisition is calculated as follows:

	HK$'000
Consideration at fair value	118,391
Carrying amount of identifiable assets and liabilities of HFG Group	26,857
Carrying amount of identifiable assets and liabilities of HFHK	1,397
Elimination of 11.1% equity interests in Halena held by HFHK as available-for-sale financial assets	(11)
Fair value adjustments on intangible assets *(note 6(a))*	52,797
Deferred tax liabilities *(note 6(b))*	(8,712)
Declaration of special dividend *(note 4)*	(20,000)
Fair value of identifiable assets acquired and liabilities assumed of the Target Group	52,328
Goodwill arising from the Proposed Acquisition *(note 6(c))*	66,063

(a) This represents the estimated fair value of intangible assets held by the Target Group at 30 June 2017. In the opinion of the Executive Directors, the fair value of intangible assets at 30 June 2017 is estimated to be approximately HK$52,797,000, represented by the Target Group's brand name of approximately HK$30,250,000, connection network of approximately HK$15,500,000 and trading rights of approximately HK$7,047,000 with reference to a valuation report at 30 June 2017 prepared by an independent professional valuer, Avista Valuation Advisory Limited. All of the intangible assets were acquired by the Group as a result of the Proposed Acquisition.

Connection network and brand name represent network of independent financial advisors that maintained stable business relationship with the Target Group and the trading name of the Target Group in providing investment advisory services, securities dealing services, assets management services, insurance brokerage services and corporate secretarial services. The fair value of connection network was estimated based on income-based approach i.e. multi-excess earning method, with the estimated revenue and useful life of existing connection network using an attrition rate of 15% and the discount rate of 14.9%. The fair value of brand name was estimated based on income-based approach, i.e. relief from royalty method by using a royalty rate of 2% on the estimated revenue attributable to the brand name and the discount rate of 14.9%. Estimated future economic benefits attributed to the connection network and brand name were discounted at a rate which reflected the business risks in relation to the business operated.

Trading rights represent the rights of the Target Group to trade on or through the Stock Exchange. The fair values of trading rights were estimated based on a market-based approach by comparison of the prices at which other similar intangible assets or interests changed hands in arm's length transactions.

(b) Deferred tax liabilities of approximately HK$8,712,000 are provided on the fair value adjustments of the intangible assets of approximately HK$52,797,000 at the Target Group's income tax rate of 16.5%.

(c) Goodwill arising from the Proposed Acquisition, being the excess of total consideration paid/payable over the fair value of identifiable assets and liabilities of the Target Group, is attributable to revenue growth, future market development and the assembled workforce from the Target

Group. None of the goodwill recognised is expected to be deductible for income tax purpose. In addition, the Executive Directors are of the view that goodwill would not have any future impact on the cash flow of the Enlarged Group.

The fair value of identifiable assets and liabilities of Target Group used in the preparation of the Pro Forma Financial Information are subject to changes up to the completion of the Proposed Acquisition, which shall be assessed on the date of completion of the Proposed Acquisition. Consequently, the actual allocation of the consideration, the resulting goodwill to be recognised in connection with the Proposed Acquisition at the acquisition date could be materially different from the estimated amounts stated herein and will likely result in different amounts than those stated in the Pro Forma Financial Information.

For the purpose of preparation of the Pro Forma Financial Information, the Executive Directors have assessed whether goodwill may be impaired on a pro forma basis in accordance with Hong Kong Accounting Standard ("**HKAS**") 36 "*Impairment of Assets*" issued by the HKICPA. The Target Group is identified as a distinct cash generating unit ("**CGU**") for which goodwill is allocated to. The recoverable amount of the CGU has been determined based on the value in use calculation assuming that the Guaranteed Profits for FY2019 can be achieved after taking into consideration the net profit in the first quarter of FY2018 as shown in the latest combined management accounts of the Target Group and making reference to the Target Group's historical financial performance. The Executive Directors determined the recoverable amount of the CGU with the assistance of an independent professional valuer for the purpose of preparation of the Pro Forma Financial Information.

Based on the impairment test of goodwill, the Executive Directors assessed that the pro forma recoverable amount of the CGU is determined to be higher than the pro forma carrying amount of the CGU, including goodwill, and hence there is no pro forma impairment loss identified in respect of intangible assets and goodwill.

The reporting accountants concurred with the Executive Directors' assessment of the intangible assets and goodwill of the CGU in the unaudited Pro Forma Financial Information.

The Executive Directors confirm that they will apply consistent accounting policies and principal assumptions for the annual assessment of impairment of goodwill in the preparation of the consolidated financial statements of the Group after the completion of the Proposed Acquisition as required under HKAS 36.

(7) The adjustment represents the estimated acquisition-related costs of approximately HK$5,783,000, including accountancy, legal, valuation and other professional services related to the Proposed Acquisition, which would be recognised in profit or loss. The adjustment has no continuing effect on the consolidated assets and liabilities of the Enlarged Group in subsequent years.

(8) Apart from the above, no other adjustments have been made to the Pro Forma Financial Information of the Enlarged Group to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 30 June 2017, where applicable.

As shown in Appendix IIB, Harris Fraser HK has no material assets and business operation save for its assets of (i) approximately HK$1.0 million loan due from director; (ii) approximately HK$0.4 million bank balances; and (iii) 11.1% equity interest in Macau Company as at 30 June 2017 and as such management discussion and analysis of the Target Group focuses on the HFG Group only.

REVENUE

The following shows the amount of each significant category of revenue recognized by the HFG Group for the periods specified below:

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Commission and services income	88,831	105,771	151,848	33,175	39,721
Management fee income	584	610	407	75	23
Company secretary and administrative service fee income	504	245	450	124	14
	89,919	106,626	152,705	33,374	39,758

The HFG Group's revenue was derived from providing insurance brokerage, IFA services, securities brokerage, securities advisory and asset management services. Commission and services income accounted for approximately 98.8%, 99.2% and 99.4% of its total revenue, respectively, for the three years ended 31 March 2015, 2016 and 2017. Commission and services income accounted for approximately 99.4% and 99.9%, respectively, for the three months ended 30 June 2016 and 2017. Commission and services income increased by 19.1% from HK$88.8 million in FY2015 to HK$105.8 million in FY2016 and subsequently increased by 43.5% from HK$105.8 million in FY2016 to HK$151.8 million in FY2017, primarily reflecting (i) its increase in commission income from insurance products; (ii) expansion of product providers and their products to the business partners of the HFG Group; and (iii) set-up of new operation in Macau since February 2015. Commission and services income of the HFG Group increased by 19.6% from HK$33.2 million for the three months ended 30 June 2016 to HK$39.7 million for the three months ended 30 June 2017, primarily reflecting its increase in commission income from insurance products.

The following table sets out the breakdown of the HFG Group's commission and services income by business segments.

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Insurance brokerage	71,312	93,040	143,827	31,131	37,314
Securities dealing	10,306	8,716	7,126	1,585	2,380
Others	7,213	4,015	895	459	27
Total commission income	88,831	105,771	151,848	33,175	39,721

Insurance brokerage business

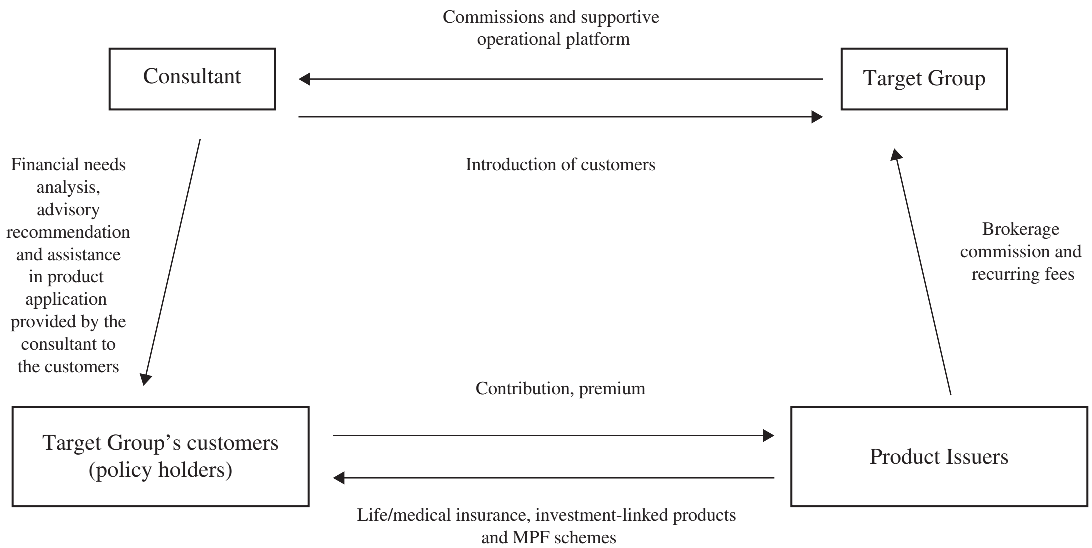
Insurance products offered by the Target Group

The Target Group negotiates and arranges contracts of insurance and MPF schemes as agent of their customers i.e. the policyholders, and advise on matters related to insurance. Investment-linked assurance scheme ("**ILAS**") is the major contracts of insurance which the Target Group provides advisory services and from which around 45% to 60% of the Target Group's revenue for the three years ended 31 March 2017 and the three months ended June 2017 was generated. The Target Group also acts as an independent broker for general and conventional insurance, life and medical insurance and MPF schemes in the course of providing advisory services to their customers. The following table sets out a breakdown of the Target Group's revenue:

	Year ended 31 March						Three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Commission income										
ILAS	48,893	55.0	64,857	61.3	72,866	48.0	15,220	45.9	21,406	53.8
Medical and life insurance	22,382	25.2	28,103	26.6	70,873	46.6	15,901	47.9	15,884	40.0
General insurance	37	0.1	80	0.1	88	0.1	10	0.1	24	0.1
Securities	10,306	11.6	8,716	8.2	7,126	4.7	1,585	4.7	2,380	6.0
Others (including MPF)	7,213	8.1	4,015	3.8	895	0.6	458	1.4	27	0.1
Total	88,831	100.0	105,771	100.0	151,848	100.0	33,174	100.0	39,721	100.0

Business model of the insurance brokerage business

The simplified diagram below illustrates the existing business model of the insurance brokerage business of the Target Group:



The HFG Group establishes business relationship with the product issuers by entering into the broker agreements. As at the Latest Practicable Date, the Target Group has entered into business relationship with 29 product issuers, including listed insurance companies in Hong Kong, insurance branch of bank, investment funds and other established insurance companies in Hong Kong and Macau. For terms of the broker agreement with major product issuers, please see the paragraph headed "Broker agreement with product issuers" in this section below.

The Target Group delivers services to the customers through their consultants. The consultants act as representatives for the Target Group so that they are responsible for soliciting insurance products. The consultants entered into contracts for services with the Target Group for providing the relevant services. They have no contractual relationship with and are independent of the product issuers. As at the Latest Practicable Date, the Target Group has engaged almost 60 active insurance consultants. All of such consultants were registered with the relevant authorities in Hong Kong and Macau. When the consultants accomplish new business and produce brokerage commission income for the Target Group through sale of various insurance products and MPF schemes in the course of provision of advisory services to customers which in turn enter into insurance policy contracts with the product issuers, the Target Group pays commission to the consultants in accordance with (i) the terms and conditions stipulated in the contracts for services entered into between the consultant and the Target Group; and (ii) the conditions set by the Target Group being satisfied, such as relevant documents having been filed with the Target Group and relevant commission income having been received from the product issuers. The payment of commission to the consultants depends on the pattern of commission income and recurring fees received by the Target Group from the product issuers and varies with different types of products, as well as the rates generally offered by competitors in the market.

The Target Group also allocates resources in maintaining and developing effective and supportive operation platform for the consultants to carry on the business. Such resources include, among others, overheads for compliance, internal control, marketing, information technology systems, training, office spaces, continuous professional development programs and general administration.

The customers of the insurance brokerage business are policyholders whom the consultants provide services to. As at the end of October 2017, the Target Group has about 14,000 insurance customers who are mostly individuals. In conducting the insurance brokerage business, the consultants (i) conduct financial needs analysis for the customers who need insurance products and schemes; (ii) review existing insurance products and schemes purchased by the customers; and (iii) advise or make recommendations to the customers concerning the selection by them of the suitable insurance products. The customers entered into product purchase contracts with the product issuers for which the Target Group is not a party to the contracts. The customers pay contributions or premium to the product issuers directly. The customers also sign a service agreement engaging the Target Group to provide insurance advisory services to them. The product issuers, which develop the insurance products, would remunerate the Target Group on a commission and recurring fee basis for services provided by the Target Group to their customers. Such commission is predetermined between the product issuers and the Target Group according to different nature of the products. The commission will be paid to the Target Group upon the new insurance policy issued and subsequent renewal of the insurance policies in-force.

The consultants are responsible for after-sale services and are supported by the client servicing of the operation department of the Target Group. A customer relationship management ("**CRM**") process which keeps track of all valued client information and their corresponding insurance policies has been implemented by the Target Group. Valued Clients can access this via a web interface to view their individual policies details. Consultants can also conveniently access the CRM system through the Target Group's portal to ensure prompt response to clients' requests or enquiries.

Broker agreement with product issuers

In general, the major terms of the broker agreement entered into between the Target Group and the product issuers include, inter alia, the following:

(i) the Target Group shall, in the capacity of an independent contractor, introduce business to the product issuers and in turn the product issuers shall pay commission to the Target Group;

(ii) the product issuers reserve the rights not to accept businesses introduced by the Target Group; and

(iii) the agreements have no expiry date and can be terminated subject to written notice by either party or under certain circumstances, for example, winding up proceeding being instituted, any breach of conditions of the broker agreements and the broker commits any dishonesty or fraudulent act etc.

Commission income from product issuers

The Target Group is entitled to receive one-off brokerage commission income and recurring fee income from the product issuers for brokering the sale of their products. The following table sets out the amount of one-off brokerage commission income and recurring fee income for the three years ended 31 March 2015, 2016 and 2017:

		2015		**2016**		**2017**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
One-off brokerage commission income	59,068	82.8	81,870	88.0	129,959	90.4
Recurring fee income	12,244	17.2	11,170	12.0	13,868	9.6
	71,312	100.0	93,040	100.0	143,827	100.0

The five largest product issuers of the Target Group contributed for approximately 53.7%, 76.9% and 71.3% of the total revenue of the Target Group, respectively, for the three years ended 31 March 2015, 2016 and 2017. Accordingly, the Target Group is dependent on the distribution of insurance products from a few product issuers. If the commission rebates on the relevant products are reduced or payment by the relevant product issuers are delayed, they may adversely impact on the profitability and financial position of the Target Group.

Based on the understanding of the Company, it considers that the Target Group is not heavily reliant on the product issuers as the Target Group promotes different insurance products based on various factors, such as popularity and market need of the relevant products and the commission rebates for such products. The Company considers that the risk of the relevant insurance product issuers ceasing to allow the Target Group to continue to distribute the relevant products would be insignificant and the Target Group should be able to source different products for distribution from other issuers. The Target Group will continue to expand its product range to include different products with better profitability. Given that the product issuers are well established companies with good credit rating and based on previous payment history, the risks of delayed payment by issuers should not be significant. Notwithstanding the above, after the Acquisition, the Company will consider the range of products available in the market and consider diversifying its product range.

Securities brokerage business

HFG provides advice and portfolio management of stocks, unit trust and bonds to their clients. It receives a brokerage fee, adviser fee and portfolio discretionary fee on a monthly or quarterly basis. As at the Latest Practicable Date, HFG has approximately 700 clients in relation to such services and most of them are individual clients.

COST OF SERVICES RENDERED

Cost of services rendered mainly comprised the commissions paid to the business partners of the HFG Group incurred in relation to insurance brokerage, IFA services, securities brokerage, securities advisory and asset management services. The HFG Group's business partners include but not limited to its IFAs, professional and consultancy firms such as brokers and immigration consultancy firms. The years of relationship with the business partners range from one year to over 15 years. The commissions offered to the business partners depend on the nature of products/services provided, relationship with the partners and the businesses which the business partners could introduce to the HFG Group. According to the Vendor, the business partners do not have shareholding relationship with the HFG Group or the Vendor. Cost of services rendered increased by approximately 22.1% from HK$69.8 million in FY2015 to HK$85.2 million in FY2016 and subsequently increased by approximately 47.2% from HK$85.2 million in FY2016 to HK$125.4 million in FY2017, primarily reflecting its increase in commission paid to business partners of the HFG Group for insurance products. Cost of services rendered increased by approximately 21.0% from HK$27.2 million for the three months ended 30 June 2016 to HK$32.9 million for the three months ended 30 June 2017, primarily reflecting its increase in commission paid to business partners of the HFG Group for the insurance products and securities brokerage services.

GROSS PROFIT

Gross profit of the HFG Group increased by approximately 5.9% from HK$20.2 million in FY2015 to HK$21.4 million in FY2016 and subsequently increased by approximately 27.6% from HK$21.4 million in FY2016 to HK$27.3 million in FY2017. Gross profit of the HFG Group increased by approximately 11.5% from HK$6.1 million for the three months ended 30 June 2016 to HK$6.8 million for the three months ended 30 June 2017. For the years ended 31 March 2015, 2016 and 2017, the gross profit margin amounted to approximately 22.4%, 20.1% and 17.9%, respectively. For the three months ended 30 June 2016 and 30 June 2017, the gross profit margin amounted to approximately 18.4% and 17.2%, respectively. The decrease in the gross profit margin from FY2015 to FY2017 and the three months ended 30 June 2017 was primarily due to the increase of the commission ratio offered to the business partners of the HFG Group so as to motivate them to achieve a better performance.

ADMINISTRATIVE EXPENSES

Administrative expenses of the HFG Group during the periods under review mainly included staff cost, director remuneration, office and rent cost, auditors fee and other expenses. Administrative expenses of the HFG Group increased by approximately 44.0% from HK$12.5 million in FY2015 to HK$18.0 million in FY2016 and subsequently increased by approximately 5.0% from HK$18.0 million in FY2016 to HK$18.9 million in FY2017, primarily reflecting the set-up of a business development team since end of 2014 and the rental expenses for an extra office rented since February, 2015. Administrative expenses of the HFG Group increased slightly by approximately 4.2% from HK$4.8 million for the three months ended 30 June 2016 to HK$5.0 million for the three months ended 30 June 2017.

NET PROFIT

Net profit of the HFG Group decreased by approximately 43.8% from HK$6.4 million in FY2015 to HK$3.6 million in FY2016 and subsequently increased by approximately 125.0% from HK$3.6 million in FY2016 to HK$8.1 million in FY2017. Net profit of the HFG Group increased by approximately 72.7% from HK$1.1 million for the three months ended 30 June 2016 to HK$1.9 million for the three months ended 30 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2015, 2016, 2017 and 30 June 2017, the current assets of the HFG Group were approximately HK$32.8 million, HK$30.3 million, HK$44.7 million and HK$49.1million, respectively, which were made up of (i) bank and cash balances of approximately HK$19.8 million, HK$18.5 million, HK$31.3 million and HK$35.4 million, respectively; (ii) trade receivable of approximately HK$10.5 million, HK$8.3 million, HK$7.9 million and HK$7.7 million, respectively; (iii) prepayment, deposits and other receivables of approximately HK$1.9 million, HK$3.0 million, HK$5.3 million and HK$5.8 million, respectively; and (iv) current tax assets of approximately HK$0.7 million, HK$0.5 million, HK$0.2 million and HK$0.2 million, respectively.

As at 31 March 2015, 2016, 2017 and 30 June 2017, the current liabilities of the HFG Group were approximately HK$19.9 million, HK$14.4 million, HK$20.4 million and HK$22.8 million, respectively, which were made up of (i) trade payables, accruals and other payables of approximately HK$19.5 million, HK$13.3 million, HK$19.0 million and HK$21.3 million, respectively; (ii) loan due to a director of approximately HK$0.4 million, HK$1.1 million, HK$1.1 million and HK$1.0 million, respectively.

As at 31 March 2015, 2016, 2017 and 30 June 2017, the HFG Group's current ratio (calculated by current assets divided by current liabilities) was approximately 1.65 times, 2.10 times, 2.19 times and 2.15 times, respectively.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the HFG Group had no borrowings from third party.

FOREIGN EXCHANGE RISK

The HFG Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the HFG Group which is HK$. Its operating revenues were principally denominated in HK$, USD and GBP and its operating expenses were principally denominated in HK$ and USD. Certain trade receivables and bank balances and cash are denominated in other foreign currencies. The HFG Group did not use any derivative financial instruments for hedging purposes. It monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The HFG Group did not encounter any material effect on its operation or liquidity as a result of fluctuation in currency exchange rates during the three years ended 31 March 2017 and the three months ended 30 June 2017.

INTEREST RATE OF BORROWINGS

The amount due to director is interest-free.

GEARING RATIOS

The HFG Group had a gearing ratio of approximately 59.3%, 45.8%, 45.1% and 45.9% as at 31 March 2015, 2016, 2017 and 30 June 2017, which are calculated as the total liabilities divided by the total assets.

CONTINGENT LIABILITIES

As at 31 March 2015, 2016, 2017 and 30 June 2017, the HFG Group had no material contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL

On 1 April 2015, HFG disposed 100% equity interest of Harris Fraser (Australia) Pty Limited for a total consideration of AUD30,000. For the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2017, the HFG Group did not have any material acquisition or disposal of subsidiaries and associated companies.

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE

For the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2017, the HFG Group did not hold any material investments.

CHARGE ON ASSETS

The HFG Group did not have any charge on assets as at 31 December 2015, 2016, 2017 and 30 June 2017.

HEADCOUNT AND POLICY OF EMPLOYEE REMUNERATION

As of 31 March 2015, 2016, 2017 and 30 June 2017, the number of employees in the HFG Group was approximately 17, 28, 26 and 26, respectively.

The HFG Group recruits, employs and remunerates its employees based on their qualifications, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits mainly include medical insurance. Bonuses and incentives given to the employees of the HFG Group have been determined after taking into account the financial results of the HFG Group and the performance of employees. During the three years ended 31 March 2015, 2016, 2017 and the three months period ended 30 June 2017, salaries, bonuses and incentives paid to the employees of the HFG Group was approximately HK$7.4 million, HK$10.8 million, HK$11.0 million and HK$2.6 million, respectively. The remuneration policy of the senior management of the HFG Group is also regularly monitored by the executive director of the HFG Group.

LEGAL AND REGULATORY FRAMEWORK

Please refer to the below for the applicable law and regulations to the business of the Target Group in Hong Kong and Macau:

Hong Kong

*MANDATORY PROVIDENT FUND SCHEMES AUTHORITY ("**MPFA**")*

Mandatory provident fund ("**MPF**") schemes are regulated by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("**MPFO**"), its subsidiary legislation and codes, guidelines and circulars issued by the MPFA. The MPFA is responsible for regulating the operations of these schemes. Pursuant to the MPFO, a person must register with the MPFA as an intermediary before he may engage in sales and marketing activities, and the giving of advice, relating to MPF schemes. Both Harris Fraser HK and HF Partners are registered with the MPFA as a principal intermediary. Given that the core business of Harris Fraser HK and HF Partners is in the insurance sector, the Insurance Authority ("**IA**"), as assigned by MPFA pursuant to MPFO, is the frontline regulator of Harris Fraser HK and HF Partners. This is also confirmed in the public register of Harris Fraser HK and HF Partners on MPFA's website.

*PROFESSIONAL INSURANCE BROKERS ASSOCIATION ("**PIBA**")*

Harris Fraser HK and HF Partners operate insurance brokerage business. Insurance brokerage business is regulated by the IA. The relevant laws and regulations include the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong) ("**IO**"), its subsidiary legislation and guidelines and circulars issued by the IA.

Pursuant to the IO, a person shall not hold himself out as an insurance broker unless he is an authorized insurance broker (being either an insurance broker who is authorized by the IA or a member of a body of insurance brokers authorized by the IA). Harris Fraser HK and HF Partners are members of the PIBA, a self-regulatory body which is authorized by the IA as an approved body of insurance brokers pursuant to the IO. As a member of PIBA, Harris Fraser HK and HF Partners are required to comply with the statutory requirements under the IO as well as rules and regulations issued by PIBA.

Macau

Pursuant to Decree Law no. 38/89/M of 5 June, the performance of insurance intermediary activity in Macau requires prior authorization of the Macau Monetary Authority ("**MMA**"). The Macau Company currently holds insurance licences of 3 types (life Insurance, investment-linked and non-life insurance).

Non-compliances

According to the information provided by the Vendor and subject to the compliance with the secrecy obligations under Section 378 of the SFO, Harris Fraser International and Harris Fraser Corporate Services Limited (which is not a licensed corporation) did not have material breaches with any regulatory requirements or rules for the past 20 years except for the following:

- Harris Fraser International and one of its responsible officers, the Vendor, were publicly reprimanded by the SFC on 21 May 2002. Harris Fraser International was publicly reprimanded for making an overstatement in a promotional pamphlet in 2000 as to the scale of its business and for breaching a condition imposed on its dealer registration prohibiting its from dealing in products other than unit trusts and mutual funds. It also failed to furnish monthly financial resources returns correctly classifying its liquid assets and ranking liabilities and failed to implement effective internal control systems. The Vendor was publicly reprimanded for failing to effectively manage and supervise the securities dealing and investment advisory business. Harris Fraser International had implemented remedial measure including prior approval of marketing material by the management. Harris Fraser International had also appointed an accountant who was familiar with the SFC requirements to ensure on-going compliance with applicable rules and regulations.

- Harris Fraser Corporate Services Limited, a subsidiary of the Target Group, was investigated by the SFC in or around 2016 regarding possible unlicensed marketing of collective investment schemes in breach of sections 103 and/or 114 of the SFO. It is an offence under section 103 of the SFO to issue any advertisement, invitation or document which contains an invitation to the public in Hong Kong to acquire an interest or participate in a collective investment schemes unless the issue has been authorized by the SFC. Any person who carries out activities to promote a collective investment scheme may also be considered as carrying on a business in a regulated activity which requires a licence from the SFC, failing of which may lead to an offence under section 114 of SFO. The firm has ceased all marketing of the schemes and the SFC did not take any further action in relation to this matter but it documented its concerns and requested the firm to review and improve its business activities moving forward. The firm has ceased to market collective investment schemes after such incident.

BUSINESS PROSPECTS AND FUTURE DEVELOPMENT

The Target Group has been engaged in the businesses of securities dealing, asset management, insurance brokerage and IFA services. The Target Group also intends to offer overseas residential property investment opportunities to its clients. It is expected that the completion of the Acquisition would not have any significant impact to the daily operation and administration of the Target Group and the Target Group will be operated and managed by its management team of the Target Group. The Target Group will continue its existing model after Completion.

The Target Group has no plans for any material investment or acquisition of capital assets currently.

The following is the text of the valuation report from AVISTA Valuation Advisory Limited, the Independent Valuer, in connection with the fair value of the Target Group as of 31 August 2017, for the sole purpose of inclusion in this circular.

AVISTA Valuation Advisory
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22 December 2017

The Board of Directors
Mason Group Holdings Limited
c/o Mason Strategic Investment Company Limited
Units 4708–10, 47/F, The Center,
99 Queen's Road, Central, Hong Kong

Dear Sirs/Madams,

RE: VALUATION OF 100% EQUITY INTEREST OF HARRIS FRASER GROUP LIMITED AND ITS SUBSIDIARIES, HARRIS FRASER (HONG KONG) LIMITED AND HALENA CO. LTD.

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") have conducted a business valuation in connection with the 100% equity interest of Harris Fraser Group Limited and its subsidiaries, Harris Fraser (Hong Kong) Limited and Halena Co. Ltd. (altogether as the "**Harris Fraser Group**", the "**Target Group**" or "**HFG**") as of 31 August 2017 (the "**Valuation Date**"). We understand that Mason Group Holdings Limited (the "**Company**", "**MGHL**" or "**you**") intends to acquire 100% shareholding of the Target Group (the "**Proposed Acquisition**").

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the "**Directors**") and used for the Proposed Acquisition solely for your internal reference purpose. This report (the "**Report**") does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions, explains the analysis methodology adopted in this appraisal process to calculate the value, also the additional supporting documentation has been retained as a part of our work papers.

BASIS OF ANALYSIS

We have appraised the fair value of 100% equity interest of the Target Group.

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.

COMPANY BACKGROUND

The Target Group is wholly owned by Halena Ng (the "**Vendor**"). Incorporated in Hong Kong since 1990, the Target Group is a long-established wealth management company assisting clients in Asia to protect and grow their wealth. Its principle activities include asset management, corporate and trust services, investment savings plans, tax planning, life and general insurance and MPF advisory services. The Target Group engaged outside service providers including brokers and consultants to perform the above activities particularly for overseas clients and paid commission to the service providers as remuneration. Among the entities owned by the Vendor, Harris Fraser (International) Limited ("**HFI**") holds the license from the Securities and Futures Commission of Hong Kong ("**SFC**") for Type 1, Type 4 and Type 9 regulated activities; Harris Fraser (Hong Kong) Limited ("**HFHK**") and HF Partners Limited ("**HFP**") are registered as Mandatory Provident Fund Intermediaries in Hong Kong and are members of Professional Insurance Brokers Association ("**PIBA**"); and Halena Co. Ltd. is registered with Monetary Authority of Macau and holds insurance and investment-linked products licenses.

We understand that the Company intends to acquire 100% equity interest of the Target Group. As such, the Company would like to assess the fair value of the 100% equity interest of the Target Group as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Group, including the legal documents, licenses, financial statements, projections, etc. made available to us;
- Discussed with the Company to understand the history, business model, operations, customer base, business development plan, etc. of the Target Group for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Target Group made available to us and considered the basis and assumptions of our conclusion of value;

- Designed an appropriate valuation model to analyze the market data and derived the estimated fair value of the Target Group; and

- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Group and its authorized representatives.

INDUSTRY OVERVIEW

Economic Overview

Over the last five years, the Gross Domestic Product ("**GDP**") of East Asia & Pacific has experienced a steady march, with nominal GDP growing from approximately US$19.63 trillion in 2011 to approximately US$22.48 trillion in 2016, representing a compound annual growth rate ("**CAGR**") of approximately 2.75% while the CAGR of the global GDP stationed at around 0.62%. Signaled by the improving economic indicators such as non-farm payroll and unemployment rate from those major developed countries, global market sentiment has shown evidence of turning from recovering to optimism. Economic activities are expected to become progressively prosperous. The insurance and the insurance broker industry can also be benefited as a result of the economic advancement.

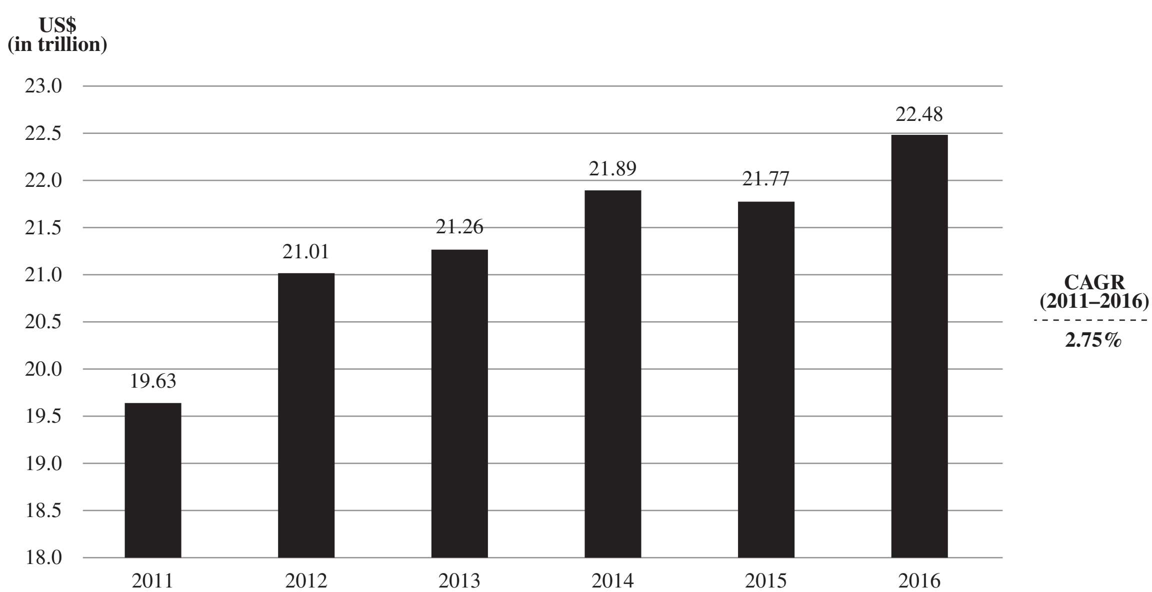

Figure 1: Nominal GDP of East Asia & Pacific (2011–2016)
(Source: The World Bank)

Population & Life Expectancy

As Asia is filled with both developing and developed countries, population growth is expected to show sign of moderate growth. According to the latest data by The World Bank, the population of East Asia & Pacific has grown from approximately 2.22 billion in 2010 to an approximate level of 2.297 billion, representing a CAGR of around 0.68% over the last five years. Life expectancy at birth in East Asia & Pacific is also on a rising trend from around 74.35 years in 2011 to an approximate level of 75.11 years in 2015.

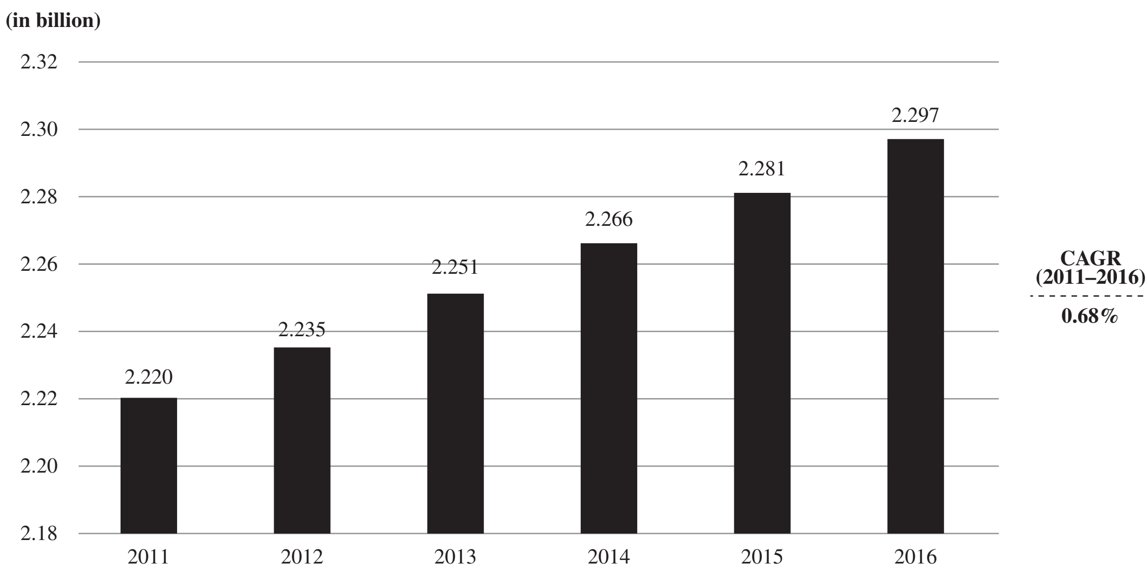

Figure 2: Population of the East Asia & Pacific from 2011 to 2016
(Source: The World Bank)

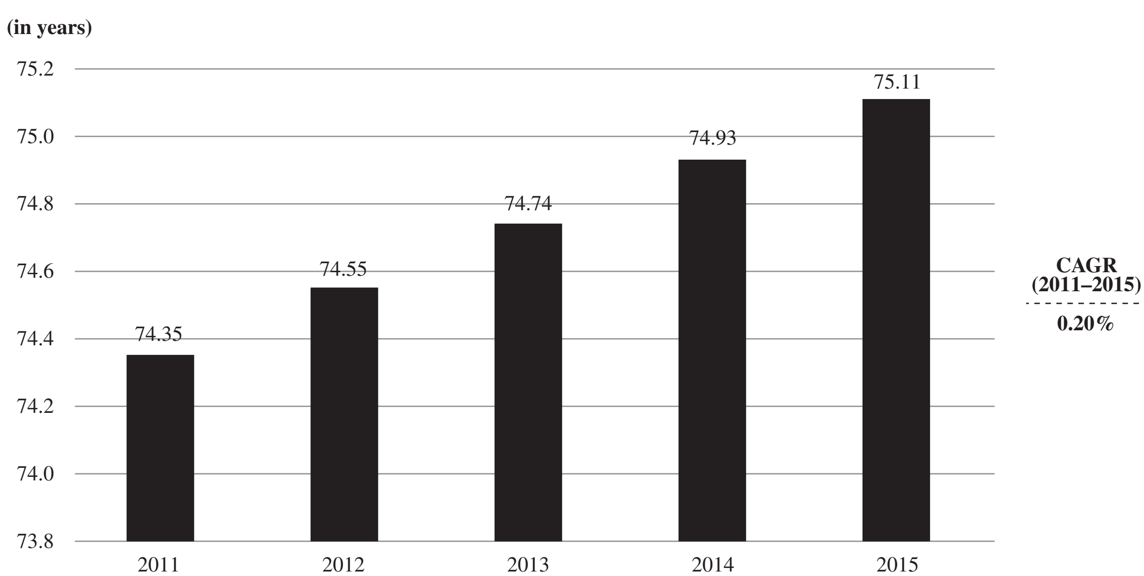

Figure 3: Life expectancy at birth of East Asia & Pacific from 2011 to 2015
(Source: The World Bank)

Due to the increasing level of both population and life expectancy, future demand for either life or non-life insurance is expected to rise accordingly. With lengthened life expectancy, period of receiving life insurance premium is likely to increase which follows with an increase in total premium to be received. Moreover, the needs for renewal of insurance contracts will likely grow correspondingly. Yet, lengthy life expectancy may lower the premium and drive down the margin of the insurance. Overall, the thesis of a steady growth in the insurance and insurance broker industry is supported.

Insurance Industry

Life insurance of major countries in Asia has undergone steady growth over the last 5 years, with a per capita growth from approximately US$1,802 in 2011 to approximately US$2,435 in 2016, representing a CAGR of approximately 6.21%. Along with the improving economy in Asia, average spending per capita on life insurance has demonstrated a rising trend. Due to the high correlation between insurance brokers and the insurance industry, the insurance brokerage business is expected to be benefited from this trend.

The following figure sets forth the average life premium per capita of major Asian countries from 2011 to 2016. Major Asian countries include China, Australia, India, Japan, Malaysia, South Korea, Singapore, Hong Kong, Taiwan and Thailand.

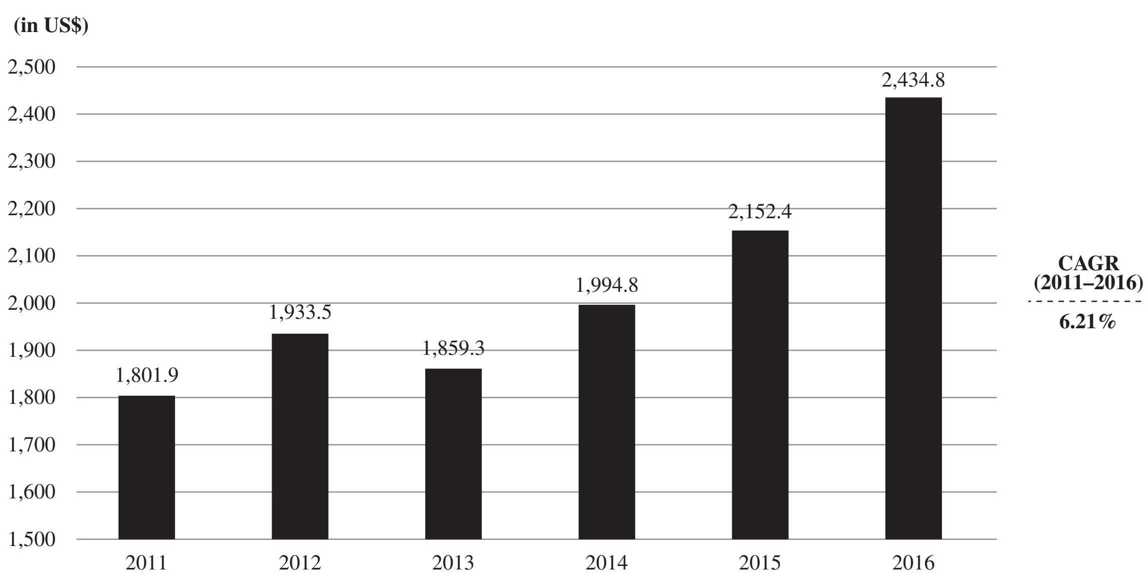

Figure 4: Average Life Premiums per Capita of major Asian countries (2011–2016)
(Source: Bloomberg)

LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target Group).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target Group and specific competitive environments affecting the industry;
- the business risks of the Target Group;
- the price multiples of the comparable companies engaging in business operations similar to the Target Group;
- the experience of the management team of the Target Group and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;
- The Target Group does not have material non-operating assets/(liabilities), and its enterprise value would be fairly equal to its equity value;
- There is no material change in the financial positions of the Target Group between 31 March 2017 and the Valuation Date; and

We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity value of the Target Group, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target Group:

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the equity value of the Target Group, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in the current appraisal as it fails to consider the economic benefits of ownership of the business. We considered the consolidated net book value of the Target Group as of the Valuation Date may not truly reflect the value of its equity interests, as part of value will be attributed to future benefit of the Target Group, deriving from providing wealth management services to its clients.

- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projection of the Target Group, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.

- Fair value arrived from Market Approach was reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in a similar nature and business to that of the Target Group, their market values are good indicators of the industry. Therefore, Market Approach has been adopted in this valuation.

By adopting market approach, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes. The principal business of the Target Group is insurance brokerage business. We have conducted our review to cover public companies with majority of revenue (i.e. over 50% of revenue) generated from the provision of insurance brokerage and agency services. We consider this selection basis is reasonable and the sample list is fair and representative.

The comparable public companies are selected with mainly with reference to the following selection criteria:

- The primary industry of the companies is insurance brokerage and agency;

- Over 50% of the revenue is derived from the provision of insurance brokerage and agency services;

- The companies are listed in stock markets of major developed markets; and

- The financial information of the companies is available to the public.

With the abovementioned selection criteria, only one local listed company is identified. However, as this company has recorded negative last 12 months earnings before interests, taxes, depreciation and amortization ("EBITDA"), this company is therefore not selected as one of the comparable companies.

Details of the comparable companies are listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Willis Towers Watson Public Limited Company	NasdaqGS: WLTW	USA	Willis Towers Watson Public Limited Company operates as an advisory, broking, and solutions company worldwide. Over 50% of its revenue was derived from provision of a broad range of risk advice, insurance brokerage and consulting services to clients and provision of investment consulting services and insurance specific services and solutions through reserves opinions, software, ratemaking, usage-based insurance, risk underwriting, and reinsurance broking.
Aon plc	NYSE:AON	USA	Aon plc provides risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing services worldwide. Over 60% of its revenue was derived from acting as an advisor and insurance and reinsurance broker, helping clients manage their risks via consultation, as well as negotiation and placement of insurance risk with insurance carriers through our global distribution network.
Advance Create Co., Ltd.	TSE:8798	Japan	Advance Create Co., Ltd. engages in the insurance agency business in Japan. Over 80% of its revenue was derived from provision of life and property insurance products and services, as well as small short-term insurance products and services, such as medical, death, annuity, corporate, fire, and automobile insurance.
Steadfast Group Limited	ASX:SDF	Australia	Steadfast Group Limited operates in the insurance broking industry in Australasia, Asia, and Europe. Over 90% of its revenue was derived from distribution of insurance policies via insurance brokerages and underwriting agencies, and related services.
PSC Insurance Group Limited	ASX:PSI	Australia	PSC Insurance Group Limited engages in the insurance intermediation businesses in Australia, the United Kingdom, and New Zealand. Over 90% of its revenue was derived from involving in insurance broking, reinsurance, underwriting agency operations, life insurance broking, online direct general insurance, third party claims management business and wholesale insurance brokerage activities.

Company Name	Stock Code	Listing Location	Business Description
Health Insurance Innovations, Inc.	NasdaqGM: HIIQ	USA	Health Insurance Innovations, Inc. operates as a developer, distributor, and administrator of cloud-based individual health and family insurance plans, and supplemental products in the United States. 100% of its revenue was derived from the health insurance policies and supplemental products issued to members, enrollment fees paid by members, referral fees, fees for discount benefit plans, and administration fees paid by members as a direct result of our enrollment services, brokerage services or referral sales.
AUB Group Limited	ASX:AUB	Australia	AUB Group Limited provides engages in the provision of insurance broking services and distribution of ancillary products in Australia and New Zealand. Over 80% of its revenue was derived from the commissions and fees earned on arranging insurance policies and for other insurance related products and services.
Arthur J. Gallagher & Co.	NYSE:AJG	USA	Arthur J. Gallagher & Co., together with its subsidiaries, provides insurance brokerage and risk management services in the United States and internationally. Over 60% of its revenue was derived from retail and wholesale insurance brokerage operations.
Brown & Brown, Inc.	NYSE:BRO	USA	Brown & Brown, Inc. markets and sells insurance products and services primarily in the United States, as well as in England, Bermuda, and the Cayman Islands. Over 60% of its revenue was derived from provision of a broad range of insurance products and services to commercial, public and quasi-public entities, and to professional and individual customers, and also markets and sells excess and surplus commercial and personal lines insurance, primarily through independent agents and brokers, as well as Brown & Brown retail agents.
Jardine Lloyd Thompson Group plc	LSE:JLT	UK	Jardine Lloyd Thompson Group plc provides insurance, reinsurance, employee benefits related advice, brokerage, and associated service worldwide. Over 70% of its revenue was derived from provision of its global specialist, wholesale, reinsurance broking, personal lines and SME activities services.
Marsh & McLennan Companies, Inc.	NYSE: MMC	USA	Marsh & McLennan Companies, Inc., a professional services firm, provides advice and solutions in the areas of risk, strategy, and people worldwide. Over 50% of its revenue was derived from operating in risk management activities as well as insurance and reinsurance broking and services.

Company Name	Stock Code	Listing Location	Business Description
Newton Financial Consulting, Inc.	JASDAQ: 7169	Japan	Newton Financial Consulting, Inc. engages in insurance agency and dispatch business in Japan. Around 60% of its revenue was derived from offering life, property, and casualty insurance services.
Randall & Quilter Investment Holdings Ltd	AIM: RQIH	UK	Randall & Quilter Investment Holdings Ltd., together with its subsidiaries, owns and manages live and in run off insurance companies worldwide. Over 70% of its revenue was derived from provision of insurance related services to both internal and external clients in the insurance market and acquires/assumes legacy portfolios and insurance debt and provides capital support.
Fanhua Inc.	NasdaqGS: FANH	USA	Fanhua Inc. distributes insurance products in China. Over 90% of its revenue was derived from provision of a broad range of property and casualty and life insurance products to individual customers and also the commercial lines of property and casualty insurance, group life insurance programs and risk management consulting services to businesses and reinsurance brokerage services to insurance companies.

Source: S&P Capital IQ and annual reports of the comparable companies

As majority of revenue (i.e. over 50% of revenue) of the above comparable companies were generated from the provision of insurance brokerage and agency services, these comparable companies, together with the Target Group, are considered to be similarly subject to fluctuations in the economy and performance of the insurance brokerage and agency industries, among other factors. Thus, we consider they are confronted with similar industry risks and rewards.

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of the Target Group, in which we have considered price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), enterprise value/earnings before interests and taxes ("**EV/EBIT**") and enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

The price-to-book multiple is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a price-to-book ratio of larger than one), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the price-to-book ratio and so in general, the equity's book value has little bearing with its fair value. Thus, the price-to-book is not a good measurement of the fair value of a company.

P/E multiple is not adopted as tax policies differ in different listing countries and the effect of tax on earnings of comparable companies should be eliminated. EV/EBIT multiples have eliminated tax effect on earnings but they still comprise non-cash items in earnings, such as depreciation and amortisation of fixed assets.

Therefore, EV/EBITDA multiple is the most appropriate indicator of the fair value of the Target Group, as this multiple removes any tax effect on earnings as well as non-cash items in earnings. Hence, it is adopted in the valuation of the Target Group. EV is generally derived based on the market capitalization of a company, plus net debt (total debt minus cash and short-term investment), minority interest and preferred shares.

The EV/EBITDA multiples of comparable companies are as follows:

No.	Stock Code	Reporting Currency (in mm)	Market Cap as of 31 August 2017	Net Debt	MI	EV	EBITDA	EV/ EBITDA Before LOMD and Control Premium(1)	EV/ EBITDA After LOMD and Control Premium(4)
1	NasdaqGS:WLTW	US$	19,938	3,330	181	23,449	1,570	14.9	15.6
2	NYSE:AON	US$	35,411	2,584	66	38,061	2,543	14.9	15.6
3	TSE:8798	JPY	20,719	(658)	0	20,061	1,194	16.8	17.6
4	ASX:SDF	AUD	2,006	140	41	2,187	137	16.0	16.8
5	ASX:PSI	AUD	588	(36)	2	553	25	21.9	23.0
6	NasdaqGM:HIIQ	US$	424	(28)	21	418	33	12.7	13.3
7	ASX:AUB	AUD	814	31	69	914	69	13.2	13.8
8	NYSE:AJG	US$	10,432	2,525	65	13,022	888	14.7	15.4
9	NYSE:BRO	US$	6,286	355	0	6,641	572	11.6	12.2
10	LSE:JLT	US$	40,018	4,675	81	44,774	221	13.0	13.7
11	NYSE:MMC	GBP	2,439	441	19	2,899	3,231	13.9	14.5
12	JASDAQ:7169	JPY	35,461	3,743	681	39,885	6,129	6.5	6.8
13	AIM:RQIH	GBP	126	(85)	0	41	(2)	NA	NA
14	NasdaqGS:FANH	US$	550	(443)	17	123	42	3.0	3.1
	Maximum							21.9	23.0
	Minimum							3.0	3.1
	Median							**13.9**	**14.5**
	Lack of Marketability Discount (“LOMD”)(2)								**19.5%**
	Control Premium(3)								**30.3%**

Notes:

(1) Data sourced from S&P Capital IQ database. The enterprise values of the comparable companies are computed based on the market capitalization of the companies as of 31 August 2017. EBITDA data are based on the trailing 12-month financial data of the comparable companies available as of the Valuation Date.

(2) LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the Target Group is unlikely to undergo public offering and shares of the Target Group are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in near future, the ownership interest in the Target Group is not readily marketable. However, the EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such EV/EBITDA multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

In this valuation exercise, we have assessed the LOMD using the put option method, which is one of the most commonly used theoretical models. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away.

Valuation alternative available in determining the LOMD include restricted share studies and differential in P/E multiples in acquiring public and privately held companies.

Restricted share is the share of a publicly traded company that is restricted from trading for a specific period of time. It is identical to the publicly traded share except that it is not freely traded. Although restricted share cannot be sold in the public markets, it can be sold in private transactions. These transactions usually would be reported to the corresponding stock exchanges and therefore become public record, allowing a comparison be done of the price of the restricted share to the publicly traded share. Holders of restricted shares generally are unable to sell it in the open market for some time. There is a limited private market for these securities, and their selling price can be readily compared to the price of the unrestricted share of the same company sold in the open market. This can help determine the discount for relative lack of restricted share marketability.

A dataset published in annual editions of *Mergerstat Review* sorts transactions into categories of "public" versus "private" companies being acquired. The table compares the "Median P/E" offered for public versus private companies, over a number of years. In general, Median P/E offered in each year were higher for public companies than for private companies. Based upon a premise that all data involved similar control conditions (all of the companies were being acquired), it would be reasonable to infer that the observed "premium" paid for public versus private companies reflected public company sellers' ability to liquidate their shares elsewhere, since a public market existed for those shares. On that basis, public company sellers negotiated higher relative purchase prices because their shares were marketable, and could be sold elsewhere if necessary. However, private company sellers could not easily sell their shares elsewhere. Thus, they negotiated lower relative purchase prices because their shares lacked marketability. Observation of lower relative purchase prices for shares of private companies versus public ones implies a LOMD.

We considered option pricing method as more appropriate because (1) put option pricing model explicitly takes into account of volatility factor of guideline companies and better reflects the impact of industry conditions on liquidity of the Target Group's equity interest, while there is limited available information for industries that are identical to the Target Group's businesses; and (2) put option pricing model reflects the theoretical holding period of any investment.

The value of put option is determined by "Black-Scholes Option Pricing Model" with the following parameters.

Parameters	As of 31 August 2017	Remarks
Option Type	European Put	
Spot Price and Exercise Price	100	Note 1
Maturity	3	Note 2
Risk free rate	0.79%	Yield on 3-year Hong Kong Dollar Government Bond as of the Valuation Date from Bloomberg
Volatility	30.5%	Note 3
Implied LOMD	**19.5%**	

Note 1: At-the-money put option is assumed, that is the stock price equals the strike price which is its freely traded price which can be any price but both are assumed to be 100 (being equal to each other) for present purposes. Put option model is to measure the value of the put option in a scenario where the only difference between two identical securities is that one is marketable with a freely traded price (instead of a fixed strike price) and the other is non-marketable but provided with an option to sell it back also at its freely traded price at the end of the expected restriction period (i.e. the put option), such that the LOMD will be derived by comparing the value of the put option to the stock price.

Note 2: A liquidity event is an event, such as IPO, merger or sales, from which the subject asset will have marketability. The assumption of occurrence of a liquidity event is our normal approach to determine the maturity. The type of the liquidity event is not relevant for the purpose of determining the parameter used. In general, as the assumed exit period gets longer, the degree of LOMD becomes higher. The assumption of period to liquidity event represents the theoretical holding period of any investment from the perspective of market participants provided that the Company has no specific indication of any liquidity events on the Proposed Acquisition. According to "Global Private Equity Report 2017" published by Bain & Company, one of the leading consulting companies, median holding periods for buyouts exited during 2007 to 2016 range from 3.3 years to 6.1 years. We consider that a liquidity event will occur 3 years after the Valuation Date to be a fair and reasonable assumption based on our professional judgement, given the Target Group has over 20 years' operating history and generally profitable businesses in historical years.

Note 3: Volatility is derived based on the historical share prices of the selected comparable companies with a period equal to the assumed time to maturity of the option. In general, as volatility gets higher, the degree of LOMD becomes higher.

While there is no available empirical study on marketability discount for companies specifically engaged in insurance related businesses, we have performed further research and reference has been made to "Determining Discounts for Lack of Marketability: A Companion Guide to The FMV Restricted Stock Study (2016 Edition)" published by FMV Opinions, Inc. The range of overall average and median discounts for lack of marketability as observed in The FMV Study based on data from July 1980 through September 2015 lie between 15.03% to 20.89%. This supports the implied LOMD of 19.5% as derived from the put option model.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

Fair Value of Non-Marketable Interest = Fair Value of Marketable Interest x (1- LOMD)

(3) Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such EV/EBITDA multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

Control premium in this valuation is derived from Bloomberg by search for M&A transactions completed over the past 10 years with percent sought larger than 50% based on the similarity of business nature with the Target Group (i.e. insurance brokerage business). The average control premium observed from Bloomberg is 30.3%.

The value of controlling interest can be calculated from minority interest using the following formula:

Fair Value of Controlling Interest = Fair Value of Minority Interest x (1 + Control Premium)

(4) Combining the adjustments on LOMD and control premium,

Adjusted EV/EBITDA multiple = EV/EBITDA multiple x (1- LOMD) x (1 + Control Premium)

Median of the adjusted EV/EBITDA multiples of the selected comparable companies of 14.5x has been selected for this valuation in order to exclude outliers from the selected group of comparable companies. By excluding the multiples of outliers, namely PSI Insurance Group Limited (ASX:PSI), Newton Financial Consulting, Inc. (JASDAQ:7169), Randall & Quilter Investment Holdings Ltd (AIM:RQIH) and Fanhua Inc. (NasdaqGS:FANH), the average adjusted EV/EBIDTA multiple is 14.9x, which is reasonably close to the median of the adjustment EV/EBITDA multiples. We therefore consider the adoption of median of the adjusted EV/EBITDA multiples to be acceptable.

Valuation Parameters

Net income before tax for FY2017	
— HFG	HK$8,266,000
— HFHK	HK$(38,000)
Less: Interest Income	HK$1,000
Add: Depreciation and Amortization	HK$709,000
EBITDA of the Target Group	HK$8,936,000
Median EV/EBITDA multiple	14.5

Valuation Result

Estimated 100% Equity Value of the Target Group based on EV/EBITDA multiple#	HK$129,889,000^

\# *According to the Management, it is assumed that the Target Group does not have material non-operating assets/(liabilities), and thus its enterprise value would be fairly approximate to its equity value.*

^ *The amount does not equal to the multiple of Adjusted EBITDA of the Target Group and the median EV/EBITDA multiple illustrated above due to rounding.*

CONCLUSION OF VALUE

Based on our investigation and analysis and on the analysis method employed, it is our opinion that the fair value of the 100% equity interest of the Target Group as of 31 August 2017 is HK$129,889,000.

The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in Mason Group Holdings Limited nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C B Pang
CFA, HKICPA, CPA (Aus.)
Managing Director

Note: Mr. Vincent Pang is a member of CFA Institute, Hong Kong Institute of Certified Public Accountants and CPA Australia. Vincent has over 15-year experience in financial valuation and business consulting in Hong Kong and China.

APPENDIX — GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

- We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this Report, unless otherwise stated in this Report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this Report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this Report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.

- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Acquisition, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Circular in relation to the Proposed Acquisition, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- No environmental impact study has been carried out, unless otherwise stated in this Report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organizations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

- Unless otherwise stated in this Report, the value estimate set out in this Report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge, information 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

Under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Company, a company incorporated in Hong Kong, does not have an authorised share capital and the Shares do not have a nominal value. The issued and fully paid share capital of the Company as at the Latest Practicable Date were 44,618,345,557 Shares.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(i) Interest of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed to have under such provisions of the SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Ko Po Ming	Interest of controlled corporation	632,104,000 *(Note 1)*	1.42%
Chang Tat Joel	Interest of controlled corporation	483,370,800 *(Note 2)*	1.08%

Notes:

1. These shares are held by Jovial Epoch Holdings Limited, a company wholly-owned by Mr. Ko Po Ming, who is an executive Director, the Chief Executive Officer and the Joint Chairman of the Company.

2. These Shares are held by True Elite Limited, a company wholly-owned by Mr. Chang Tat Joel who is an executive Director and the Chief Operating Officer of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed to have under such provisions of the SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

(ii) Interest of substantial shareholders

As at the Latest Practicable Date, in so far as is known to the Directors or the chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the total number of Shares in issue of the Company carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Hui Wing Mau	Beneficial owner and Interest of controlled corporation	7,591,136,000 *(Note 1)*	17.01%

Note:

1. These shares are held as to 50,680,000 by Shiying Finance Limited and as to 7,540,456,000 by Future Achiever Limited, both of which are wholly-owned by Mr. Hui Wing Mau.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or the chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 5% or more of the total number of Shares in issue of the Company carrying rights to vote in all circumstances at a general meeting of any member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which is not determinable by the Company within one (1) year without payment of compensation (other than statutory compensation).

5. EXPERT AND CONSENT

The following is the qualification of the experts whose advices are contained in this circular:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
RSM Hong Kong	Certified Public Accountants
AVISTA Valuation Advisory Limited	Independent Valuer

Each of the above experts has given and has not withdrawn its written consents to the issue of this circular with the inclusion of their letters and/or references to its names included herein in the form and context in which they appears. As at the Latest Practicable Date, each of the above experts was not interested in any shareholding in any member of the Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and had no direct or indirect interest in any assets which have been or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited consolidated accounts of the Group were made up. Save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the businesses of the Group.

7. COMPETING INTEREST

As at the Latest Practicable Date, save for Ms. Kan Lai Kuen Alice's interest in Asia Investment Management Limited, a licensed corporation under the SFO, none of the other Directors or their respective associates were interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

8. MATERIAL CONTRACTS

The particulars of all material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two (2) years immediately preceding the issue of this circular are set out as follows:

(a) the sale and purchase agreement dated 30 March 2016 entered into between Willie Resources Incorporated ("**WRI**"), a wholly-owned subsidiary of the Company, as the vendor and Capital Union Inc. (an Independent Third Party) as the purchaser, pursuant to which WRI has conditionally agreed to sell and Capital Union Inc. has conditionally agreed to acquire the entire issued share capital of Mind Stone Investments Ltd and 2,457 shares of Co-Lead (representing approximately 43.15% of the issued share capital of Co-Lead Holdings), at a total consideration of HK$1,200 million. Completion of the said disposals by the Group took place on 25 July 2016;

(b) the sale and purchase agreement dated 30 March 2016 entered into between WRI as the vendor and Apex Corporate Investments Limited, which is wholly owned by Mr. Chow Kam Wah (an Independent Third Party) as the purchaser, pursuant to which WRI has conditionally agreed to sell and Apex Corporate Investments Limited has conditionally agreed to acquire 45 shares representing 45% interest of the issued share capital in Willie Link Limited ("**Willie Link**"), an indirect wholly-owned subsidiary of the Company for a cash consideration of HK$200 million. Completion of the said disposal took place on 31 March 2016;

(c) the subscription agreement dated 22 September 2016 entered into between the Company and Future Achiever Limited, as the subscriber, pursuant to which Future Achiever Limited has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 3,072,880,000 subscription shares at the subscription price of HK$0.24 per subscription share. Completion of the subscription took place on 5 October 2016 and the amount of net proceeds raised from the subscription, after deducting the relevant expenses incurred in relation to the subscription, were approximately HK$725 million;

(d) the share purchase agreement dated 30 September 2016 entered into between Jubilant Link Limited ("**Jubilant Link**"), a wholly-owned subsidiary of the Company, as the purchaser and Joywood International Limited ("**Joywood**", holder of 15% of the issued share capital of Reproductive HealthCare Limited ("**RHC**")) and Dr. Ho Wing Chiu Clement ("**Dr. Ho**", holder of 85% of the issued share capital of RHC) as the sellers (collectively, "**RHC Sellers**") in relation to the sale and purchase of the entire issued share capital of RHC ("**RHC Acquisition**"). The aggregate consideration for the said acquisition is a combination of HK$113,962,000 cash and 4,616 ordinary shares of Jubilant Link ("**Jubilant Shares**") and shall be payable by Jubilant Link to the RHC Sellers on the date of completion of the said acquisition in the following manner: (1) HK$34,886,000 payable in cash to Joywood; (2) HK$79,076,000 payable in cash to Dr. Ho; and (3) 4,616 Jubilant Shares to be allotted and issued to Dr. Ho. Completion took place on 1 November 2016;

(e) the share purchase agreement dated 30 September 2016 entered into between Jubilant Link, as the purchaser and Kanrich Pacific Limited (“**Kanrich**“, holder of (i) the entire issued share capital of Victory “Art” Laboratory Limited (“**Victory**”) and (ii) 60% of the issued share capital of Leader Enterprise Limited (“**Leader**”)) as the seller and Mr. Chan Wing Cheng (“**Mr. Chan**”), Dr. Ho and Ms. Pang Yee Man Ophelia (“**Ms. Pang**”) (each of Mr. Chan, Dr. Ho and Ms. Pang own one-third of the issued share capital of Kanrich) as the warrantors, in relation to the sale and purchase of the entire issued share capital of Victory and 60% of the issued share capital of Leader (“**V&L Acquisition**”). The aggregate consideration for the said acquisitions is a combination of HK$168,814,000 cash and 4,380 Jubilant Shares and shall be payable by Jubilant Link at the direction of Kanrich to its shareholders, Mr. Chan, Dr. Ho and Ms. Pang, on the date of completion of the said acquisitions in the following manner: (1) HK$93,786,000 payable in cash to Mr. Chan; (2) HK$37,514,000 payable in cash to Dr. Ho; (3) HK$37,514,000 payable in cash to Ms. Pang; (4) 2,190 Jubilant Shares to be allotted and issued to Dr. Ho; and (5) 2,190 Jubilant Shares to be allotted and issued to Ms. Pang. Completion took place on 1 November 2016;

(f) in connection with the RHC Acquisition and the V&L Acquisition, the shareholders' agreement dated 30 September 2016 entered into between Jubilant Link, Mason Worldwide Capital Limited, a wholly-owned subsidiary of the Company, Dr. Ho, Ms. Pang and Mr. Wong Shun Yun, in relation to the management and administration of Jubilant Link's affairs and to govern certain shareholders' rights. The shareholders' agreement shall take effect on the earlier of (i) the date of completion of the RHC Acquisition; or (ii) the date of completion of the V&L Acquisition. Completion of both of the RHC Acquisition and the V & L Acquisition took place on 1 November 2016 and the shareholders' agreement took effect on the same date;

(g) the investment agreement dated 6 October 2016 entered into amongst others, Mason Capital Investments Limited, an indirect non-wholly-owned subsidiary of the Company (a company established to conduct the lending and financing services business of the Group), Mason Assets Limited, an indirect wholly-owned subsidiary of the Company, and other investors, pursuant to which, among other things, Mason Assets Limited has conditionally agreed to subscribe for new ordinary shares of Mason Capital Investments Limited in two (2) tranches at an aggregate consideration of HK$70 million. As at the Latest Practicable Date, the first tranche subscription has been completed and the consideration of HK$26.6 million has been paid and Mason Assets Limited is interested in 70% of the issued share capital of Mason Capital Investments Limited;

(h) the subscription and capitalisation agreement dated 6 October 2016 (“**Subscription Agreement**”) entered into amongst others, Mason Capital Investments Limited, an indirect non-wholly-owned subsidiary of the Company (a company established to conduct the lending and financing services business of the Group) and Hong Kong Mortgage Solutions Limited pursuant to which, among other things, Mason Capital Investments Limited has conditionally agreed to subscribe for new ordinary shares of

Hong Kong Mortgage Solutions Limited ("**HKMS Share(s)**") (representing 43% of the issued share capital of the Target Company as enlarged by the allotment and issue of new Target Shares pursuant to the Subscription Agreement) for a total consideration of HK$35,250,000 ("**Subscription**");

(i) in connection with the Subscription, the sale and purchase agreement dated 6 October 2016 entered into between Mason Capital Investments Limited with one of the shareholders of Hong Kong Mortgage Solutions Limited, pursuant to which Mason Capital Investments Limited has conditionally agreed to purchase and the shareholder has conditionally agreed to sell all 20 HKMS Shares (representing 4% of the issued share capital of Hong Kong Mortgage Solutions Limited as enlarged by the allotment and issue of new HKMS Shares pursuant to the Subscription Agreement) held by it to Mason Capital Investments Limited for a total consideration of HK$20 (the "**Purchase**"). Completion of the Subscription and the Purchase took place on 7 October 2016 and Mason Capital Investments Limited has become interested in 47% of the issued share capital of Hong Kong Mortgage Solutions Limited and an aggregate of 51% of the voting rights of Hong Kong Mortgage Solutions Limited through an arrangement with one of the other shareholders of Hong Kong Mortgage Solutions Limited;

(j) the underwriting agreement entered into between the Company and Haitong International Securities Company Limited on 28 October 2016 in relation to the underwriting arrangement in respect of the issue of 22,124,799,450 Shares of the Company by way of rights on 12 January 2017 at HK$0.13 per Share;

(k) the disposal agreement dated 4 November 2016 entered into between WRI as the vendor and Best Mate Limited (an Independent Third Party) as the purchaser, pursuant to which WRI has conditionally agreed to sell and Best Mate Limited has conditionally agreed to acquire 55 shares representing 55% interest of the issued share capital in Willie Link, an indirect non wholly-owned subsidiary of the Company for a cash consideration of HK$200 million;

(l) the subscription agreement dated 25 November 2016 entered into between Mason Resources Finance Limited (as indirect wholly owned subsidiary of the Company) as the issuer, Dazzling Elite Limited (an Independent Third Party) as the subscriber and the Company as the guarantor, pursuant to which Mason Resources Finance Limited has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for the fixed coupon notes of an aggregate principal amount up to HK$100,000,000, and the Company has undertaken to guarantee the performance and observance by Mason Resources of its obligations under the subscription agreement and the instrument constituting the notes;

(m) the subscription agreement dated 25 November 2016 entered into between Mason Resources Finance Limited (as indirect wholly owned subsidiary of the Company) as the issuer, Haitong Freedom Multi-Tranche Master Bond Fund (an Independent Third Party) as the subscriber and the Company as the guarantor, pursuant to which Mason Resources Finance Limited has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for the fixed coupon notes of an aggregate principal amount up to HK$200,000,000, and the Company has undertaken to guarantee the performance and observance by Mason Resources of its obligations under the subscription agreement and the instrument constituting the notes;

(n) the share purchase agreement dated 30 December 2016 entered into between Mason Worldwide Capital Limited and Victoria Fortress Investments Limited in relation to the acquisition of the entire issued share capital of Victor Mind International Limited, at a consideration of HK$187,500,000;

(o) the share purchase agreement dated 30 December 2016 entered into between Mason Worldwide Capital Limited and Ruby Success limited in relation to the acquisition of the entire issued share capital of Active Compass Limited at a consideration of HK$26,716,000;

(p) the investment agreement dated 30 December 2016 entered into between Pioneer Leap Investments Limited (as investor), Golden Metro Investments Limited, Cosmicfield Investments Limited, Shining Time Holdings Limited and the management team members (comprise Mr. Yip Shing Fung, Mr. Ye Faduan, Mr. Ye Fachao, Mr. Lin Han and Ms. Gao Qin), pursuant to which Pioneer Leap Investments Limited shall make the investment in the amount of RMB550,000,000 subject to the terms of the investment agreement. The investment amount made by the Group pursuant to the Investment agreement was comprised of and paid in two parts: (i) the consideration for the acquisition in the amount of RMB409,200,000; and (ii) a loan in the amount of RMB140,800,000 advanced to Cosmicfield Investments Limited;

(q) the agreement dated 3 April 2017 entered into between Mason Capital Investments Ltd and Supreme Global Asset-Backed Fixed Income Fund SPC in relation to the acquisition of the sale interest and the sale loan of Glorious Supreme Investments Management Limited at a consideration of HK$109,643,348.20;

(r) the agreement dated 4 July 2017 entered into between GL Food Holdings Pte Ltd (''**Mason Food**''), the Company, Wattle Health Australia Limited (''**Wattle Health**'') and eight individuals and one family trust in relation to the acquisition of 75% and 5 % of the issued capital of Blend and Pack Pty Ltd CAN 124 152 941 by Mason Food and Wattle Health at a total consideration of AUD 80,000,000 (subject to adjustment);

(s) the SPA; and

(t) the agreement dated 18 October 2017 between the Company, the Purchaser, Raiffeisenbank Kleinwalsertal Beteiligungs management — GmbH and Walser Privatbank Aktiengesellschaft in relation to the acquisition of Raiffeisen Privatbank Liechtenstein AG.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and so far as the Directors are aware, there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

10. CORPORATE INFORMATION

Registered office & principal office	Units 4708–10, 47/F The Center 99 Queen's Road Central Hong Kong
Authorised representatives	Mr. Chang Tat Joel Units 4708–10, 47/F The Center 99 Queen's Road Central Hong Kong Ms. Lui Choi Yiu Angela Units 4708–10, 47/F The Center 99 Queen's Road Central Hong Kong
Company secretary	Ms. Lui Choi Yiu Angela *Certified Public Accountant* Units 4708–10, 47/F The Center 99 Queen's Road Central Hong Kong
Share registrar and transfer office of the Company	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17/F., Hopewell Centre 183 Queen's Road East Hong Kong

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Units 4708–10, 47/F, The Center, 99 Queen's Road Central, Hong Kong, during normal business hours on any weekday (except Saturdays, Sundays and public holidays) for a period of fourteen (14) days from the date of this circular:

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

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

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

(d) the accountants' reports on HFG and Harris Fraser HK, the text of which are set out in Appendix IIA and Appendix IIB to this circular, respectively;

(e) the report 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 valuation report prepared by AVISTA Valuation Advisory Limited, the text of which is set out in Appendix V to this circular;

(g) the written consents referred to in the paragraph headed "Expert and Consent" in this appendix;

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

(i) all circulars of the Company issued pursuant to the requirements set out in Chapters 14 and/or 14A which have been issued since 31 December 2016, including this circular.

12. MISCELLANEOUS

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

茂宸集團
MASON GROUP

MASON GROUP HOLDINGS LIMITED

茂 宸 集 團 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 273)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (the "**GM**") of Mason Group Holdings Limited ("**Company**") will be held at 23/F, Euro Trade Centre, 21–23 Des Voeux Road Central, Central, Hong Kong at 11:30 a.m. on Wednesday, 17 January 2018 for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the share purchase agreement entered into between Mason Strategic Investment Company Limited, a subsidiary of the Company, and Ms. Ng Yuen Yee ("**Vendor**") dated 7 September 2017 in relation to the acquisition of (i) the entire issued share capital in Harris Fraser Group Limited and Harris Fraser (Hong Kong) Limited and (ii) all of the issued share capital held by the Vendor in Halena Co. Ltd ("**SPA**") (a copy of which has been produced to the GM marked "A" and initialled by the Chairman of the GM for the purpose of identification) and the transactions contemplated thereunder be and are hereby by approved, confirmed and ratified; and

(b) any of the director of the Company be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the SPA and the transactions thereunder."

By order of the Board
Mason Group Holdings Limited
Ko Po Ming
Joint Chairman and Chief Executive Officer

Hong Kong, 22 December 2017

Notes:

1. Any shareholder entitled to attend and vote at the meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.

2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the meeting (or any adjournment thereof).

3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she were solely entitled hereto; but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

5. A form of proxy for use at the meeting is attached herewith.

6. Any voting at the meeting shall be taken by poll.

7. The form of proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.