THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Mason Group Holdings Limited, you should hand this circular together with the accompanying proxy form at once to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities 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)

VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION
DISPOSAL OF SALE SHARES IN AYD GROUP LIMITED
AND
NOTICE OF GENERAL MEETING

A letter from the Board is set out on pages 5 to 31 of this circular.

A notice convening the General Meeting to be held at Victoria Room II, 3/F., Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on 27 June 2019 at 4:00 p.m. or any adjournment of such meeting is set out on pages GM-1 to GM-2 of this circular. Whether or not you intend to attend the General Meeting, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed on it and return it to the Company's share registrar and transfer office in Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the General Meeting or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the General Meeting or any adjournment of such meeting should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

12 June 2019

CONTENTS

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

"Amendment Agreement"	the supplemental shareholders agreement to be entered into between AYD, Pioneer Leap, Sino Ease, Golden Metro, Cosmicfield and the Company at Closing
"Announcement"	the announcement of the Company dated 22 May 2019 in relation to the SPA, the Amendment Agreement and the Disposal
"AYD"	AYD Group Limited 愛嬰島集團有限公司 (formerly known as Shining Time Holdings Limited), a company incorporated in the British Virgin Islands
"AYD Group"	AYD and its subsidiaries
"AYD Management"	collectively, Mr. Yip, Mr. Ye Faduan, Mr. Ye Fachao, Mr. Lin Han and Ms. Gao Qin
"Board"	the board of Directors
"Business Day"	means any day other than a Saturday, Sunday or day on which banks are required to be closed in Hong Kong or the PRC (for the purposes of this circular only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
"Closing"	the completion of the Disposal in accordance with the terms and conditions of the SPA
"Company"	Mason Group Holdings Limited (Stock code: 273), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Stock Exchange
"Conditions Precedent"	the conditions precedent to Closing as set out in the SPA
"Cosmicfield"	Cosmicfield Investments Limited, a company incorporated in the British Virgin Islands
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares pursuant to the terms of the SPA and the Amendment Agreement
"First Announcement"	the announcement of the Company dated 30 December 2016, in relation to investment in a regional speciality retail chain in China

"General Meeting"	the general meeting of the Company to be convened and held to consider and, if thought fit, approve the SPA and the transactions contemplated thereon
"Golden Metro"	Golden Metro Investments Limited, a company incorporated in the British Virgin Islands
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company whose members comprises all the independent non-executive Directors to advise the Shareholders on the terms of the Disposal and the transactions contemplated thereunder
"Latest Practicable Date"	10 June 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Yip"	Mr. Yip Shing Fung
"Party(ies)"	the parties to the SPA
"Pioneer Leap"	Pioneer Leap Investments Limited, a company incorporated in Samoa, and an indirect wholly-owned subsidiary of the Company
"PRC"	People's Republic of China
"Purchase Price"	the consideration payable by Sino Ease to Pioneer Leap for the purchase of the Sale Shares under the SPA

"Qualified IPO"	as defined in the Shareholders' Agreement, "Qualified IPO" means the listing of AYD on the Stock Exchange whereby (i) the valuation of AYD immediately before the proposed listing is not less than HK$833,280,000 (being twelve (12) times RMB62,000,000) with a compound annual growth rate of 20% starting from 1 January 2017; and (ii) the gross proceeds of the proposed listing shall be not less than HK$248,640,000
"Remaining Group"	the Group (excluding AYD Group) immediately after Closing
"Sale Shares"	71 shares of AYD held by Pioneer Leap
"Second Announcement"	the announcement of the Company dated 30 June 2018
"Second Investor"	Star Capital Partners Limited, a company incorporated in the British Virgin Islands, as referred to in the Second Announcement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	shareholders of the Company
"Shareholders Agreement"	the shareholders agreement dated 31 December 2016 between Pioneer Leap, Golden Metro, Cosmicfield and AYD in relation to AYD, as amended from time to time
"Shares"	the shares of the Company
"Sino Ease"	Sino Ease Ventures Limited, a company incorporated in the British Virgin Islands
"SPA"	the sale and purchase agreement in relation to the Sale Shares dated 22 May 2019 between Pioneer Leap, Sino Ease and AYD
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the agreement dated 30 June 2018 between AYD, Sino Ease and the Second Investor
"subsidiary" or "subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Supplementary Shareholders Agreement"	the agreement as defined in the section headed "AYD Call Option and AYD Put Option" in the Second Announcement

"Transaction"	the Disposal, AYD's declaration of dividends for the financial years ended 31 December 2017 and 2018, and AYD's undertaking to declare dividends for the financial year ending 31 December 2019
"%"	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 *(Chairman and Chief Executive Officer)*
Mr. Chang Tat Joel
Ms. Lui Choi Yiu, Angela
Ms. Fu Yau Ching, Shirley
Mr. Cao Lu

Non-executive Director:
Ms. Hui Mei Mei, Carol

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

Registered and principal office in Hong Kong:
19/F, Lee Garden Three
1 Sunning Road
Causeway Bay
Hong Kong

12 June 2019

To the Shareholders

Dear Sir/Madam

VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION
DISPOSAL OF SALE SHARES IN AYD GROUP LIMITED
AND
NOTICE OF GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the SPA, the Amendment Agreement and the Disposal.

On 22 May 2019 (after trading hours), Pioneer Leap, Sino Ease and AYD entered into the SPA, pursuant to which, among other things, Sino Ease agreed to purchase from Pioneer Leap and Pioneer Leap agreed to sell to Sino Ease the Sale Shares for a total consideration of

HK$10,024,001.10. Upon completion of the Disposal, Pioneer Leap will hold 46.2% of the issued capital of AYD. As a condition precedent to the Disposal, AYD will declare 100% of its distributable profits for the financial years ended 31 December 2017 and 2018 respectively, and will undertake to declare 100% of its distributable profits for the financial year ending 31 December 2019 to its shareholders.

After the Disposal, Pioneer Leap will have the right to appoint two out of seven directors of the board of AYD. As Pioneer Leap will hold less than 50% of the issued capital of AYD and will no longer have the right to appoint the majority of the board of AYD, AYD will cease to be a subsidiary of the Company.

The purpose of this circular is to provide you with, among other things, (i) further details of the SPA, the Amendment Agreement and the Disposal; (ii) the letter from Independent Board Committee; (iii) the letter from an independent financial adviser to advise the Independent Board Committee and the Shareholders; (iv) the financial information of the Group and the AYD Group; (v) the unaudited pro forma financial information of the Remaining Group following the Completion; (vi) other information as required to be disclosed under the Listing Rules; and (vii) a notice of the General Meeting.

THE DISPOSAL

Set out below is a summary of the principal terms and conditions of the SPA and the Amendment Agreement and the transactions contemplated therein:

SPA

Date

22 May 2019 (after trading hours)

Parties

(a) Pioneer Leap, as vendor;

(b) Sino Ease, as purchaser; and

(c) AYD, as target company.

Disposal

Sino Ease agreed to purchase from Pioneer Leap and Pioneer Leap agreed to sell to Sino Ease the Sale Shares.

Purchase price

The Purchase Price shall be HK$10,024,001.10.

The Purchase Price was arrived at after arm's length commercial negotiations between the Parties. The Purchase Price was determined with reference to (i) the historical financial performance of AYD; (ii) the valuation based on the trailing 12-month ("**LTM**") EBITDA of AYD and the average enterprise value-to-earnings before interest, tax, depreciation and amortization ("**EV/EBITDA**") multiple of eight comparable companies by an independent valuer; and (iii) business outlook of AYD.

The valuation of AYD as of 31 March 2019 was approximately RMB1,203 million based on market approach undertaken by an independent valuer to appraise the value of 100% equity interest of AYD. An independent valuer considered that EV/EBITDA multiple is the most appropriate indicator of the fair value of AYD, 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 debts net of cash and cash equivalents), minority interest and preferred shares and an independent valuer has reviewed the calculation of enterprise value of each comparable company.

The selection of the comparable companies was based on the comparability of the overall industry sector. An exhaustive list of comparable public companies is shortlisted based on the following selection criteria:

— The primary industry of the company is infants' apparel, infant food, baby care products and/or toys related business;

— The company is principally involved in infants' apparel, infant food, baby care products and/or toys related business;

— Over 50% of the total revenue is attributable to infants' apparel, infant food, baby care products and/or toys related business;

— The company is listed on the US or Hong Kong stock market;

— Market capital of the company is within the range of HKD100 million to HKD5 billion; and

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

The table below sets out the LTM EV/EBITDA multiples of the comparable companies:

No.	**Company Name**	**Stock Code**	**EV/EBITDA Multiples[1]**
1	Kiddieland International Limited	SEHK: 3830	13.4x
2	Dream International Limited	SEHK: 1126	5.5x
3	Kader Holdings Company Limited	SEHK: 180	12.3x
4	Playmates Holdings Limited	SEHK: 635	9.9x
5	South China Holdings Company Limited	SEHK: 413	51.9[2]
6	Goodbaby International Holdings Limited	SEHK: 1086	9.1x
7	Matrix Holdings Limited	SEHK: 1005	13.5x
8	Build-A-Bear Workshop, Inc.	NYSE: BBW	9.9x
	Maximum		13.5x
	Average		**10.5x**
	Minimum		5.5x

Notes:

(1) Data sourced from Bloomberg database. The equity values of the comparable companies are computed based on the market capitalization of the companies as of 31 March 2019. EV/EBITDA data are based on the LTM financial data of the comparable companies available as of 31 March 2019.

(2) The implied multiple of the subject company of 51.9x is located at 2.6 standard deviations from the mean. Considering figures located outside 1 standard deviation from the mean are defined as outliers, the subject company is hence regarded as an outlier and was not adopted in the analysis.

An independent valuer hence determined the fair value of AYD based on the multiple of (i) the EBITDA for the 12-month period ended 31 March 2019 of AYD (i.e. RMB161,300,000) and (ii) the average EV/EBITDA multiple of the 8 comparable companies (i.e. 10.5x), further adjusted by net debts (i.e. RMB136,000,000) and the assumed dividend payable to be declared for the financial years ended 31 December 2017 and 2018 (i.e. RMB252,500,000) as described in the section "Distribution of Profits". Subsequent to the afore-mentioned adjustments, the value of the equity interest of AYD on marketable and non-controlling basis is further adjusted by the applicable control premium of 16.3% and marketability discount of 20.7%. The marketability discount was determined with reference to "Stout Restricted Stock Study Companion Guide (2018 Edition)" while the control premium was determined with reference to the implied control premium derived from 329 comparable transactions relating to acquisitions or disposals by majority shareholders, primarily in the consumer cyclical industry which is considered to be in a similar industry as AYD, in the last 2 years sourced from Bloomberg.

Based on the above, the value of the entire equity interest of AYD on a non-marketable and controlling basis is valued at approximately RMB1,203,000,000 (equivalent to approximately HK$1,407,000,000), in which corresponding value of the Sale Shares (i.e. 0.71% equity interest of AYD) is estimated at approximately RMB8,500,000 (equivalent to approximately HK$10,000,000).

The executive Directors have reviewed the valuation report prepared by an independent valuer and had discussed with the independent valuer to understand the qualifications and experiences of the independent valuer, methodology of, and the bases and assumptions adopted for the valuation of AYD performed by the independent valuer.

Having taken into account the factors set out above, and based on the fact that the EV/EBITDA multiple implied by the value of the Sale Shares and the EBITDA for the 12-month period ended 31 March 2019 of AYD is 10.5x, which is same as the average EV/EBITDA multiple concluded by an independent valuer, the executive Directors are of the view that the Purchase Price is fair and reasonable.

Dividend to be received from the Transaction together with the Purchase Price allows the Company to generate an attractive gain from the Transaction and allows the Group to focus on its ''Health + Wealth'' strategy.

The excess of the Purchase Price over the net book value of the Sale Shares based on the latest financial information available to the Company is approximately HK$5,000,000.

The executive Directors believe that benefits of and the return from the Disposal is not limited to the Purchase Price. After the Transaction, the AYD Management will obtain control of AYD and be further incentivised to grow the business and to also facilitate the potential divestment of the Group's remaining interest in AYD. As the AYD Management becomes incentivised by the opportunity to be seen having control of AYD, it is expected that better alignment of interests between AYD and the AYD Management will lead to stronger operational and financial performance of AYD's business which in turn will increase the valuation of AYD and create better opportunities for the Company to maximise its return and attract interests of potential buyers for the divestment if and when it further divests its interest in AYD. Further, the executive Directors believe that a team of incentivized AYD Management would be more willing to facilitate due diligence processes of future potential purchasers of Pioneer Leap's interest in AYD and Pioneer Leap's divestment from AYD.

Terms of payment

The Purchase Price shall be payable by Sino Ease to Pioneer Leap by wire transfer of the Purchase Price to Pioneer Leap's designated bank account at Closing.

Conditions precedent

Closing is conditional upon the following Conditions Precedent being satisfied:

(a) Each Party shall fulfil its respective obligations at Closing if the following Conditions Precedent are satisfied:

  (i) AYD having declared 100% of its distributable profits for the financial years ended 31 December 2017 and 31 December 2018 respectively, and having undertaken to declare 100% of its distributable profits for the financial year ending 31 December 2019;

(ii) there being no law prohibiting or restricting the Disposal (including the obligations to be satisfied by each Party upon Closing);

(b) Pioneer Leap shall fulfil its obligations at Closing if the following Conditions Precedent are satisfied (or, to the extent permitted by law (including the Listing Rules), as waived in whole or in part by Pioneer Leap):

(i) the warranties given by Sino Ease and AYD in the SPA are true and accurate at signing and Closing;

(ii) compliance with all agreements, obligations and conditions according to the SPA by Sino Ease and AYD in all material aspects;

(iii) consents and waivers being given by shareholders of the Company prior to Closing, including but not limited to, approving the entry into of the SPA and other transaction documents (including, but not be limited to, the Amendment Agreement);

(iv) approvals and other requirements required to be obtained pursuant to relevant requirements under the Listing Rules (including the Company's Shareholders' approval) being obtained prior to Closing and continue to be valid at Closing;

(c) Sino Ease shall fulfil its obligations at Closing if the following Conditions Precedent are satisfied (or, to the extent permitted by law (including the Listing Rules), as waived in whole or in part by Sino Ease):

(i) the warranties given by Pioneer Leap and AYD in the SPA are true and accurate at signing and Closing; and

(ii) compliance with all agreements, obligations and conditions according to the SPA by Pioneer Leap and AYD in all material aspects.

The Parties shall use their best endeavours to procure the satisfaction of all of the Conditions Precedent set out above. In addition, AYD shall use its best endeavour to assist Pioneer Leap and the Company in complying with the Listing Rules, including but not limited to the signing and delivery of transaction documents, preparing notices and announcements, as well as obtaining the approvals and other requirements as referred to in paragraph (b)(iv) above. To the Directors' best knowledge, as of the Latest Practicable Date, the Parties do not have any intention to waive any of the Conditions Precedent set out above.

Distribution of Profits

It is a Condition Precedent that AYD declares 100% of its distributable profits for the financial years ended 31 December 2017 and 2018 and undertakes to declare 100% of its distributable profits for the financial year ending 31 December 2019. The amount of distributable profits of AYD for the financial years ended 31 December 2017 and 31 December 2018 are approximately HK$138,849,000 and HK$154,260,000 respectively according to the unaudited financial statements of AYD (on a consolidated basis) and no material change is anticipated on the amounts of such distributable profits. Accordingly, AYD will declare (i) in respect of the financial year ended 31 December 2017, dividends in the amount of approximately HK$76,367,000 to Pioneer Leap, HK$26,270,000 to Cosmicfield and HK$36,212,000 to Golden Metro based on the shareholding of AYD as at 31 December 2017; and (ii) in respect of the financial year ended 31 December 2018, dividends in the amount of approximately HK$72,363,000 to Pioneer Leap, HK$41,666,000 to Cosmicfield and HK$40,231,000 to Golden Metro based on the shareholding of AYD as at 31 December 2018. The dividends to be declared for the financial year ending 31 December 2019 will be allocated to the shareholders based on the shareholding of AYD as at 31 December 2019. The final distributable profits will be confirmed on the basis of AYD's audited financial statements when they are issued. All dividends have been, or will be, declared in compliance with AYD's articles of association and the laws of the British Virgin Islands. As all subsidiaries of AYD are wholly-owned, it is expected that these wholly-owned subsidiaries will declare and distribute dividends to AYD subject to approvals by relevant tax and foreign exchange regulatory authorities. It may take time to obtain such relevant approvals. However, it is highly likely that these approvals will be granted due to the nature of the Transaction and if all necessary supporting documents are submitted with the relevant approval applications.

All distributable profits declared and payable shall be paid by AYD within five (5) years following the declaration of such distributable profits or immediately following an initial public offering or any sale of all or substantially all of AYD's assets, whichever is earlier.

The executive Directors are of the view that by allowing AYD up to five years to pay all declared dividends, AYD will have better cashflow to sustain the growth of its business and increase its value to shareholders. It is in the best interest of the Company to encourage AYD and the AYD Management to focus on building a successful business which is attractive to potential new investors. The Company believes that this strategy will accelerate AYD's initial public offering or sale of all or substantially all of AYD's assets and will maximize the Company's return on its investment. The Company also expects that the declared dividends will be paid by AYD at a time earlier than five years.

The Company considered that Pioneer Leap will have certain rights in respect of AYD as highlighted in the section headed "Reserved Matters", which will allow it to monitor AYD's financial performance (among other matters) going forward. Having considered AYD's historical performance, current financial position and business strategy, the Company is confident that AYD has and will continue to have the ability and resources to pay its distributable profits declared. If AYD does not pay the distributable profits declared, the Company will exercise such legal rights as are available to it, such as under corporate law and/or the articles of association of AYD, against AYD for the payment.

Reference is made to the Loan Agreement (as amended by the Supplementary Loan Agreement) (as defined in the Second Announcement) and the share charges described under the section headed "Share Charges" in the First Announcement (as amended from time to time, and together with the Loan Agreement, the "**Loan Documents**"). Pursuant to the Loan Documents, any dividends on or with respect to the charged securities shall be paid to Pioneer Leap and shall be applied by Pioneer Leap in discharge of the Loan. Hence, the dividends attributable to Cosmicfield and Golden Metro pursuant to the arrangements in the above paragraph will be paid to Pioneer Leap and applied in discharge of the Loan. According to the audited accounts of the Company, the outstanding Loan (including principal and interest) as at 31 December 2018 was HK$180,923,000. The outstanding Loan is expected to be repaid by the dividends attributable to Cosmicfield and Golden Metro. The Loan may expire prior to the payment of dividends by AYD to Cosmicfield and Golden Metro. If the outstanding Loan is not fully repaid by the maturity date, the Company will decide at that time, in consideration of all relevant circumstances, what action(s) it will take in the best interests of it and its shareholders. Upon full repayment of the Loan, the Share Charges (as defined in the First Announcement) will be released in respect of the Loan, and Golden Metro and Cosmicfield will be entitled to receive and retain all subsequent dividends from AYD attributable to their respective shareholding.

Closing

Closing is to take place in Hong Kong on the next Business Day after all Conditions Precedent have been satisfied or waived by the respective Parties (except for the Conditions Precedent that by nature have to be satisfied or waived on the day of Closing), or at any other time and place agreed in writing by the Parties.

The SPA does not stipulate a long stop date. The Parties are committed to use every effort to complete the Disposal and do not consider it necessary to include a long stop date.

The expected date of Closing is in late June 2019.

Amendment Agreement

In accordance with the terms of the SPA, the parties to the Shareholders Agreement shall enter into the Amendment Agreement at Closing to amend and supplement the Shareholders Agreement. The principle terms of the Shareholders Agreement were set out in the section headed "The Shareholders Agreement" of the First Announcement and the section headed "AYD Call Option and AYD Put Option" in the Second Announcement. The Company became a party to the Shareholders Agreement on 30 June 2018 by entering into the Supplementary Shareholders Agreement. The primary reasons for the Company becoming a party under the Supplementary Shareholders Agreement were (i) to acknowledge and agree to the Proposed Spin-off (as defined in the Second Announcement), and (ii) to agree to provide certain guarantees in support of bank loan facilities granted to AYD and its subsidiaries. Please refer to the section headed "OTHER INFORMATION — GUARANTEES TO CONNECTED PERSONS" of the Announcement for further information on guarantees. Except for the above, the Company has not assumed any additional obligation in the Amendment Agreement.

Under the Amendment Agreement, the Shareholders Agreement will be amended to reflect the following.

Parties:

(a) Pioneer Leap;

(b) Golden Metro;

(c) Cosmicfield;

(d) the Company;

(e) Sino Ease; and

(f) AYD.

Board of directors: The maximum number of directors of the board of AYD in office shall be seven (7). Pioneer Leap shall have the right to appoint and maintain in office and remove and replace (with or without cause) two (2) natural persons as directors (the "**Mason Directors**") and Golden Metro, Cosmicfield and Sino Ease shall together have the right to appoint and maintain in office and remove and replace (with or without cause) five (5) natural persons as directors.

The chairman shall be a director appointed by Golden Metro, Cosmicfield and Sino Ease.

Management: Before AYD completes a Qualified IPO, Golden Metro, Cosmicfield and Sino Ease shall have the right to appoint Mr. Yip as the chief executive officer and AYD's chief executive officer shall have the right to appoint and maintain in office and remove and replace (with or without cause) any senior officer of AYD Group (including, but not limited to, the vice presidents, chief operating officer, chief financial officer and senior financial and accounting staff of AYD Group). If Mr. Yip voluntarily resigns as AYD's chief executive officer, Golden Metro, Cosmicfield and Sino Ease shall have the right to appoint AYD's chief executive officer.

Reserved matters:

(a) The following actions shall be determined exclusively by shareholders holding 75% or more of the then issued share capital of AYD:

(i) making or agreeing to make any change to the authorised or issued share capital or registered capital (as the case may be) from time to time of any member of AYD Group or granting any option over or interest in, or issuing any instrument carrying rights of conversion into, any other security or share of any member of AYD Group or redeeming or purchasing any of its own shares or effecting any other re-organisation of its share capital or registered capital (as the case may be); and

(ii) varying, modifying or abrogating any of the rights attaching to any of the shares of any member of AYD Group.

(b) Each of the shareholders and AYD shall procure that no action or decision is taken directly or indirectly (including by amendment, modification, merger, consolidation or in any other manner) by any member of AYD Group in relation to the following matters without board approval, including, the prior approval in writing of at least one (1) Mason Director:

(i) together with any creditor of any member of AYD Group, moving for insolvency, dissolution, receivership or administration or doing or permitting or suffering to be done any act or thing whereby any member of AYD Group may be wound up (whether voluntarily or compulsorily), save as otherwise expressly provided for in the Shareholders Agreement;

(ii) making any change in any member of AYD Group's primary business, or conducting any new business that is not related to the primary business;

(iii) amending, changing or revoking any provision in the certificate of incorporation, articles of association or equivalent constitutional documents of any member of AYD Group, save for (A) any update to AYD's register of members to reflect a new shareholder admitted in accordance with the terms of the Shareholders Agreement and (B) any amendment to the scope of business in the constitutional documents provided that it does not contravene the above paragraph b(ii);

(iv) save for any approved investment plan and financial budget, disposing of any material asset with a value of RMB20,000,000 or above in (A) a single transaction or in aggregate in any financial year (including but not limited to any sale, transfer, gift, abandonment, rental, lease, or create any security interests including any mortgage, pledge or lien); or (B) any direct or indirect sale of the business;

(v) conducting any direct or indirect equity financing or accepting any offer for subscription for any new security based on a valuation of the equity of AYD that is lower than the greater of RMB1,200,000,000 and the valuation of the equity of AYD in the most recent financing (including equity and non-equity financing);

(vi) save for any wholly-owned subsidiary or branch established for the operation of the primary business, making any investment or acquisition that (A) is not within the scope of AYD's investment policy approved by the board or (B) is within the scope of AYD's investment policy approved by the board and with a value of RMB20,000,000 or above in a single transaction or in aggregate in any financial year;

(vii) increasing or decreasing the size of the board of AYD;

(viii) changing the auditor who prepares the audit of consolidated financial statements of AYD, except that this does not apply to the change of AYD's auditor immediately prior to AYD's Qualified IPO, provided that, the new auditor of AYD must be a Big Four accounting firm (i.e. one of PricewaterhouseCoopers, Ernst & Young, Deloitte and KPMG);

(ix) save for the provision of financing to and guarantees for new franchise stores in accordance with AYD's current policy relating to receivables and operations, no member of AYD Group shall:

(A) make any loan or lend in any manner to any person that might constitute a connected person of AYD under the Listing Rules in an amount of RMB1,000,000 or above in a single loan or in aggregate in any financial year;

(B) enter into or become a party to any transaction with any person that might constitute a connected person of AYD under the Listing Rules with a value of RMB1,000,000 or above in a single transaction or in aggregate in any financial year that might constitute a connected transaction under the Listing Rules;

(C) provide any guarantee for any indebtedness of any person that might constitute a connected person of AYD under the Listing Rules in an amount exceeding RMB1,000,000 in a single transaction; and

(x) disposing, transferring, licensing technology or intellectual property of any member of AYD Group, or creating any security interests (such as mortgage, pledge or lien), rights of first refusal, options, trust arrangements, or other third-party restrictions on ownership that has similar effects, except for when licensing in the ordinary course of business or creating any security interests (such as mortgage, pledge or lien), rights of first refusal, options, trust arrangements, or other third-party restrictions on ownership that have similar effects to secure any member of AYD Group's repayment of outstanding amount of loans from a commercial bank in the ordinary course of business.

In other words, the board and shareholders decisions for reserved matters can only be made with the agreement of Pioneer Leap. The Company, through Pioneer Leap, can exercise its veto rights to ensure the Company has oversight over key decisions and transactions of AYD, and safeguard the interests of the Company in AYD.

Transfer of shares: *Right of First Refusal*

If Pioneer Leap proposes to transfer shares of AYD to any third party, Cosmicfield, Golden Metro, Sino Ease and AYD will collectively have the right to purchase all (but not a portion of) such shares on terms and conditions not less favourable than the terms and conditions of the proposed transfer to independent third parties. The transfer will be subject to the Company's compliance with the applicable Listing Rules requirements.

The Company considers that granting AYD a right of first refusal is beneficial to Pioneer Leap as AYD will be a readily available buyer if Pioneer Leap proposes to transfer shares of AYD to any third party. Depending on circumstances at the time, AYD may decide to reduce its share capital through cancelling its repurchased shares (if any).

Under the memorandum and articles of association of AYD, shares that AYD purchases may be cancelled or held as treasury shares, except to the extent that such shares are in excess of 50% of the issued shares of AYD, in which case they shall be cancelled.

Co-Sale Rights

If any of Cosmicfield, Golden Metro or Sino Ease proposes to transfer any share of AYD to any third party, Pioneer Leap will have the right to participate in the proposed transfer on the same terms and conditions on a pro rata basis.

Other than the terms as amended by the Amendment Agreement, all other material terms under the Shareholders Agreement will remain effective (including the provisions of the Supplementary Shareholders Agreement as disclosed in the Second Announcement).

UPDATES SINCE SECOND ANNOUNCEMENT

The Company disclosed in the Second Announcement that the Company chose to transfer the Bonus Shares (as defined in the Second Announcement) to Cosmicfield in order to incentivize the AYD Management to continuously commit to and support the growth and development of AYD. Completion of the transfer of the Bonus Shares took place on 5 July 2018 and upon such transfer, Pioneer Leap and Cosmicfield became holders of 46.91% and 27.01% of AYD, respectively.

The Company also disclosed in the Second Announcement that AYD, Sino Ease (which is the First Investor as defined in the Second Announcement) and the Second Investor entered into the Subscription Agreement. It was intended, among other things, that the subscription by Sino Ease and the Second Investor under the Subscription Agreement would be an incentive to AYD Management to contribute to the success of AYD. The Subscription Agreement did not proceed to completion because of the difficulty for AYD (being a British Virgin Islands company) to open a bank account to receive subscription monies from Sino Ease and the Second Investor. The parties to the Subscription Agreement as disclosed in the Second Announcement have been striving to close the transaction under the Subscription Agreement. After rounds of negotiation, Sino Ease is investing in AYD by purchasing the Sale Shares from Pioneer Leap and the Second Investor has decided not to participate in the Disposal. Sino Ease and the Second Investor has on the date of the SPA by notice in writing to AYD terminated the Subscription Agreement. No parties to the Subscription Agreement has paid any penalty in this respect as there are no relevant penalty terms under the Subscription Agreement. Upon such termination, the parties to the Subscription Agreement have no further rights or obligations thereunder, whether accrued or incurred before or after such termination. Neither Sino Ease nor the Second Investor has paid any sums to AYD under the Subscription Agreement.

Based on the information provided by AYD, Sino Ease and the Second Investor have not been direct shareholders of AYD prior to the Disposal. Sino Ease is owned by the AYD Management who is interested in increasing its stake and control of AYD. The AYD

Management has been seeking for opportunities to increase their stake and control in AYD, for example, through their borrowing of the Loan in 2016 and their entering into the Subscription Agreement in 2018. Therefore, Sino Ease, which is the First Investor under the Subscription Agreement, entered into the SPA to purchase the Sale Shares. The Second Investor is Star Capital Partners Limited, a company incorporated in the British Virgin Islands. Its ultimate beneficial owner, Mr. Au Ngai Daniel, is also the ultimate beneficial owner of approximately 9.43% economic interest of AYD as at the Latest Practicable Date. The Second Investor has no arrangement with the existing shareholders of AYD and the Sino Ease in respect of the shareholding in AYD except mentioned above. Save as disclosed in this circular, the Company does not have any arrangements, written or otherwise, express or implied, with Mr. Au Ngai Daniel.

INFORMATION ABOUT AYD GROUP

AYD is a company incorporated in the British Virgin Islands with limited liability. Its indirect wholly-owned subsidiary, Zhuhai AYD, is the franchisor of a leading franchise in mother-infant-children products retail business in Southern China and Eastern China with a regional network of over 1,200 franchised and direct-sale stores and over 6,700 partnership stores.

A summary of the unaudited financial information of AYD (on a consolidated basis) for the financial years ended 31 December 2017 and 2018 is set out below:

	For the year ended 31 December 2018 *HK$'000*	**For the year ended 31 December 2017** *HK$'000*
Profit before taxation	208,241	184,700
Profit after taxation	154,260	138,849

The unaudited consolidated net assets of AYD as at 31 December 2018 amounted to approximately HK$287,146,000, with total assets and liabilities of approximately HK$940,890,000 and HK$653,744,000, respectively.

As at the Latest Practicable Date, the Company through Pioneer Leap indirectly holds 46.91% of the issued capital of AYD and has the right to appoint a majority of the board of directors of AYD. As such, AYD is a subsidiary of the Company. Upon Closing, the Company will indirectly own 46.2% of the issued capital in AYD and Pioneer Leap will no longer have the right to appoint the majority of the board of AYD. As a result, AYD will cease to be a subsidiary of the Company and its financial statements will not be consolidated into the Group. AYD will then become an associate of the Company, and the financial results of AYD will be equity accounted for in the Group's consolidated financial statements. The Company will record (i) 46.2% of income and other comprehensive income from AYD in the consolidated statement of comprehensive income, and (ii) the fair value of AYD assessed by an independent valuer upon Completion in the consolidated statement of financial position as the Company's interests in associates. Upon Closing, the shareholding structure of AYD will be as follows:

	As at the Latest Practicable Date		Immediately after Closing	
	Number of Shares	*Approximate percentage of shareholding*	*Number of Shares*	*Approximate percentage of shareholding*
Pioneer Leap	4,691	46.91%	4,620	46.20%
Cosmicfield	2,701	27.01%	2,701	27.01%
Golden Metro	2,608	26.08%	2,608	26.08%
Sino Ease	—	—	71	0.71%
	10,000	100.00%	10,000	100.00%

As at the Latest Practicable Date, to the best of the Directors' knowledge, neither the Company nor Pioneer Leap has plans to sell the remaining of Pioneer Leap's shareholding in the issued capital of AYD.

INFORMATION ABOUT THE GROUP AND THE OTHER PARTIES TO THE DISPOSAL

The Group

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, provision of securities margin financing, provision of investment and corporate finance advisory services, investment in securities trading, money lending and investment holding. The Group also pursues an "investment business model" by making direct investments in the healthcare sector.

Pioneer Leap

Pioneer Leap is a company incorporated in Samoa with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Sino Ease

Sino Ease is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. Sino Ease holds 48.7% of the issued share capital of Golden Metro, a substantial shareholder of AYD and is owned by the AYD Management. As such, Sino Ease is a connected person of the Company at the subsidiary level.

As at the Latest Practicable Date, according to the information provided by the shareholders of AYD, the shareholding structure of Sino Ease is as follows:

	Approximate percentage of shareholding *(%)*
Mr. Yip	57.10
Mr. Ye Faduan	15.70
Mr. Ye Fachao	15.70
Ms. Gao Qin	11.50
	100.00

Cosmicfield

Cosmicfield is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. Cosmicfield holds 27.01% of the issued share capital of AYD and is majority owned by the AYD Management. As Cosmicfield is a substantial shareholder of AYD, Cosmicfield is a connected person of the Company at the subsidiary level.

As at the Latest Practicable Date, according to the information provided by the other shareholders of AYD, the shareholding structure of Cosmicfield is as follows:

	Approximate percentage of shareholding *(%)*
Power Partners GP Limited	31.29
Mr. Yip	26.71
Mr. Ye Faduan	14.00
Mr. Ye Fachao	14.00
Ms. Gao Qin	14.00
	100.00

According to the information provided by the other shareholders of AYD, Power Partners GP Limited is a company incorporated in the British Virgin Islands. It is a wholly-owned subsidiary of the Second Investor, which is wholly-owned by Mr. Au Ngai Daniel. There is no arrangement between Power Partners GP Limited and the Group in relation to the shareholding in AYD Group.

Golden Metro

Golden Metro is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. Golden Metro holds 26.08% of the issued capital of AYD and is owned as to 48.7% by Sino Ease, which is owned by the AYD Management in the proportion mentioned above. As Golden Metro is a substantial shareholder of AYD, Golden Metro is a connected person of the Company at the subsidiary level.

As at the Latest Practicable Date, according to the information provided by the other shareholders of AYD, the shareholding structure of Golden Metro is as follows:

	Approximate percentage of shareholding *(%)*
Sino Ease Ventures Ltd	48.70
Ally Legend Ventures Ltd	19.89
Glorious Investments Ltd	11.93
Right Tone Venture Ltd	11.28
ShangYu Investments Ltd	8.20
	100.00

According to the information provided by the other shareholders of AYD, Glorious Investments Ltd and ShangYu Investments Ltd are wholly-owned by Mr. Liang Baotian. Ally Legend Ventures Ltd is wholly-owned by Mr. Lin Han. Right Tone Venture Ltd is equally-owned by Mr. Au Ngai Daniel, Rosy Wealth Holdings Limited and Divine Order Limited. The ultimate beneficial owners of Rosy Wealth Holdings Limited and Divine Order Limited are Mr. Wang Peng and Ms. Qi Li Xia respectively, and both are independent third parties to the AYD Management and the Company.

The Company has been informed by Cosmicfield and Golden Metro that Cosmicfield is proposing to transfer 397 shares in AYD to Golden Metro for a nominal consideration of HK$1, and such transfer of shares is expected to be completed before 30 June 2019. The Company has not been involved in the proposed share transfer by Cosmicfield to Golden Metro and the proposed transfer is not related to the Transaction. The decision to transfer the relevant shares was made by Mr. Yip, who is the sole director of each of Cosmicfield and Golden Metro, as incentive to the ultimate management shareholders of Golden Metro based on the performance and contribution of such shareholders in the financial year ended 31 December 2017 and was agreed by the shareholders of Cosmicfield and Golden Metro.

According to the information provided by Sino Ease, Cosmicfield and Golden Metro and to the Directors' knowledge, (i) Mr. Yip, Mr. Ye Faduan and Mr. Ye Fachao are brothers; (ii) Mr. Liang Baotian is a distant relative of Mr. Yip's wife; (iii) Cosmicfield, Golden Metro and Sino Ease are connected persons of the Company at the subsidiary level, and save as otherwise disclosed in this circular, Sino Ease, Cosmicfield and Golden Metro and their ultimate beneficial owners are not otherwise related to each other and are third parties independent of the Company and of the Company's connected persons.

Save as disclosed in this circular, to the best knowledge of the Directors, there is currently no other arrangements relating to the shareholding of AYD.

REASONS FOR THE DISPOSAL AND FINANCIAL IMPLICATIONS THEREOF

The Group pursues an "investment business model" by investing in business sectors that align with its overall strategy. It also aims at realizing value of its investments through trade sales, mergers and acquisitions and initial public offerings to create returns for its shareholders. Accordingly the Company is constantly exploring new investment and divestment opportunities with an objective of achieving the best use of its resources and improving its portfolio.

The Group is aiming at building a "Health + Wealth" ecosystem with integrated healthcare and financial platforms to provide wealth and health solutions to its clients. There is strong demand for high quality healthcare services in the Asia Pacific region and the Group actively develops strategic investment opportunities in the healthcare services sector in the region, including the participation in an investment consortium to acquire controlling interest in Genea Limited ("**Genea**"), a leading assisted reproductive service and technology player in Australia as well as investing in a health check centre providing medical and physical check-ups in Hong Kong.

As the Group focuses its efforts in strategic investments in support of the Group's vision of becoming a world-class conglomerate offering "Health + Wealth" solutions, the Group plans to progressively exit from its mother-infant-child consumer investments, which will become less prominent to the Company's business. The Company will decide as to whether to retain or dispose of the holding companies related to franchising and retailing of mother-infant-child products when and if the divestment opportunities in line with the business strategy to gradually exit the mother-infant-child consumer investments arise. Save for AYD Put Option (as defined in the Second Announcement) and cash, such holding companies do not hold any businesses or operations related to franchising and retailing of mother-infant-child products. Save for the AYD Group, the Company does not own any other business or assets related to franchising and retailing of mother-infant-child products. The Company announced the disposal of its entire interest in Blend and Pack Pty. Ltd. ("**B&P**") (please refer to the relevant announcements of the Company dated 8 February 2019, 22 February 2019, 12 April 2019 and 9 May 2019) and is expecting to complete such disposal on or before 30 June 2019. The sale of B&P is the first step of such progressive exit and the Disposal is the second step.

Before the completion of the Disposal, the Company, through Pioneer Leap, already holds less than 50% of the issued capital of AYD and has delegated the day-to-day operation of AYD to the AYD Management whilst monitoring and only participating in the management of

AYD mainly at the board level through the exercise of Pioneer Leap's control of the board and through control measures as disclosed in the First Announcement, including but not limited to the approval of budget and the appointment of the chief financial officer of AYD. The AYD Management has been supervising the operation of AYD since Pioneer Leap became a shareholder of AYD. The Company believes that by giving the AYD Management control of the board of directors of AYD, the AYD Management will be incentivized to grow the business and generate better returns for the AYD shareholders. It is expected that the Transaction will facilitate additional financing and exit opportunities for the Group. Meanwhile, the reserved matters as disclosed in the section headed "THE DISPOSAL — Amendment Agreement — Reserved Matters" of this circular sufficiently safeguard the Group's interest as a minority shareholder of AYD. Pioneer Leap will continue monitoring AYD's performance through its directors appointed to the board of AYD and by exercising its rights under the Reserved Matters if neccessary.

Reference is made to the First Announcement which disclosed, among others, that a cash or share bonus would be payable to Cosmicfield if the consolidated net profit attributable to equity holders of AYD for the year ending 31 December 2018 ("**2018 Attributable Profit**") is more than RMB126,000,000. However, as disclosed in the Second Announcement, such arrangement was amended such that if the 2018 Attributable Profit is more than RMB120 million, only a cash amount of RMB5,000,000 will be payable under the Supplementary Shareholders Agreement. The Company renegotiated the arrangement due to the fact that AYD significantly overperformed in terms of its audited net profit in 2017 and a sizable share bonus with an aggregate value of approximately HK$127,000,000 was rewarded by Pioneer Leap to the AYD Management under the relevant arrangement disclosed in the First Announcement. Based on the unaudited financial results of AYD for the year ended 31 December 2018, AYD achieved a net profit of approximately RMB132,000,000 (equivalent to approximately HK$154,000,000) and a cash or share bonus of approximately RMB25,000,000 would have been payable if the arrangement disclosed in the First Announcement were still in place. Under the amended arrangement disclosed in the Second Announcement, only RMB5,000,000 is payable.

The executive Directors consider that the terms of SPA, the Amendment Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Further, the executive Directors consider the Transaction to be in line with the business strategy change of the Company and will free up the time of the management of the Company to develop its "Health + Wealth" strategy.

Other than as disclosed above, the Company and its Board currently have no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on (i) any disposal, termination or scaling-down of the Company's remaining businesses; (ii) injection of any new business to the Group; (iii) any change in the Company's shareholding structure; and (iv) any change in the Company's management.

No Director has a material interest in the above-mentioned transaction and no Director is required to abstain from voting on the board resolutions to approve the above-mentioned transaction.

PRINCIPAL BUSINESS OF THE GROUP AFTER THE DISPOSAL

After the Disposal, the principal business of the Group will comprise of the following:

Financial Services Business

The Group has been in the money lending business for a substantial period of time and has expanded this line of business to cover leveraged and acquisition financing and provision of mortgage loan and securitization. Since 2015, the Group has expanded its financial services business through acquisitions of companies which specialize in dealing in securities, advising on securities, provision of securities margin financing, provision of investment and corporate finance advisory services, commodities broking and asset management.

The Group also acquired its asset and wealth management businesses in June 2016 and added Harris Fraser Group Limited, Harris Fraser (Hong Kong) Limited and Halena Co. Ltd (the "**HFG Group**") to its asset and wealth management platform in May 2018. In addition, the Group started providing private banking services to clients through Raiffeisen Privatbank Liechtenstein AG ("**RPL**") acquired by the Group in March 2018. Further, proprietary trading of securities is one of the Group's long-standing businesses.

Currently, the Group's financial services business comprises of proprietary trading of securities, provision of financing services and provision of wealth and asset management, financial brokerage and related services:

- The proprietary trading of securities is investing in shares, stocks, options and funds and income is derived from the net profits from such investments.

- Financing services are primarily loan financing services which generate interest income on the principal outstanding under loans.

- Wealth and asset management, financial brokerage and related services relate to wealth and asset management, dealing in securities, provision of securities and commodities brokerage services and financial advisory services and private banking services.

  The Group's asset management team manages funds for individuals and companies. They make well-timed investment decisions on behalf of their clients to grow their finances and portfolio. The income from asset management services is mainly generated from management fees and performance fees. The management fees and performance fees are normally determined by a percentage of value of asset under management.

  The Group's wealth management team strives to address the needs and wants of high net worth individuals and affluent clients by offering services and advice for rational decision-making regarding their investment to meet their short-term and long-term financial goals. The income from wealth management services is generated from advisory fees and commissions. The advisory fees are usually determined as a percentage of value of asset under management advice. The commissions may vary depending on the type of products on offer.

- Brokerage services are provided for the Company's clients to trade listed securities and purchase investment linked and life insurance plans. The Group charges securities brokerage service fees and insurance premium as considerations for the two types of services. Harris Fraser (Hong Kong) Limited is a member of the Professional Insurance Brokers Association and through this entity the Group is able to act as a broker for other insurers.

- The Group also provides placing services and ancillary services including scrip handling services, settlement services, account servicing, etc. for a comprehensive service package as additional peripheral income sources.

- Financial advisory services include IPO sponsorship services and financial advisory services to listed and non-listed companies.

The different businesses, including the newly acquired businesses, complement each other both in terms of products and client segments:

- On products: RPL is providing wealth planning services in Europe such as asset allocation and trust services. HFG Group has expertise in insurance brokerage and mass affluent wealth management services; Mason Investment Management Limited ("**MIM**") is specialised in fund management and high net worth wealth management; and Mason Securities Limited ("**MSL**") is focused on stock brokerage. Altogether, the financial service platform offers a wide range of products without overlapping.

- On clients: RPL's clientele is mainly European and we envisage more Asian clients in the future. Harris Fraser (Hong Kong) Limited's clients are mass affluent clients in North Asia; MIM's clients are institutions and high net worth individuals; and MSL's clients are mainly retail.

Therefore, the Mason financial platform consists of businesses covering different products with a wide spectrum of clients. As at the Latest Practicable Date, the Group's financial services business had around 30,000 clients. The total loan portfolio to clients as at 31 May 2019 was approximately HK$1.5 billion with interest charged at rates ranging from approximately 1% to 15% per annum. The total turnover of the stocks and futures brokerage business from January to May 2019 was approximately HK$5 billion; approximately 23,000 futures and options dealing contracts were executed by our wholly-owned subsidiaries, Mason Securities Limited and Mason Futures Limited, as agents generating approximately 0.04% to 0.25% of the contract value in stocks commission income and HK$8 to HK$100 per contract in futures and options commission income. The total assets under management and assets under advisory for the wealth and asset management business as at 31 May 2019 were approximately HK$9.8 billion and fees were charged at a range of 0.25% to 1.5% per annum depending on the nature of the products. For proprietary trading of securities, the net profit or net loss of trading of securities is the difference of net fair value of the securities and the purchase cost. Advisory fees were charged for financial advisory services on each contract based on the nature and size of the transaction. In 2019, the Group entered into two sponsorship contracts and two financial advisory contracts with an aggregate fee income of approximately HK$10,000,000 up to May 2019. Through regular communication among different business committees and cross selling among different entities, profits can be generated.

Moreover, the management of the Company that oversees the financial platform is also instrumental to promoting and incentivizing cross selling and facilitating business integration.

Healthcare Business

The Group also pursues an "investment business model" by making direct investments in the healthcare sector. The Group's healthcare business investment generates income from the provision of IVF services and genetic diagnostic services, and the health check business.

The Group achieved two milestones in 2018 by creating a comprehensive in vitro fertilisation ("**IVF**") and biotechnology platform to capitalise on the growth potential of the market of assisted reproductive services in Asia:

(i) In June 2018, the Group merged its subsidiary, Reproductive Healthcare Group Limited with the newly acquired The HK Women's Clinic Group Limited to form the Reproductive Healthcare Group ("**RHG**").

(ii) In December 2018, the Group invested in Genea, through a consortium, a global leading fertility group offering a comprehensive range of assisted reproductive services and innovative technologies in assisted reproduction.

RHG in total handled about 31,000 cases of consultation in the financial year ending 31 December 2018. As at the Latest Practicable Date, the gross margin of RHG was 30%.

Valuable synergy is expected to be generated from RHG and Genea to realize the Company's vision of creating an Asian hub for the best and most advanced IVF services.

In addition, the Group invested in Pangenia Inc., a genetic diagnostic and advisory services in 2017 and a health check centre in Hong Kong in 2019. Pangenia Inc. in total handled about 53,000 lab tests in the financial year ended 31 March 2019.

Prospect

The Group will continue to develop its business based on the two-pronged development strategy of "Health + Wealth" by:

(i) further developing and investing in the healthcare ecosystem to cater for growing demand of premium medical and preventive services relating to women's health and fertility from local Hong Kong market and medical tourists from Mainland China;

(ii) further integrating business of RPL and the HFG Group into the Group's existing financial services platform to become a comprehensive financial service and product development platform to service the growing wealth management demand in Asia; and

(iii) promoting cross selling activities between the Group's financial services and healthcare businesses and seeking to create synergies between two potentially overlapping clienteles. The Group strongly believes that its wealth management clients are always looking for high quality medical services.

For the financial services business, the integration of the Group's various synergetic financial service businesses has been on-going, especially on the acquisition of talents, improving the Group's IT and client record management systems to better serve existing and potential customers while further strengthening its risk management and internal control systems, all of which are imperative to sustainably develop and expand the Group's financial service platform and grow its asset under management.

Further, the HFG Group is establishing its new wealth management team with mass affluent individuals as target clients. Together with its existing sales force, HFG Group has begun to do more cross selling with other members of the Group. These include introducing clients to the Group's brokerage team, referring clients to RPL, and distribution of fund management products. HFG Group has also started cross selling health services products to its clients.

Meanwhile RPL is on-boarding a growing number of Asian clients introduced by other members of the Group. There is also a project to link up RPL with the Group's brokerage business in Hong Kong.

The business integration is an ongoing process and it has progressed in a satisfactory manner. With the current momentum, the executive Directors expect better integration and increasing cross selling activities among different businesses of the Group in the coming months.

For the healthcare business, while the Group is always actively considering acquisition and/or consolidation opportunities, the Group is also focusing on further building necessary channels to service growing demand for high quality medical services from medical tourists from Mainland China. To this end, the Group has established collaboration with insurance companies and health management organisations with the goal of promoting its high quality medical and genetic testing services in Hong Kong and Mainland China. In April 2019, the Group also invested in a health check centre in Hong Kong to provide comprehensive body check service to both local customers and medical tourists. It is expected that the health check centre will be able to channel patients for the Group's other healthcare services.

Based on the Group's business plan described above, the Company expects its business after the Disposal to be viable and sustainable. Up to 31 May 2019, the interests income generated from total loan portfolio to clients was approximately HK$58,000,000; the commission income charged to clients from stocks and futures brokerage business was approximately HK$12,000,000; and the advisory fee charged to clients from the assets under management and assets under advisory for the wealth and asset management business was approximately HK$25,000,000. As at the Latest Practicable Date, the total assets under management and assets under advisory by the Group were around HK$9.8 billion, with a total outstanding loan amount of around HK$1.5 billion. The income to be generated from total assets under management and assets under advisory of the Group for the financial year ending 31 December 2019 will be approximately HK$62,000,000 based on the charges in the different products with a range of 0.25% to 1.5%. Furthermore, the Group has two signed sponsorship contracts and two signed financial advisor contracts with an aggregate fee income of approximately HK$10,000,000. The aggregate expected underwriting size for these sponsorship contracts is around HK$450 million.

As at 31 December 2018, the Group has a total equity of approximately HK$6,802,000,000 (including non-controlling interests of approximately HK$640,000,000), in which bank deposits and cash of the Group were approximately HK$2,814,000,000. Excluding equity and cash attributable to the "franchisor and retail of mother-infant-child products" relating to the Disposal, the estimated total equity and bank deposits and cash are approximately HK$6,313,000,000 and approximately HK$2,691,000,000, respectively. The Board believes the liquidity and capital resources of the Group are sufficient to support the on-going and long-term business development of both the Group's financial services and healthcare businesses. The Group will deploy its resources prudently to pace the development of both businesses with the goal to generate long term equity value for the Group's shareholders.

FINANCIAL IMPACT

After the Disposal, AYD will become an associate from a subsidiary of the Group and will be accounted for using the equity accounting method. According to relevant accounting standards, the Group is required to recognise its interest in AYD based on the valuation of AYD and derecognition of the net book value of AYD upon the Closing. Based on the preliminary valuation assessment, the fair value of the Group's remaining 46.2% interest in AYD after the Disposal is estimated at HK$647,700,000 and the net book value of AYD after the distributable profits declared to be received by Pioneer Leap which are subject to withholding tax will be HK$348,700,000. After taking into account of the purchase price of HK$10,024,001.10, it is estimated that the Group will recognise an unaudited gain on the Disposal upon the Closing of approximately HK$309,000,000 for the year ending 31 December 2019, including a net revaluation gain which amounts to HK$304,000,000 (which is non-cash in nature) and a gain from the Sale Shares of approximately HK$5,000,000.

The Company currently does not expect any material change in the actual gain resulting from the Disposal. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming Closing had taken place on 31 December 2018, the estimated gain on the Transaction is approximately HK$309,000,000.

According to the audited consolidated financial information of the Company for the year ended 31 December 2018, the audited consolidated total assets and total liabilities of the Group as at 31 December 2018 were HK$11,377,000,000 and HK$4,575,000,000, respectively. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming Closing had taken place on 31 December 2018, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would be approximately HK$10,518,000,000 and HK$3,818,000,000, respectively.

USE OF PROCEEDS

The net proceeds from the Disposal after deducting related transaction costs and expenses are estimated to be approximately HK$4,000,000.

The Group intends to apply (i) the net proceeds from the Disposal for working capital requirements of the Group; and (ii) the dividend income to be received in two to five years from AYD for working capital requirements and future investments of the Group.

LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are 75% or more, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Furthermore, as each of Sino Ease, Cosmicfield and Golden Metro is a connected person of the Company at the subsidiary level, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements.

The Independent Board Committee has been established to advise the Shareholders in respect of the Disposal and the transactions contemplated thereunder. The Company will in due course appoint an independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has an interest in the SPA which is materially different from other Shareholders. Accordingly, no Shareholder is required to abstain from voting on the resolutions to be proposed at the General Meeting.

GENERAL MEETING

A notice convening the General Meeting to be held at Victoria Room II, 3/F., Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong at 4:00 p.m. on 27 June 2019 for the purpose of considering, and if thought fit, approving the SPA, the Amendment Agreement and the transactions contemplated thereunder is set out on GM-1 to GM-2 of this circular.

A proxy form for the General Meeting is enclosed. Whether or not you intend to attend and vote at the General Meeting 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 17M Floor, 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 General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending or voting in person at the General Meeting or any adjournment thereof should you so wish.

The General Meeting will be convened for the purpose of considering and, if thought fit, approving the SPA, the Amendment Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge, information and belief, no Shareholder had a material interest in the SPA or the Amendment Agreement who will be required to abstain from voting at the General Meeting in respect of the resolution(s) relating to the SPA, the Amendment Agreement and the transactions contemplated thereunder.

Shareholders with a material interest in the Disposal shall not vote on the resolution(s) to be proposed at the General Meeting. Voting at the General Meeting will be conducted by way of a poll.

A form of proxy for use in connection with the General Meeting is enclosed herewith.

Whether or not you are able to attend the General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and in any event by no later than 48 hours before the time appointed for the holding of the General Meeting (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting should you so wish. If you attend and vote at the General Meeting, the authority of your proxy will be revoked.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the SPA, the Amendment Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms, and in the interest of the Group and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the resolutions to be proposed at the General Meeting in relation to the entering into of the SPA, the Amendment Agreement and the transactions contemplated thereunder.

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 32 to 33 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in connection with the SPA, the Amendment Agreement and the transactions contemplated thereunder, and the principal factors and reasons considered by them in arriving at such advice set out on pages 34 to 58 in this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the SPA, the Amendment Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and accordingly the Independent

Board Committee recommends the independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the General Meeting to approve, among other things, the SPA, the Amendment Agreement and the transactions contemplated thereunder.

The Independent Board Committee also considers that the Disposal is conducted in the ordinary and usual course of business of the Group.

FURTHER INFORMATION

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

Yours faithfully,
By order of the Board
Mason Group Holdings Limited
KO Po Ming
Chairman & Chief Executive Officer

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)

12 June 2019

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION
DISPOSAL OF SALE SHARES IN AYD GROUP LIMITED

We refer to the circular issued by the Company to Shareholders dated 12 June 2019 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the independent Shareholders as to whether the SPA, the Amendment Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

China Tonghai Capital Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders as to whether the terms of the SPA, the Amendment Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation are set out from pages 34 to 58 of the Circular.

Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the letter from the Board contained in this Circular as well as the additional information set out in the appendices to the Circular. Having considered the terms of the SPA and the Amendment Agreement and the advice of the Independent Financial Adviser, we are of the opinion that the SPA, the Amendment Agreement and the transactions contemplated thereunder on normal commercial terms and are fair and reasonable so far as the independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole. We also consider that the Disposal is conducted in the ordinary and usual course of business of the Group. We therefore recommend that the independent Shareholders vote in favour of the relevant resolution to be proposed at the General Meeting to approve the SPA, the Amendment Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Tian Ren Can **Kan Lai Kuen, Alice** **Chen Wai Chung, Edmund** **Wang Cong**
Independent non-executive Directors

The following is the full text of a letter of advice from China Tonghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Disposal, which has been prepared for the purpose of incorporation in this circular.

中國通海企業融資
CHINA TONGHAI CAPITAL

12 June 2019

To the Independent Board Committee and the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF SALE SHARES IN AYD GROUP LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Disposal, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 12 June 2019 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 22 May 2019 (after trading hours), Pioneer Leap (as the vendor), Sino Ease (as the purchaser) and AYD entered into the SPA, pursuant to which Sino Ease conditionally agreed to purchase, and Pioneer Leap conditionally agreed to sell, the Sale Shares (representing 0.71% of the issued share capital of the AYD as at the Latest Practicable Date) at the Purchase Price of HK$10,024,001.10. It is expected that Pioneer Leap, Golden Metro, Cosmicfield, the Company, Sino Ease and AYD will enter into the Amendment Agreement at Closing to amend and supplement the Shareholders Agreement.

Pioneer Leap is a wholly-owned subsidiary of the Company. As explained in the section headed "3. Background information of Sino Ease and the AYD Management" below, Sino Ease is a connected person of the Company at the subsidiary level. As such, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the relevant applicable percentage ratios of the Disposal are 75% or more, the Disposal also constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

No Shareholder has an interest in the SPA which is materially different from other Shareholders. Accordingly, no Shareholder is required to abstain from voting on the resolutions to be proposed at the General Meeting.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Chen Wai Chung, Edmund, Ms. Kan Lai Kuen, Alice, Mr. Tian Ren Can and Mr. Wang Cong, has been established to advise the Shareholders in respect of the SPA, the Amendment Agreement and the transactions contemplated thereunder. We have been appointed as an independent financial adviser to give an independent opinion to the Independent Board Committee and the Shareholders in such regard.

As at the Latest Practicable Date, China Tonghai Capital Limited did not have any relationships with or interests in the Company, Pioneer Leap, Sino Ease, Cosmicfield, Golden Metro or AYD or any of their respective ultimate beneficial owners which could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us other than the current appointment in relation to the SPA and the relevant agreements. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the aforesaid companies. Accordingly, we are qualified to give independent advice in respect of the Disposal.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Group including the SPA and the Amendment Agreement; (iii) the opinions expressed by and the representations of the executive Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the executive Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the executive Directors and the management of the Group. We have also sought and received confirmation from the executive Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the executive Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the General Meeting.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the executive Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group and the AYD Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group principally provides comprehensive financial services in Hong Kong and pursues an ''investment business model'' by making direct investments in the healthcare sector. It has positioned itself as a health and wealth solutions service conglomerate based in Hong Kong.

1.1 Financial services business

The Group's financial services business comprises provision of asset management, wealth management, private banking, corporate finance advisory services, financial brokerage and related services, financial services and proprietary trading of securities. For the year ended 31 December 2018, the Group's financial services business constituted approximately 22.1% of the Group's total turnover. The financial services business recorded segment loss of approximately HK$48.4 million for the year ended 31 December 2018, which was primarily attributable to the loss incurred from proprietary trading of securities of approximately HK$58.8 million.

As disclosed in the Company's 2015 annual report, since 2015, in order to further expand its financial services business, the Company has made a series of acquisitions of financial services related businesses, including, among other things, acquisitions of companies which are primarily engaged in securities dealing, commodities brokerage, provision of securities margin financing and provision of investment, corporate finance advisory services and bullion trading services.

In March and May 2018, the Group completed acquisitions of 100% interest in Raiffeisen Privatebank Liechtenstein AG (''**RPL**''), a European private bank, and Harris Fraser Group Limited, Harris Fraser (Hong Kong) Limited and Halena Co. Ltd. (collectively, the ''**HFG Group**''), an Asia-based wealth management company, respectively. The integration of RPL and the HFG Group into the Group further strengthens the Group's financial services platform.

1.2 Healthcare business

The Group's healthcare business investment comprises the provision of in vitro fertilisation services, genetic diagnostic and advisory services and health screening services. For the year ended 31 December 2018, the Group's healthcare business constituted approximately 1.6% of the Group's total turnover. Excluding the gain on deemed disposal of interest in subsidiaries of approximately HK$131.3 million, the healthcare business recorded segment profit of approximately HK$9.5 million for the year ended 31 December 2018.

(a) Principal investments

With a focus on the growth potential and booming demand for the reproductive sciences, in November 2016, the Group began tapping into this market through the acquisition of 55% interest in Reproductive Healthcare Group Limited ("**RHG**"), a leading private assisted reproductive service provider in Hong Kong. Since then, the Group has continued to expand its investment in the healthcare market. The Group acquired The Women's Clinic Group Limited ("**WCGL**") in June 2018. RHG and WCGL merged into the new Reproductive Healthcare Group Limited (the "**RHG Group**") in June 2018. Subsequent to this merger, the RHG Group ceased to be a subsidiary of the Group and became an associate with the introduction of a strategic investor.

In December 2018, the Group participated in a consortium which acquired 89.5% interest in Genea Limited, a global leading fertility group which offers a comprehensive range of assisted reproductive services and innovative technologies in assisted reproduction. The investment is expected to enrich the Group's assisted reproductive services supply chain and broaden its healthcare business reach beyond Asia.

(b) Other investments

The Group acquired 42.87% interest in Pangenia Inc., a genetic diagnostic and advisory services provider in Hong Kong, in March 2017.

The Group's investment in a body check centre in Hong Kong in 2019 further reflects the Group's initiatives in actively pursuing strategic investment opportunities in the healthcare services sector.

1.3 Mother-infant-child consumer business

The Group's investments in mother-infant-child consumer business comprise franchising and retailing of mother-infant-child products and manufacturing of infant formula and nutritional products. For the year ended 31 December 2018, the mother-infant-child consumer business constituted approximately 76.3% of the Group's total turnover for the year. The mother-infant-child consumer business recorded segment profit of approximately HK$116.2 million for the year ended 31 December 2018.

(a) Franchising and retailing of mother-infant-child products

The Group carries out the franchising and retailing mother-infant-child products business through the AYD Group. For details of the business and financial information of the AYD Group, please refer to the section headed "2. Background information of the AYD Group" below.

(b) Manufacturing of infant formula and nutritional products

The Group, together with Wattle Health Australia Limited (a listed company in Australia principally engages in developing, sourcing and marketing infant formula and dried dairy product), jointly acquired 75% and 5% interests in Blend and Pack Pty. Ltd. ("**Blend and Pack**"), a major infant formula manufacturer which principally engages in the business of blending, packing and distribution of dairy and nutritional formula products in Australia in September 2017, respectively. The consideration paid by the Group for acquiring 75% interest in Blend and Pack was approximately AUD76.8 million (equivalent to approximately HK$478.6 million).

As disclosed in announcements of the Company dated 8 February 2019, 22 February 2019, 12 April 2019 and 9 May 2019, the Group has entered into an agreement to dispose of its entire interest in Blend and Pack for a consideration of approximately US$55.0 million (equivalent to approximately HK$431.8 million), completion of which is expected to be on or before 30 June 2019 (the "**Blend and Pack Disposal**").

1.4 Principal businesses of the Group following Closing

After Closing, the principal businesses of the Group will comprise the financial services and healthcare services businesses. As stated in the Letter from the Board, the Group will continue to develop its businesses based on the two-pronged development strategy of "Health + Wealth" by:

(a) further developing and investing in the healthcare ecosystem to cater for growing demand of premium medical and preventive services relating to women's health and fertility from local Hong Kong market and medical tourists from mainland China;

(b) further integrating business of RPL and the HFG Group into the Group's existing financial services platform to become a comprehensive financial service and product development platform to service the growing wealth management demand in Asia; and

(c) promoting cross selling activities between the Group's financial services and healthcare businesses and seeking to create synergies between two potentially overlapping clienteles.

2. Background information of the AYD Group

2.1 Principal activities

AYD is a company incorporated in the British Virgin Islands with limited liability. Its indirect wholly-owned subsidiary, Zhuhai AYD, is the franchisor of a leading franchise in mother-infant-children products retail business in Southern China and Eastern China with a regional network of over 1,200 franchised and direct-sale stores and over 6,700 partnership stores.

2.2 Changes in shareholding interests in AYD

As disclosed in the First Announcement, Pioneer Leap, a wholly-owned subsidiary of the Company, entered into an investment agreement (the "**Investment Agreement**") to acquire 55% equity interest in AYD for a consideration of RMB409.2 million (equivalent to approximately HK$458.3 million) in order to tap into the mother-infant-child business.

As disclosed in the Second Announcement, in view of the consolidated net profit attributable to the equity holders of AYD in 2017 was more than the threshold as stipulated in the Investment Agreement, Pioneer Leap was required to transfer 809 shares of AYD to Cosmicfield, a substantial shareholder of AYD which is majority owned by the AYD Management. After the said transfer, the Group's shareholding in AYD was reduced from 55% to 46.91%.

Following Closing, the Group's shareholding interest in AYD will be slightly reduced by 0.71% from 46.91% to 46.2%. The following table sets out the shareholding structures of AYD as at the Latest Practicable Date and upon Closing:

	As at the Latest Practicable Date		Upon Closing	
	Number of AYD shares	Approximate percentage of shareholding	Number of AYD shares	Approximate percentage of shareholding
Pioneer Leap	4,691	46.91%	4,620	46.20%
Cosmicfield	2,701	27.01%	2,701	27.01%
Golden Metro	2,608	26.08%	2,608	26.08%
Sino Ease	—	—	71	0.71%
	10,000	100.00%	10,000	100.00%

2.3 *Financial information of the AYD Group*

(a) Financial performance

Set out below is a summary of the unaudited consolidated statements of profit or loss of the AYD Group for the years ended 31 December 2016, 2017 and 2018 prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), as extracted from Appendix II to the Circular:

	For the year ended 31 December		
	2018	**2017**	**2016**
	HK$ million	*HK$ million*	*HK$ million*
Revenue	3,016.0	2,511.8	259.2
Gross profit	499.7	423.7	68.5
Profit before income tax expense	208.2	184.7	19.9
Profit attributable to owners of AYD	154.3	138.8	14.8

Year ended 31 December 2018 vs year ended 31 December 2017

The revenue of the AYD Group increased by approximately 20.0% from approximately HK$2,511.8 million for the year ended 31 December 2017 to approximately HK$3,016.0 million for the year ended 31 December 2018, which was mainly attributable to the increase in revenue resulting from the rapid increase in the number of franchised and partnership stores.

The gross profit margin of the AYD Group was approximately 16.9% and approximately 16.6% in 2017 and 2018, respectively. The profit attributable to owners of AYD increased by approximately 11.1% from approximately HK$138.8 million in 2017 to approximately HK$154.3 million for the year ended 31 December 2018, which was mainly attributable to the increase in revenue as explained above.

Year ended 31 December 2017 vs year ended 31 December 2016

The revenue of the AYD Group increased by about eight times from approximately HK$259.2 million for the year ended 31 December 2016 to approximately HK$2,511.8 million for the year ended 31 December 2017, which was mainly attributable to the increase in revenue resulting from opening of additional franchised stores.

The decrease in the gross profit margin of the AYD Group from approximately 26.4% in 2016 to approximately 16.9% in 2017 was mainly caused by the increase in cost of sales driven by the opening of additional franchised stores.

The profit attributable to owners of AYD increased from approximately HK$14.8 million for the year ended 31 December 2016 to approximately HK$138.8 million for the year ended 31 December 2017, which was in line with the increase in revenue as explained above.

As shown above, the profit attributable to owners of AYD increased substantially from approximately HK$14.8 million for the year ended 31 December 2016 to approximately HK$154.3 million for the year ended 31 December 2018.

(b) Financial position

Set out below is a summary of the unaudited consolidated statements of financial position of the AYD Group as at 31 December 2016, 2017 and 2018 prepared in accordance with HKFRSs, as extracted from the Appendix II to the Circular:

	As at 31 December		
	2018	**2017**	**2016**
	HK$ million	*HK$ million*	*HK$ million*
Total assets	940.9	811.5	577.0
Total liabilities	653.7	665.1	563.9
Net assets	287.1	146.3	13.1

As at 31 December 2018, the total assets of the AYD Group of approximately HK$940.9 million mainly comprised of inventories of approximately HK$314.2 million, deposits paid, prepayments and other receivables of approximately HK$269.2 million and trade receivables of approximately HK$171.8 million.

As at 31 December 2018, the total liabilities of the AYD Group of approximately HK$653.7 million mainly comprised of trade and bill payables of approximately HK$325.1 million, borrowings of approximately HK$176.1 million and deposits received, receipts in advance, accruals and other payables of approximately HK$110.3 million.

During the years under review, the net assets of the AYD Group increased substantially from approximately HK$13.1 million as at 31 December 2016 to approximately HK$287.1 million as at 31 December 2018.

3. Background information of Sino Ease and the AYD Management

Sino Ease is wholly-owned by the AYD Management. Sino Ease holds approximately 48.7% of the issued shares of Golden Metro which is a substantial shareholder of AYD. The AYD Management collectively own 68.71% interest in Cosmicfield, which is also a substantial shareholder of AYD. Accordingly, each of Sino Ease, Cosmicfield and Golden Metro is a connected person of the Company at the subsidiary level. Other than the shareholding interests in AYD, the AYD Management does not hold any interest in the Company or other members of the Group.

As advised by the management of the Company, background information of the key personnel of the AYD Management is set out below:

Mr. Yip Shing Fung, the chief executive officer of AYD, is responsible for the strategic development and management of major operations of the AYD Group. Mr. Yip founded AYD in 1998, and has since accumulated nearly 20 years of experience in the mother-infant-child industry.

Ms. Gao Qin, the chief operating officer of AYD, is responsible for the day-to-day operations and management of the AYD Group. Ms. Gao joined the AYD Group in 2010 when the "宜嬰房" retail chain in Nanjing she established merged with the AYD Group. Since then Ms. Gao has served as the general manager of the Eastern China district of the AYD Group and vice president of sales and purchase department of the AYD Group prior to becoming the chief operating officer in November 2016. Ms. Gao has nearly 20 years of experience in the retail and mother-infant-child industry.

As shown above, the AYD Management are shareholders as well as the key management of the AYD Group who have extensive experience in mother-infant-child business. It is noted that there was a substantial increase in consolidated profit attributable to owners of AYD from approximately HK$14.8 million for the year ended 31 December 2016 to approximately HK$154.3 million for the year ended 31 December 2018. We are advised that this was largely attributable to the contributions of the dedicated AYD Management.

4. Reasons for and benefits of the Disposal

As disclosed in the Letter from the Board, the Group is aiming at building a "Health + Wealth" ecosystem with integrated healthcare and financial services platforms to provide wealth and health solutions to its clients. As stated in the Company's 2016 annual report, the Group was positioned as a health and wealth solution partner. The Group has completed a series of acquisitions of financial and healthcare related businesses since 2016. As disclosed in the Company's 2018 annual report, the Company will not only deploy additional resources to the development of its financial services business, in particular its wealth and asset management business to continue exploring investment opportunities in the related sector in the Asia Pacific region, but will also continue to explore the growing potential of the healthcare related sector.

As disclosed in the Letter from the Board, as the Group focuses its efforts in strategic investments in support of the Group's vision in becoming a world-class conglomerate offering ''Health + Wealth'' solutions, the Group plans to progressively exit from its mother-infant-child consumer investments, which will become less prominent to the Group's business. In order to activate such plan, the Group paved the way for exit in this sector through the Blend and Pack Disposal. The Disposal serves as an additional move to further strengthen and reiterate the Group's primary vision on the financial services and healthcare business sectors.

We note that the Group has not made any investments in the mother-infant-child business since September 2017 and has entered into the Blend and Pack Disposal while expanding investments in financial services and healthcare businesses.

Based on the aforesaid and the merger and acquisition activities of the Group in the last two years, we concur with the executive Directors that the Disposal is in line with the strategic move of the Group to place principal focus on its financial and healthcare platforms.

As disclosed in the Letter from the Board, the AYD Management will obtain control of the board of AYD following Closing and are expected to be incentivised to grow the business and to also facilitate additional financing and exit opportunities for the Group. It is expected that better alignment of interests between AYD and the AYD Management will lead to stronger operational and financial performance of the AYD Group's business which in turn will increase the valuation of AYD and create better opportunities for the Company to maximise its return if and when it further divests its interest in AYD. As discussed in the section headed ''3. Background information of Sino Ease and the AYD Management'' above, we are advised that the AYD Management are crucial for the success of the AYD Group. We understand from the management of the Company that the Group has delegated day-to-day operations of the AYD Group to the AYD Management who are primarily responsible for devising and executing the business development plans of the AYD Group. Notwithstanding the foregoing and owning over 50% of the equity interests in AYD through Cosmicfield and Golden Metro, the AYD Management have minority representation on the board of AYD. The passing of the board majority to the AYD Management enables the AYD Management to devote to the AYD Group's development. As such, we concur with the executive Directors' view that the Disposal provides further incentives to the AYD Management.

Based on the aforesaid, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the SPA and the Amendment Agreement

5.1 The SPA

(a) Subject matter

On 22 May 2019 (after trading hours), Pioneer Leap (as vendor), Sino Ease (as purchaser) and AYD entered into the SPA, pursuant to which Sino Ease conditionally agreed to purchase, and Pioneer Leap conditionally agreed to sell, the Sale Shares, being 71 shares of AYD held by Pioneer Leap (representing 0.71% of the issued share capital of the AYD Group as at the Latest Practicable Date), at the Purchase Price of HK$10,024,001.10.

(b) Conditions precedent

The SPA is conditional upon the satisfaction of, among other things, the following:

i. AYD having declared 100% of its distributable profits for the financial years ended 31 December 2017 and 31 December 2018 respectively, and having undertaken to declare 100% of its distributable profits for the financial year ending 31 December 2019; and

ii. approvals and other requirements required to be obtained pursuant to relevant requirements under the Listing Rules (including any Shareholders' approval) being obtained prior to Closing and continue to be valid at Closing.

For details of other Conditions Precedent, please refer to the Letter from the Board. As at the Latest Practicable Date, none of the Conditions Precedent has been satisfied nor waived by the parties to the SPA. To the Directors' best knowledge as at the Latest Practicable Date, the Parties did not have any intention to waive any of the Conditions Precedent.

(c) Distribution of profits of AYD

Pursuant to the SPA, it is a condition precedent that AYD declares 100% of its distributable profits for the financial years ended 31 December 2017 and 2018 and undertakes to declare 100% of its distributable profits of AYD for the financial year ending 31 December 2019. As disclosed in the Letter from the Board, based on the amounts of distributable profits of AYD for the years ended 31 December 2017 and 2018, AYD will declare dividends amounting to approximately HK$76.4 million and HK$72.4 million to Pioneer Leap for the years ended 31 December 2017 and 2018 respectively. The aggregate dividends to be distributed to Cosmicfield and Golden Metro will be approximately HK$62.5 million and HK$81.9 million for the years ended 31 December 2017 and 2018 respectively. The dividends to be declared for the year ending 31 December 2019 will be allocated to the shareholders based on the shareholding of AYD as at 31 December 2019. The final distributable profits will be confirmed on the basis of AYD's audited financial statements when they are issued. All dividends have been, or will be, declared in compliance with AYD's articles of association and the laws of the British Virgin Islands. As all subsidiaries of AYD are wholly-owned, it is expected that these wholly-owned subsidiaries will declare and distribute dividends to AYD subject to approvals by relevant tax and foreign exchange regulatory authorities.

All distributable profits declared and payable shall be paid by AYD within five years following the declaration of such distributable profits or immediately following an initial public offering or any sale of all or substantially all of AYD's assets, whichever is earlier. As disclosed in the Letter from the Board, if AYD does not pay the distributable profits declared, the Company will exercise legal rights against AYD for the payment.

As stated in the Letter from the Board, the executive Directors are of the view that by allowing AYD up to five years to pay all declared dividends, AYD will have better cashflow to sustain the growth of its business and increase its value to shareholders. It is in the best interest of the Company to encourage AYD and the AYD Management to focus on building a successful business which is attractive to potential new investors. The Company believes that this strategy will accelerate AYD's initial public offering or sale of all or substantially all of AYD's assets and will maximise the Company's return on its investment. The Company also expects that the declared dividends will be paid by AYD at a time earlier than five years.

As disclosed in the Company's 2018 annual report, the foothold of the AYD Group in China strengthened in 2018, accumulating over 1,200 franchised and direct-sale stores and 6,756 partnership stores in its regional network, with growth particularly evidenced by the number of franchised stores in Southern and Eastern China. We are advised by the management of the Company that the AYD Group is in a phase of business growth and intends to retain cash for such purpose so as to maximise its feasibility for, and equity value in, the event of an initial public offering or other liquidity events. As such, we consider that the deferred payment of dividend by AYD to the Group is in interests of the Company and the Shareholders as a whole.

As disclosed in the Letter from the Board, pursuant to the Loan Documents, any dividends on or with respect to the charged securities shall be paid to Pioneer Leap and shall be applied by Pioneer Leap in discharge of the Loan. Hence, the dividends attributable to Cosmicfield and Golden Metro will be paid to Pioneer Leap and applied in discharge of the Loan. According to the audited accounts of the Group, the outstanding Loan (including principal and interest) was HK$180,923,000 as at 31 December 2018. The outstanding Loan is expected to be repaid by the dividends attributable to Cosmicfield and Golden Metro. As stated in the Letter from the Board, the Loan may expire prior to the payment of dividends by AYD to Cosmicfield and Golden Metro. If the outstanding Loan is not fully repaid by the maturity date, the Company will decide at that time, in consideration of all relevant circumstances, what action(s) it will take in the best interests of it and the Shareholders.

(d) Closing

Closing is to take place on the next Business Day after all Conditions Precedent have been satisfied or waived by the respective Parties (except for the Conditions Precedent that by nature have to be satisfied or waived on the day of Closing), or at any other time and place agreed in writing by the Parties.

The SPA does not stipulate a long stop date. As stated in the Letter from the Board, the Parties are committed to use every effort to complete the Disposal and do not consider it necessary to include a long stop date.

5.2 The Amendment Agreement

In accordance with the terms of the SPA, the parties to the Shareholders Agreement shall enter into the Amendment Agreement at Closing to amend and supplement the Shareholders Agreement. Under the Amendment Agreement, the Company and the Parties agreed to amend certain terms of the Shareholders Agreement, which include, among other things, are summarised as follow:

	Existing terms under the Shareholders Agreement	**Terms under the Shareholders Agreement as supplemented by the Amendment Agreement**
Number of directors of the board of AYD to be appointed by Pioneer Leap	Four out of seven	Two out of seven
Right to appoint the chairman of the board of directors of AYD	Pioneer Leap	Golden Metro, Cosmicfield and Sino Ease

	Existing terms under the Shareholders Agreement	Terms under the Shareholders Agreement as supplemented by the Amendment Agreement
Management of AYD	— Pioneer Leap shall have the right to appoint the chief financial officer or the most senior financial and accounting staff — Cosmicfield and Golden Metro shall have the right to appoint Mr. Yip Shing Fung as the chief executive officer and any members of senior management of the AYD Group (saved for the chief financial officer)	— Before AYD completes a Qualified IPO, Golden Metro, Cosmicfield and Sino Ease shall have the right to appoint Mr. Yip Shing Fung as the chief executive officer and AYD's chief executive officer shall have the right to appoint and maintain in office and remove and replace (with or without cause) any senior officer of AYD (including, but not limited to, the vice presidents, chief operating officer, chief financial officer and senior financial and accounting staff of AYD) — If Mr. Yip Shing Fung voluntarily resigns as AYD's chief executive officer, Golden Metro, Cosmicfield and Sino Ease shall have the right to appoint AYD's chief executive officer.

	Existing terms under the Shareholders Agreement	Terms under the Shareholders Agreement as supplemented by the Amendment Agreement
Matters requiring approval by shareholders holding 75% or more of the then issued share capital of AYD	— Making any change or amendment to the memorandum or articles of association — Making any composition or arrangement with any creditors of AYD — Incurring any major capital expenditure in excess of HK$10 million — Entering into and termination of major contracts and increasing bank borrowings in excess of HK$10 million	— Making or agreeing to make any change to the authorised or issued share capital of the any member of AYD Group — Modifying any of the rights attaching to any of the shares of any member of the AYD Group
Matters requiring approval by shareholders holding 85% or more of the then issued share capital of AYD	— Making or agreeing to make any change to the authorised or issued share capital of any member of the AYD Group — Modifying any of the rights attaching to any of the shares of any member of the AYD Group	None

	Existing terms under the Shareholders Agreement	Terms under the Shareholders Agreement as supplemented by the Amendment Agreement
Matters requiring AYD board approval, including, the prior approval in writing of at least one director appointed by the Company	None	— Making any composition or arrangement with any creditors of AYD Group — Making any change in any member of the AYD Group's primary business — Amending any provision in the certificate of incorporation, articles of association or equivalent constitutional documents of any member of the AYD Group — Save for any approved investment plan and financial budget, disposing of any material asset or business with RMB20 million or above — Conducting any equity financing with a valuation of the equity of AYD that is lower than the greater of RMB1,200 million and the valuation of the equity of AYD in the most recent financing (including equity and non-equity financing) — Making any investment or acquisition that is not within the scope of AYD's investment policy — Increasing or decreasing the size of the board of AYD

	Existing terms under the Shareholders Agreement	Terms under the Shareholders Agreement as supplemented by the Amendment Agreement
		— Changing the auditor who prepares the audit of consolidated financial statements of AYD, except that this does not apply to the change of AYD's auditor immediately prior to AYD's Qualified IPO, provided that, the new auditor of AYD must be a big four accounting firm — Making any loan or providing any guarantee for any indebtedness to any person that might constitute a connected person of AYD in an amount of RMB1 million or above — Disposing, transferring, licensing technology or intellectual property of any member of the AYD Group not in the ordinary course of the business (collectively, the "**Reserved Matters**")

	Existing terms under the Shareholders Agreement	Terms under the Shareholders Agreement as supplemented by the Amendment Agreement
Transfer of shares of AYD	— Co-sale rights by existing other shareholders of AYD in the event that Pioneer Leap proposes to transfer its shares of AYD	— Rights of first refusal by other existing shareholders of AYD in the event that Pioneer Leap proposes to transfer its shares of AYD to any third party — Co-sale rights of Pioneer Leap in the event that other existing shareholders of AYD propose to transfer its shares of AYD

Save as the terms as amended by the Amendment Agreement, all other material terms under the Shareholders Agreement will remain effective (including the provisions of the Supplementary Shareholders Agreement as disclosed in the Second Announcement).

As set out in the above table, the Company currently requires the consent of Cosmicfield and Golden Metro for deciding significant corporate matters of the AYD Group pursuant to the Shareholders Agreement. Therefore the Company cannot dictate the direction and business development of AYD at its own will. Under the Amendment Agreement, Cosmicfield and Golden Metro will require the consent of the Company for deciding significant corporate matters of the AYD Group following Closing. Accordingly, despite the fact that Pioneer Leap will no longer have the right to appoint the majority of the board of AYD, we are of the view that the influence of the Company on the AYD Group will not be changed significantly. As shown above, the board and shareholders' decisions for the Reserved Matters can only be made with the agreement of Pioneer Leap. The Company, through Pioneer Leap, will be able to exercise its veto rights to ensure the Company will have oversight over key decisions and transactions of the AYD Group. As such, we concur with the executive Directors' view that the Reserved Matters can safeguard the Company's interest as a minority shareholder of AYD.

6. Evaluation of the Purchase Price

6.1 Determination of the Purchase Price

As stated in the Letter from the Board, the Purchase Price of approximately HK$10,024,001.10 under the SPA was arrived at after arm's length commercial negotiations between the Parties. The Purchase Price was determined with reference to: (i) the historical financial performance of the AYD Group, and (ii) the valuation based on the trailing 12-month enterprise value-to-earnings before interests, taxes, depreciation and amortisation multiples ("**EV/EBITDA**") of the AYD Group and the average EV/EBITDA of eight comparable companies engaged in infant's apparel, infant food, baby-care products and/or toys related businesses listed on major stock markets including Hong Kong and the United States ranging from 5.5 times to 13.5 times, further adjusted by cash, total debts and assumed dividends payable, as well as the applicable valuation discount and premium by an independent valuer (the "**Valuer**"); and (iii) business outlook of AYD.

We understand that various approaches in determining the value of the Purchase Price have been considered:

Cost approach is not considered to be appropriate as it fails to consider the economic benefits of ownership of the business of the AYD Group. The consolidated net asset value of the AYD Group may not truly reflect the value of its equity interest.

Income approach is not considered to be appropriate as plenty of assumptions are involved in formulating the financial projections of the AYD Group.

Market approach is considered appropriate as the value of the Purchase Price is determined with reference to the price multiples of the comparable companies.

Due to the business nature of the AYD Group, we consider that it is not appropriate to use cost approach as the value of the AYD Group depends on its earnings but not its asset base. We also consider that income approach requires numerous assumptions which are subjective in nature. As such, we concur with the view of the management that the market approach in determining the Purchase Price is appropriate.

As disclosed in the Letter from the Board, eight listed companies that are involved in infants' products or toys related businesses are selected as a reference for determining the Purchase Price. The EV/EBITDA multiple as implied by the Purchase Price is 10.5 times, which is within the range of 5.5 times to 13.5 times of the comparable companies. The fair value of the AYD Group is then further adjusted by (i) net debts; (ii) assumed dividend payable to be declared for the years ended 31 December 2017 and 2018; (iii) control premium of 16.3% and (iv) marketability discount of 20.7%.

We have reviewed and discussed with the Valuer the basis and assumptions adopted for the valuation of the AYD Group. We consider that the basis and assumptions adopted by the Valuer are appropriate for valuing the AYD Group. We have also interviewed the

Valuer as to its independence and expertise, reviewed its terms of engagement, performed work as required under note (1)(d) to Rule 13.80 of the Listing Rules in relation to the Valuer and the valuation of the AYD Group.

Taking into consideration that the Group is principally engaged in infants' apparel, infant food, baby care products and toys related business, we consider that the selection criteria of the comparable companies adopted by the Valuer are appropriate. Furthermore, we note that the eight listed companies selected all fulfil the selection criteria and we understand from the Valuer that the eight listed companies are exhaustive samples.

The Valuer focuses on the business sector whereas we focus on the business model and the principal market of the AYD Group to be the criteria in selecting comparable companies as set out in the section headed "6.2 Comparable companies analysis" below. Both of the approaches are based on the business nature of the AYD Group, therefore we consider that the two approaches are not contradictory to each other and indeed supplement each other's assessment from different perspectives. We form our opinion on the fairness and reasonableness of the Purchase Price solely based on our own independent assessment as set out in the section headed "6.2 Comparable companies analysis" below.

6.2 Comparable companies analysis

For the purpose of an independent assessment of the fairness and reasonableness of the Purchase Price, we have considered two most commonly used valuation methodologies, namely price-to-earnings ("**P/E Multiple**") and price-to-book value multiples. As stated above, we consider that it is not appropriate to use price-to-book value multiple as the value of the AYD Group depends on its earnings but not its asset base. Accordingly, the P/E Multiple approach is adopted.

The AYD Group is a franchisor of mother-infant-child products retail business in China. The AYD Group offers a wide range of mother-infant-child products such as infants' appeal, infant food, baby care products and toys. Based on the consolidated financial statement of the AYD Group provided by the management of the Company, over 90% of the turnover of the AYD Group was generated from the general franchise and retail sales for the year ended 31 December 2018. As advised by the management of the Company, revenue of the AYD Group is solely generated in China.

We have conducted a search on the comparable companies that (i) are listed on the Stock Exchange, (ii) are principally engaged in sale of mother-infant-child products that are sourced from third parties, and (iii) generated more than 50% of turnover from China based on the latest annual report (the "**MIC Companies**"). However, we could not identify any of such companies. One of the selection criteria for the comparable companies adopted by the Valuer is companies engaged in infant's apparel, infant food, babycare products and/or toys related businesses. As mentioned in the section headed "6.1 Determination of the Purchase Price" above, the Valuer principally focuses on the business sector whereas we take into account the business model and principal market of the AYD Group to be the selection criteria. Our selection criteria are based on financial metrics of companies including over 50% of the turnover was sales of mother-infant-child products that are sourced from third parties and over 50% of the turnover was generated from China, which are considered to be comparable to those of the AYD Group as analysed above. Due to the difference in the selection criteria, the search results of comparable companies conducted by the Valuer and us are different.

On the basis that the AYD Group's business model is primarily distribution of third party products, we have extended our search on the comparable companies that are principally engaged in the sale of a wide range of products. The comparable companies (i) are listed on the Stock Exchange, (ii) are principally engaged in sale of a wide range of products that are sourced from third parties and resell the products through physical channel. We consider that operators of department stores and supermarkets meet this criterion, (iii) generated more than 50% of turnover from China based on the latest annual report, and (iv) had market capitalisation below HK$2 billion on the date of the SPA (the "**Comparable Companies**"). Despite the businesses, scale of the operations, or prospects of the Comparable Companies may not be the same or even different from the AYD Group, we consider that the Comparable Companies are comparable to the AYD Group as the business model of sale of third party products is similar to that of the AYD Group and the principal market is China. We consider that business model is the main driver of value of a company. Due to the business models of the Comparable Companies and the MIC Companies are similar, we consider that the Comparable Companies are close proxies to the MIC Companies. Both the Comparable Companies and the MIC Companies are conventional product companies that buy, warehouse and resell products. The Comparable Companies and the MIC Companies typically offer a wide range of products sourced from numerous suppliers. According to the website of AYD, the AYD Group has 300 suppliers and offers over 30,000 products. As shown in the table below, the Comparable Companies are operators of department stores, supermarkets and convenience stores in China which typically source a wide range of products from numerous suppliers for resale purpose. Based on the aforesaid, we consider that the Comparable Companies are comparable to the AYD Group.

Based on the criteria, we have identified four Comparable Companies that are exhaustive samples:

Companies (stock code)	Principal activities	Market capitalisation on the date of the SPA *(HK$'million)* *(Note 1)*	P/E Multiple *(times)* *(Note 2)*
Lianhua Supermarket Holdings Co, Ltd (980.HK) ("**Lianhua**")	Operation of chain stores including supermarkets, hypermarkets and convenience stores	1,566.7	N/A *(Note 3)*
Beijing Jingkelong Company Limited (814.HK)	Retail and wholesale distribution of daily consumer products	643.1	8.9
China Shun Ke Long Holdings Limited (974.HK)	Operation of supermarkets	424.1	33.1
Jiahua Stores Holdings Ltd (602.HK)	Operation and management of retail stores	295.7	10.6
The Comparable Companies		**High**	33.1
		Low	8.9
		Mean	17.5
		Median	10.6
The AYD Group		**1,411.8** *(Note 4)*	**9.1** *(Note 5)*

Source: Bloomberg, website of the Stock Exchange and the respective annual reports

Notes:

1. Based on the closing share prices and the total issued shares of the respective companies on the date of the SPA, being 22 May 2019, as extracted from Bloomberg.

2. Based on the closing share price on the date of the SPA as extracted from Bloomberg and the audited net profit according to the respective latest published annual reports.

3. Lianhua incurred a net loss for the year according to its latest published annual report. As such, its P/E Multiple cannot be computed.

4. Based on the Purchase Price of HK$10,024,001.10 and the Sale Shares representing 0.71% of total issued shares of AYD to derive the enterprise value of the AYD Group.

5. Based on the Purchase Price of HK$10,024,001.10, the Sale Shares representing 0.71% of total issued shares of AYD and the consolidated net profit of the AYD Group of approximately HK$154.3 million for the year ended 31 December 2018 as disclosed in Appendix II to the Circular.

As explained in the section headed "5. Principal terms of the SPA and the Amendment Agreement" above, the Company holds less than 50% equity interest in AYD, the Company cannot dictate the direction and business development of the AYD Group, and though the Company will no longer have the right to appoint the majority board of AYD following Closing, the influence of the Company will not be changed significantly. Furthermore, one of the purposes of the Disposal is to incentivise the AYD Management. Accordingly, we consider that it is appropriate not to take the control premium into consideration in the assessment of fairness and reasonableness of the Purchase Price. An illiquid discount which reflects the lack of marketability of shares of AYD is not included in the assessment for the sake of simplicity.

As shown above, the P/E Multiples of the Comparable Companies ranged from approximately 8.9 times to approximately 33.1 times. The P/E Multiple of the AYD Group as implied by the Purchase Price of approximately 9.1 times lies within the range of the P/E Multiples of the Comparable Companies. Given that the shares of AYD are illiquid, it is reasonable that the P/E Multiple of the AYD Group as implied by the Purchase Price is at the low end of the range. As such, we consider the Purchase Price is fair and reasonable in this regard.

7. Financial effects of the Disposal

7.1 Earnings and net assets attributable to the Shareholders

Following the Disposal, the Company's equity interest in AYD will be slightly reduced from 46.91% to 46.2%. Since Pioneer Leap will hold less than 50% of the issued shares of AYD and will no longer have the right to appoint the majority of the board of AYD, AYD will cease to be a subsidiary of the Company. Accordingly, the results of the AYD Group will no longer be consolidated into the financial statements of the Group following Closing. AYD will become an associate of the Company. The Group's investment in the AYD Group will be accounted for under the equity method of accounting. The Company will record (i) 46.2% of income and other comprehensive income from the AYD Group in the consolidated statement of comprehensive income, and (ii) the fair value of AYD assessed by an independent valuer upon Closing in the consolidated statement of financial position as the Company's interests in associates.

Upon Closing, it is estimated that the Group will recognise a one-off gain of approximately HK$309 million. The actual gain or loss as a result of the Disposal to be recorded by the Company is subject to review by the auditors of the Company and will be assessed after Closing.

Based on the Company's 2018 annual report, earnings per Share was about HK$0.0020 for the year ended 31 December 2018. As disclosed in Appendix III to the Circular, assuming the Disposal had been completed on 1 January 2018, excluding the gain on the Disposal, the unaudited pro forma consolidated net profit per Share would have been about HK$0.0019. The net asset value of the Group was about HK$0.15 per Share as at 31 December 2018 whereas the unaudited pro forma consolidated net asset value of the Remaining Group is also about HK$0.15 per Share. Accordingly, excluding the one-off gain on the Disposal, the impact of the Disposal on the earnings per Share and net asset value per Share is minimal. Given that the Disposal is in line with the strategic move of the Group and the Group will share the operating performance of the AYD Group after Closing, we consider that the slight decreases in earnings per Share and net asset value per Share are acceptable.

7.2 Working capital

The net proceeds from the Disposal are estimated to be approximately HK$4 million. The dividends to be distributed for the years ended 31 December 2017 and 2018 to Pioneer Leap by AYD are approximately HK$148.7 million in aggregate. As stated in the Letter from the Board, all distributable profits declared and payable shall be paid by AYD within five years following the declaration of such distributable profits or immediately following an initial public offering or any sale of all or substantially all of AYD's assets, whichever is earlier. As at the Latest Practicable Date, the aforesaid dividends had not been received by Pioneer Leap.

The Company intends to apply (i) the net proceeds from the Disposal for working capital of the Group; and (ii) the dividend income to be received from AYD for working capital requirements and future investments of the Group.

As a result of the aforesaid cash inflows, the working capital of the Group is expected to be improved.

RECOMMENDATION

In arriving at our recommendation in respect of the Disposal, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the Disposal is in line with the strategic move of the Group to place principal focus on its financial services and healthcare services businesses as evidenced by the fact that the Group has conducted a series of acquisitions in these sectors and has entered into the Blend and Pack Disposal;

- the Company currently requires the consent of Cosmicfield and Golden Metro for deciding certain significant corporate matters of the AYD Group pursuant to the Shareholders Agreement. Following Closing, Cosmicfield and Golden Metro require the consent of the Company for the significant corporate matters. Accordingly, despite the fact that Pioneer Leap will no longer have the right to appoint the majority of the board of AYD following Closing, we are of the view that the influence of the Company on the AYD Group will not be changed significantly and the interest of the Company as a minority shareholder of AYD is safeguarded;

- the AYD Management owns over 50% interest in AYD through Cosmicfield and Golden Metro but have minority representation on the board of AYD. Furthermore, the AYD Management are primarily responsible for devising and executing business development plans of the AYD Group and also are delegated the day-to-day operations of the AYD Group. The passing of the right to appoint the majority of the board of AYD following Closing can incentivise the AYD Management to grow the business of the AYD Group;

- the P/E Multiple of the AYD Group as implied by the Purchase Price of approximately 9.1 times lies within the range of the P/E Multiples of the Comparable Companies;

- the Group is expected to recognise a one-off gain on the Disposal of approximately HK$309 million; and

- the receipt of dividends paid by AYD to Pioneer Leap, will improve the working capital of the Group; and

- the disposal of 0.71% interest in AYD will not have any material adverse impact on the earnings and net asset value per Share following Closing.

Based on the above, we consider that the terms of the SPA and the Amendment Agreement are on normal commercial terms and fair and reasonable. We also consider that the entering into of the SPA and the Amendment Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Shareholders to vote in favour of the resolutions to be proposed at the General Meeting to approve the SPA, the Amendment Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
China Tonghai Capital Limited
Noelle Hung
Managing Director

Ms. Noelle Hung is a licensed person and a responsible officer of China Tonghai Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. She has about 20 years of experience in corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2016, 2017, 2018 is disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.masonhk.com/):

(i) annual report of the Company for the year ended 31 December 2016 published on 13 April 2017 (pages 76 to 224), which can be accessed via the link at

(http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0413/LTN20170413019.pdf)

(ii) annual report of the Company for the year ended 31 December 2017 published on 25 April 2018 (pages 110 to 276), which can be accessed via the link at

(http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0425/LTN20180425413.pdf)

(iii) annual report of the Company for the year ended 31 December 2018 published on 8 April 2019 (pages 121 to 344), which can be accessed via the link at

(http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0408/LTN20190408258.pdf)

2. STATEMENT OF INDEBTEDNESS

As at 30 April 2019, 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$916.3 million, details of which are set out below:

	HK$'000
Interest-bearing borrowings	
Unsecured bonds	20,000
Secured bank loans	272,282
Unsecured loans	158,883
Repurchase agreements	315,444
Amount due to an associate	25,000
Lease liabilities	115,922
Contingent consideration payable	8,761
	916,292

Bank loans of approximately HK$272.3 million were secured by the bank deposits and shares of the subsidiaries.

The Group has unutilised bank loan facilities of approximately HK$145.0 million.

3. CONTINGENT LIABILITIES

As at 30 April 2019, the Group has provided guarantees in favour of banks, financial institutions, and third party individuals, in respect of facilities granted to certain subsidiaries, amounting to approximately HK$433.1 million. Of these facilities, a total of approximately HK$330.5 million has been utilized.

As at 30 April 2019, the contingent payments in relation to profit guarantees of the Group was recorded in the Group's financial statements, therefore, the contingent payments would not constitute contingent liabilities.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effects of the completion of the Proposed Disposal and the financial resources available to the Group, the 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.

5. 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 2018, being the date to which the latest published audited financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Financial Services Business

The Group has been in the money lending business for a substantial period of time and has expanded this line of business to cover leveraged and acquisition financing and provision of mortgage loan and securitization. Since 2015, the Group has expanded its financial services business through acquisitions of companies which specialize in dealing in securities, advising on securities, provision of securities margin financing, provision of investment and corporate finance advisory services, commodities broking and asset management.

The Group also acquired its asset and wealth management businesses in June 2016 and added Harris Fraser Group Limited, Harris Fraser (Hong Kong) Limited and Halena Co. Ltd (the "**HFG Group**") to its asset and wealth management platform in May 2018. In addition, the Group started providing private banking services to clients through Raiffeisen Privatbank Liechtenstein AG ("**RPL**") acquired by the Group in March 2018. Further, proprietary trading of securities is one of the Group's long-standing businesses.

Healthcare Business

The Group achieved two milestone in 2018 by creating a comprehensive in vitro fertilisation (“**IVF**”) and biotechnology platforms to capitalise on the growth potential of the market of assisted reproductive services in Asia:

(i) In June 2018, the Group merged its subsidiary, Reproductive Healthcare Group Limited with the newly acquired The HK Women’s Clinic Group Limited to form the Reproductive Healthcare Group (“**RHG**”).

(ii) In December 2018, the Group invested in Genea, through a consortium, a global leading fertility group offering a comprehensive range of assisted reproductive services and innovative technologies in assisted reproduction.

Valuable synergy is expected to be generated from RHG and Genea to realize the Company’s vision of creating an Asian hub for the best and most advanced IVF services.

In addition, the Group invested in Pangenia, a genetic diagnostic company in 2017 and a health check centre in Hong Kong in 2019.

The Group will continue to develop its business based on the two-pronged development strategy of “Health + Wealth” by:

(i) further developing and investing in the healthcare ecosystem to cater for growing demand of premium medical and preventive services relating to women’s health and fertility from local Hong Kong market and medical tourists from Mainland China;

(ii) further integrating business of RPL and the HFG Group into the Group’s existing financial services platform to become a comprehensive financial service and product development platform to service the growing wealth management demand in Asia, especially from China; and

(iii) promoting cross selling activities between the Group’s financial services and healthcare businesses and seeking to create synergies between two potentially overlapping clienteles. The Group strongly believes that its wealth management clients are always looking for high quality medical services.

For the financial services business, the integration of the Group’s various synergetic financial service businesses has been on-going, especially on the acquisition of talents, improving the Group’s IT and client record management systems to better serve existing and potential customers while further strengthening its risk management and internal control systems, all of which are imperative to sustainably develop and expand the Group’s financial service platform and grow its asset under management.

Further, the HFG Group is establishing its new wealth management team with mass affluent individuals as target clients. Together with its existing sales force, HFG Group has begun to do more cross selling with other members of the Group. These include introducing clients to the Group's brokerage team, referring clients to RPL, and distribution of fund management products. HFG Group has also started cross selling health services products to its clients.

Meanwhile RPL is on-boarding a growing number of Asian clients introduced by other members of the Group. There is also a project to link up RPL with the Group's brokerage business in Hong Kong.

The business integration is an ongoing process and it has progressed in a satisfactory manner. With the current momentum, the executive Directors expect better integration and increasing cross selling activities among different businesses of the Group in the coming months.

For the healthcare business, while the Group is always actively considering acquisition and/or consolidation opportunities, the Group is also focusing on further building necessary channels to service growing demand for high quality medical services from medical tourists from Mainland China. To this end, the Group has established collaboration with insurance companies and health management organisations with the goal of promoting its high quality medical and genetic testing services in Hong Kong and Mainland China. In April 2019, the Group also invested in a health check centre in Hong Kong to provide comprehensive body check service to both local customers and medical tourists. It is expected that the health check centre will be able to channel patients for the Group's other healthcare services.

As at 31 December 2018, the Group has a total equity of approximately HK$6,802 million (including non-controlling interests of approximately HK$640 million), in which bank deposits and cash of the Group were approximately HK$2,814 million. Excluding equity and cash attributable to the ''franchisor and retail of mother-infant-child products'' relating to the Disposal, the estimated total equity and bank deposits and cash are approximately HK$6,313 million and approximately HK$2,691 million, respectively. The Board believes the liquidity and capital resources of the Group are sufficient to support the on-going and long-term business development of both the Group's financial services and healthcare businesses. The Group will deploy its resources prudently to pace the development of both businesses with the goal to generate long term equity value for the Group's shareholders.

The Group's gearing ratio, calculated on basis of total borrowings net of bank balances and cash to total equity was nil as at 31 December 2016, 31 December 2017 and 31 December 2018, as bank balances and cash exceeded total borrowings in each of the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018.

Set out below is the management discussion and analysis of the performance and other information of the Remaining Group for the years ended 31 December 2016, 2017 and 2018 principally extracted from the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018, respectively.

Unless the context otherwise require, capitalised terms used therein shall have the same meanings as those ascribed in the Company's annual reports for the years ended 31 December 2016, 2017 and 2018, respectively.

(I) FOR THE YEAR ENDED 31 DECEMBER 2016

Financial Services Business

Proprietary trading of securities

Proprietary trading of securities recorded a negative revenue of HK$42 million. The significant drop in revenue was mainly due to the realised loss of investment in securities.

Provision of financial brokerage and related services

From February 2016, following the completion of the acquisition of GuocoCapital Limited, GuocoCapital Futures Limited and GuocoCapital Bullion Limited (collectively, the "**GuocoCapital**"), which are companies holding SFC licenses Types No. 1, 2, 4, and 6 for dealings in regulated activities, the Remaining Group became engaged in the provision of securities brokerage, commodities brokerage, securities margin financing, corporate finance advisory, bullion trading and private equity services.

In June, the Remaining Group further enhanced its financial services platform through the acquisition of an asset management and wealth management company, Enerchine Investment Management Limited which holds SFC licenses Types No. 4 and 9 regulated activities. Through the acquisition, a team of experienced professionals specialized in asset management and wealth management, came on board to spearhead the Remaining Group's business in these areas.

The revenue generated from the provision of financial brokerage and related services after the acquisitions till 31 December 2016 was approximately HK$61 million. As at 31 December 2016, allowance for doubtful debts amounted to HK$98 million was provided for several margin clients due to a significant drop in the market values of these margin clients' stock portfolio which resulted either from the significant drop in their share prices or trading suspension, during 2016. Due to the allowance for doubtful debts and the decrease in the total brokerage income of its existing customers, which impacted the valuation of the business, an impairment loss on goodwill of HK$68 million was made as at 31 December 2016.

In addition, the commencement of operations of the Remaining Group's joint-stock subsidiary, Shengang Securities in Shanghai on 18 October 2016 marked the entry of the Remaining Group into the China market. Being the first Sino-Hong Kong joint-stock securities company established under the supplemental framework of Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), Shengang Securities provided a channel for the Remaining Group's future investment flows both domestically and globally. It also complemented the Remaining Group's asset management and wealth management businesses, enabling it to offer mainland investors a wide array of quality financial products from overseas. This investment was classified as available-for-sale financial assets. During 2016, an impairment loss of HK$51 million was recognized in profit and loss due to the depreciation of Renminbi ("**RMB**") as at 31 December 2016.

Provision of financing services (mortgage and loans business)

During the third quarter of 2016, the business of Mason Resources Finance Limited (the "**MRF**"), a wholly-owned subsidiary of the Company engaged in leveraged and acquisition finance activities, picked up significantly and its major loan transactions were as follows:

On 27 October 2016, MRF entered into a facility agreement with an independent third party borrower (the "**First Borrower**"), pursuant to which it agreed to provide a term loan in the amount up to HK$350 million to the First Borrower (the "**First Loan**") at an initial interest of 7% per annum on top of the prime rate quoted by HSBC and thereafter at 5% per annum on top of the prime rate quoted by HSBC upon the execution of a deed and a corporate guarantee from its sole ultimate beneficial owner. Besides the deed and corporate guarantee, the facility was also secured by way of a legal charge over certain listed assets of the First Borrower's in favour of the MRF. The facility was for a term of 12 months, subject to extension. The facility was drawn down on 27 October 2016.

On 4 November 2016, MRF entered into a facility agreement with a borrower (an independent third party), pursuant to which it agreed to provide a term loan in the amount up to HK$280 million to the borrower at a rate of 7% per annum on top of the prime rate quoted by HSBC, for a term of 12 months, subject to extension. The facility was secured by way of legal charge over certain listed assets of the borrower's in favour of MRF. The facility was drawn down on 7 November 2016.

On 30 December 2016, MRF entered into a facility agreement with another borrower (whose holding company has certain indirect shareholding in the First Borrower), pursuant to which it agreed to provide a term loan in the amount up to US$8.25 million to the borrower at a rate of 1.5% per month for a term of 2 months. The facility was secured by a personal guarantee provided by the ultimate beneficial owner of the borrower in favour of the MRF. Due to the association with the First Borrower, the provision of the loan was subject to aggregation with the First Loan under the Listing Rules. The facility was drawn down on 30 December 2016.

The total interest income earned from the provision of the loan facilities for the year ended 31 December 2016 was HK$21 million.

Moreover, the acquisition of Hong Kong Mortgage Solutions Limited (the "**HKMS**") on 7 October 2016 enabled the Remaining Group to participate in the mortgage loan and securitization business in Hong Kong. HKMS is principally engaged in the provision of first legal-charge mortgage loans on residential properties in Hong Kong, targeting customers who will use their properties for owner-occupied purpose. It has become a platform for the future expansion of the Remaining Group's lending and financing businesses. As at 31 December 2016, an investment by HKMS in a mortgage loan portfolio was classified as available-for-sale financial assets.

Healthcare Business

To capitalise on the growing demands for reproductive healthcare services in the local market, the Remaining Group built its enterprise segment in the fourth quarter of 2016, focusing primarily on the healthcare sectors. On the back of its extensive network in China and experience in capital markets, the Remaining Group actively expanded its investments along the value chain through M&As, thus building an all-round healthcare ecosystem and an overall business position. It also set up a medical and biotech investment platform to provide high-end, high quality medical services to clients and medical institutions in the greater China area.

On 1 November 2016, the Remaining Group completed its acquisition of a 55.02% stake in a group of leading private assisted reproductive service providers in Hong Kong focusing on the provision of IVF services (the "**IVF Group**"). The IVF Group has a team of professional medical specialists and embryologists and is one of Hong Kong's largest private medical group practices providing infertility treatment, prenatal diagnostics, urology, obstetrics and gynecology services. This investment marked the Remaining Group's entry into Hong Kong's premium medical services sector and its first move towards building its Enterprise Sector. The revenue generated by the premium medical services group for the year ended 31 December 2016 was HK$24 million.

Liquidity and Capital Resources

As at 31 December 2016, the Remaining Group had no secured bank loans.

As most of the Remaining Group's transactions and bank balances were denominated in Hong Kong dollars and US dollars, the Remaining Group has continued to closely track and manage its exposure to fluctuations in these foreign exchange rates to minimise the foreign exchange risks. The Remaining Group did not have any financial instruments used for hedging purpose during 2016.

During 2016, the Company issued two fixed coupon notes with principal amounts of HK$100 million and HK$200 million to two third-party investors, respectively. Both notes carried interest of 8% per annum which were paid with the principals on the maturity date in February 2017.

At the end of 2016, there were two outstanding unsecured bonds with principal amount of HK$10 million each which were issued in 2014 to two third-party investors. The bonds are interest-bearing at 5% per annum payable annually in arrears and repayable in 2021. During 2016, the Company issued 3,072,880,000 new shares at a subscription price of HK$0.24 per new share raising equity capital in the sum of HK$737 million.

As at 31 December 2016, the Remaining Group's total equity amounted to approximately HK$3,203 million (including non-controlling interests of approximately HK$140 million). The Remaining Group had net current assets of approximately HK$1,726 million including bank balances and cash of approximately HK$647 million. As at 31 December 2016, the Remaining Group had no bank loan outstanding. As at 31 December 2016, the Remaining Group therefore maintained a nil gearing ratio as computed on the basis of net borrowings to total equity and with a current ratio of 3 times.

PLEDGE OF ASSETS

As at 31 December 2016, there was no pledge of assets by the Remaining Group.

CAPITAL EXPENDITURE COMMITMENTS

As at 31 December 2016, the Remaining Group had capital expenditure commitments contracted but not provided for of approximately HK$146 million.

MATERIAL ACQUISITIONS AND DISPOSALS

On 21 September 2015, the Remaining Group entered into an agreement with a group of co-Promoters (consisting of 13 investors) to form a joint-stock company in Shanghai (namely, Shengang Securities Company Limited) to engage principally in securities related business in the PRC. The Remaining Group's shareholding interest in Shengang Securities Company Limited was 15% and it paid a capital contribution of RMB525 million. On 10 October 2016, the China Securities Regulatory Commission ("**CSRC**") formally granted a license to the joint-stock company and it officially commenced business in (Shanghai) Pilot Free Trade Zone in China. The license granted by the CSRC allows Shengang Securities Company Limited to engage in securities broking, securities underwriting and sponsoring, securities trading and securities asset management related businesses in the PRC.

On 25 November 2015, the Remaining Group entered into an agreement to acquire the entire issued share capital of GuocoCapital Limited, GuocoCapital Futures Limited and GuocoCapital Bullion Limited (which were subsequently renamed as Mason Securities Limited, Mason Futures Limited and Mason Bullion Limited, respectively), which are companies engaged in the provision of securities brokerage, commodities brokerage, margin financing, corporate finance advisory and other regulated activities in Hong Kong under the Securities and Futures Ordinance (Cap. 571 of laws of Hong Kong) ("**SFO**"), for a consideration of approximately HK$415 million. The acquisition was completed on 16 February 2016.

On 15 February 2016, the Remaining Group completed the acquisition of Thomas Securities Company Limited, a company engaged in securities dealing. Following the acquisition, the Remaining Group provides securities and commodities dealing, securities advising and corporate finance services in Hong Kong under the SFO.

On 30 March 2016, the Remaining Group entered into a sale and purchase agreement for the disposal of its subsidiaries, Mind Stone Investments Ltd and Co-Lead Holdings Limited, for a total consideration of HK$1,200 million. The disposals were approved by the Company's shareholders at a general meeting held on 11 July 2016 and completion of the disposals took place on 25 July 2016. Following the completion of the disposals, Mind Stone Investments Ltd and Co-Lead Holdings Limited ceased to be subsidiaries of the Remaining Group.

On 30 September 2016, the Remaining Group entered into several agreements to acquire 55.02% equity interest in a group of leading private assisted reproductive service providers in Hong Kong focusing on the provision of IVF services, for a total cash consideration of approximately HK$283 million. Following completion of the acquisition on 1 November 2016, the IVF Group owned 100% equity interest in Reproductive HealthCare Limited, 100% equity interest in Victory "Art" Laboratory Limited and 60% equity interest in Leader Enterprise Limited.

On 6 October 2016, the Remaining Group entered into certain agreements for the acquisition of an interest in the HKMS, a company which is engaged in the origination of mortgage loans and securitization business in Hong Kong. Completion took place on 7 October 2016 and the Remaining Group became interested in 47% of the issued share capital of HKMS and an aggregate of 51% of the voting rights of HKMS through an arrangement with one of the other shareholders of HKMS. The Remaining Group has paid HK$27 million and intends to invest an additional HK$48 million into HKMS.

On 4 November 2016, the Remaining Group entered into an agreement for the disposal of its remaining 55% equity interest in Willie Link Limited for a cash consideration of HK$200 million to Best Mate Limited. Willie Link Limited was principally engaged in investment holding of approximately 20% equity interest in Freewill Holdings Limited and its subsidiaries, (collectively, the "**Freewill Group**"). Freewill Group holds certain equity interests in the natural resources sector in the PRC. The disposal was completed on 28 December 2016. This disposal, when aggregated with the disposal completed on 30 March 2016 by Willie Resources Incorporated in respect of its 45 ordinary shares in the capital of Willie Link Limited to Apex Corporate Investments Limited, resulted in Willie Link Limited ceasing to be a subsidiary of the Company.

On 30 December 2016, the Remaining Group entered into share purchase agreements to acquire Victoria Fortress Investments Limited and Ruby Success Limited, for a total cash consideration of approximately HK$214 million. Upon completion of the acquisition, the Remaining Group holds approximately 48.3% equity interest in DiagCor Technology Limited (and approximately 42.9% equity interest upon completion of the restructuring of the issued share capital of DiagCor Technology Limited). DiagCor Technology Limited holds subsidiaries which are engaged in the laboratory testing related business. DiagCor is a global leader in flow-through hybridization technology, offering a range of products, solutions and services related to RND and DNA analysis.

PROSPECTS

Despite the uncertainties in the financial market, the Company expect Hong Kong's role as a ''super-connector'' between China and the world will be further strengthened. With the increasing two-way openness of mainland's financial industry and internationalization of the RMB, Hong Kong will become a major overseas center for mainland people to allocate their wealth through channels such as the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect, thereby bringing flourishing opportunities to the financial industry.

Realizing our vision to become a trusted health and wealth solution partner to the Remaining Group's valuable clientele while adhering to our ''Enterprise + Finance'' growth strategy, the Company will continue to explore and strengthen synergistic relationships amongst the listed platform, the financial services sector, and the enterprise sector. On the strength of its sizable capital base, as well as extensive capital market and investment management experience, the Remaining Group plans to execute an aggressive M&A strategy in both Financial and Enterprise Segments in order to achieve fast and strong growth.

For the Finance sector, the Company plans to establish a financial platform with world-wide asset allocation capabilities through acquiring corporations and forming business ventures in the US, Europe, and Asia, to bridge the gap between the Chinese and the global financial markets in the long term. In pursuance of its growth strategy, the Company will continue to expand its existing financial services business, including securities brokerage, securities margin financing, leverage and acquisition financing and money lending, and also plans to further develop its business into the provision of asset and wealth management to compliment the securities and fund management business, and direct investment business.

In addition, the Remaining Group is currently in discussions with other financial institutions to source a wide range of mutual funds and other investment products for its clients. Moreover, the Remaining Group plans to set up different forms of private equity funds for its clients. The private equity funds will initially focus on the theme of investing in asset-backed fixed income products and target high net worth individuals and companies that qualify as professional investors under the SFO.

For its Enterprise sector, the Company is expected to benefit from the fast-growing in vitro fertilisation (IVF), non-invasive prenatal testing (NIPT), Cancer Screening, Precision Medicine and IVD service sectors in China. The Company will actively expand the business along the value chain of medical services, so as to capitalise on the enormous potential within the industry in Greater China.

In addition, through its dual-expansion strategy, the Company will be able to create synergies between these two sectors through its extensive network of financial institutions and quality high net worth client base in China. It has identified several synergistic business opportunities among medical and healthcare companies on the platform. The Company intends to bring tailored products and services to the medical and healthcare industry chain and demographics to establish industry-specific private equity, in order to build a synergistic mechanism where the financial and medical sector can complement and empower each other. The mechanism will promote cooperation among investees and provide funding for further acquisitions and expansion.

On the strength of its abundant capital, differentiated development strategy, experienced management with global insight and outstanding servicing team, the Remaining Group is confident of its future prospects and is committed to building itself into a leading global financial conglomerate with a global asset allocation capability.

EMPLOYEES

As at 31 December 2016, the Remaining Group employed 106 employees excluding directors. The Remaining Group endeavored to maintain its employees' remuneration in line with the market trend and to remain competitive. Employees' remuneration was determined in accordance with the Remaining Group's remuneration and bonus policies based on their performance. The Remaining Group also provided comprehensive benefit packages and career development opportunities for its employees, including retirement benefits, medical benefits and internal and external training programmes, tailored in accordance with individual needs.

SIGNIFICANT INVESTMENTS

List of stocks in terms of market value as at 31 December 2016

Name of stock listed on The Stock Exchange of Hong Kong	Stock code	Brief description of the business	Number of shares held as at 31 December 2016	Proportion of shares held as at 31 December 2016	Investment cost as at 31 December 2016	Market value as at 31 December 2016
					HK$'000	*HK$'000*
Kong Sun Holdings Limited	295	Investment in and operation of photovoltaic power plants, properties investment, manufacturing and sale of life-like plants.	101,880,213	0.68%	122,684	34,639
Hengtou Securities Co., Limited — H Shares	1476	Provision of financial products & services to corporations, financial institutions, government entities & individuals, through brokerage & wealth management, investment management, proprietary trading & investment banking business.	40,376,000	8.96%	161,996	181,692
China Huarong Asset Management Co., Limited	2799	Provide financial asset management in China, include distressed asset management, financial services and asset management and investment.	2,523,000	0.01%	7,875	7,039
Harbin Bank Co., Limited — H Shares	6138	Provision of deposit services, loan services and payment and settlement services, as well as other approved business.	120,403,000	3.98%	385,568	275,723

Significant stocks gains/(losses) for the year ended 31 December 2016

Name of stock listed on The Stock Exchange of Hong Kong	Stock code	Realised gains/(losses) for the year ended 31 December 2016 *HK$'000*	Unrealised gains/(losses) for the year ended 31 December 2016 *HK$'000*	Dividend received for the year ended 31 December 2016 *HK$'000*
HengTen Networks Group Limited	136	(7,728)	—	—
Kong Sun Holdings Limited	295	—	(30,564)	—
Evergrande Health Industry Group Limited	708	(20,864)	—	—
Carnival Group International Holdings Limited	996	(12,592)	—	—
China Smarter Energy Group Holdings Limited	1004	(7,073)	—	—
C C Land Holdings Limited	1224	(15,793)	—	6,380
Hengtou Securities Co., Limited — H Shares	1476	—	(109,683)	4,230
China Huarong Asset Management Co., Limited	2799	230	(844)	—
Harbin Bank Co., Limited	6138	—	(6,909)	13,559

(II) FOR THE YEAR ENDED 31 DECEMBER 2017

Financial Services Business

The Remaining Group's financial services business consists of financial brokerage business and related services, financing services, proprietary trading of securities, and asset and wealth management services. The total turnover and operating income contributed by this business segment amounted to approximately HK$1,034 million and HK$212 million, respectively during 2017. The total loss contributed by this business segment amounted to approximately HK$6.8 million during 2017.

Financial Brokerage Business and related services (Securities and Futures Brokerage Business, Corporate Finance Services and related services)

During 2017, the Remaining Group continued to expand its presence in the financial services sector, developing a diversified financial platform with a differentiated range of financial products. Its securities and futures brokerage business, securities margin financing, leveraged and acquisition financing, corporate finance advisory services, and other related financial services generated an operating income of approximately HK$79 million in 2017. This business segment reported a loss for 2017 of approximately HK$16 million.

With an aim to enhance the quality and efficiency of its brokerage services, the Remaining Group made a number of technology upgrades, including its IT and online trading systems, as well as its internal control system and risk management system, leading to enhanced business growth and reduced business risks. The securities brokerage business generated a trading volume of approximately HK$13.2 billion in 2017, representing a growth of approximately 32%.

During 2017, the Remaining Group continued to develop its financial services platform through successful acquisitions and investments, enabling it to meet growing demands for comprehensive wealth management services by not only strengthening its sales and distribution network, but also product development capabilities. The Remaining Group has always sought to optimize its investment portfolio and achieve better investment returns for its clients by investing in equities, bonds, funds, derivative instruments and other financial products, as well as providing money lending services. The corporate finance segment offers diversified financial advisory and financing arrangement services to help institutional clients achieve their financial goals.

Financing Services (mortgage and loans business)

During 2017, the Remaining Group's financing services business, including its leveraged and acquisition finance activities and mortgage loan securitization business in Hong Kong, continued to grow and has already generated a stable income. The total size of its loan portfolio of mortgage and loan business reached approximately HK$1,491 million in 2017, while the total operating income and profit derived from the provision of the financing services was approximately HK$119 million and HK$5.5 million respectively.

The Remaining Group adopts a conservative strategy towards its mortgage and loans business, ensuring that it maintains sufficient collateral and guarantees. In respect of the mortgage loan securitization business, the asset-backed fixed income product was consolidated into the securitization portfolio during 2017. In view of the expected escalation in interest rates, the Remaining Group may capitalise on this business in the near term.

Proprietary Trading of Securities

Trading in securities remains one of the Remaining Group's principal activities. In 2017, the Hang Seng Index experienced the largest surge since 2009, with an increase of 36%, resulting in 45 of 50 HSI constituents recording a positive return. Along with the uptrend in the stock market, the Remaining Group's proprietary trading of securities recorded an operating income of approximately HK$14 million and profit of approximately HK$4 million. The market value of the Remaining Group's 15 investments securities as of 31 December 2017 was recorded at approximately HK$364 million. The Remaining Group will continue to look for promising investment opportunities in the stock market based on its evaluation methods and professional judgement.

Asset and Wealth Management Related Services

Around the middle half of 2017, the Remaining Group undertook active enhancement of its wealth management and asset management platform, particularly, to enlarge and improve its resources of people, technology and infrastructure so as to strengthen its distribution network and product development capabilities. The platform will be further enhanced in anticipation of the acquisition of the new business of the Remaining Group e.g. the HFG Group and RPL (details of which are set out below under the paragraphs headed ''Material Acquisitions and Disposals'') which, upon completion, is expected to create a significantly larger and wider customer base as well as the supporting sales and distribution network for the wealth management platform. In addition, a hedge fund structure was set up and the Remaining Group's first fund, a multi-strategy fund was introduced to the market for subscription in November 2017 targeting financial institutions and professional investors to broaden the Remaining Group's product development capabilities.

Healthcare Business (Medical and laboratory services)

The Remaining Group has made multiple investments in the businesses relating to healthcare, to develop its healthcare platform. The healthcare business generated an operating income of approximately HK$143 million. Its healthcare business generated a profit of approximately HK$42 million in 2017. The increase was as a result of the completion of the acquisitions of two renowned and profitable specialist medical services and biotechnology companies, Pangenia, which runs Hong Kong's largest gene laboratory, and Reproductive HealthCare Limited (''RHC''). The acquisition of RHC was completed at the end of 2016, hence the operating income of only the last quarter of 2016 was consolidated, as compared to a full consolidation of results for 2017.

RHC is a recognized IVF service provider with 2 IVF clinics and 2 laboratories supported by 8 specialists RHC serviced 988 out of 5,136 IVF cases, with market share of 19% in 2016. External factors such as the implementation of the ''two-child policy'', strong demand for egg-freezing services, and deteriorating reproductive capabilities, coupled with Hong Kong's strategic location and high standards of medical services have created good market potential for IVF services in Hong Kong. RHC generated an operating income of approximately HK$143 million and a profit of HK$36 million for the year ended 31 December 2017. It contributed a profit of approximately HK$17.8 million to the equity holders of the Company after deducting the share of non-controlling interest for 2017.

In March 2017, the Remaining Group completed the acquisition of 42.9% interest in Pangenia, which employs more than 80 bio-scientists. The Remaining Group's share of the profit of this associate company (for the period from completion to end of the 2017) was approximately HK$6 million.

Both acquisitions offered the Remaining Group competitive edges to capture market opportunities in the prime medical service industry.

Manufacture of infant formula and nutritional products

The Remaining Group completed the acquisition of Blend & Pack, a well-established Australian infant formula manufacturer in September 2017, to strengthen the Remaining Group's strategy of creating a healthcare ecosystem in Asia. The Remaining Group's dairy products business generated an operating income of approximately HK$33 million and a profit of approximately HK$0.2 million from the period from the completion of the acquisition in September 2017 to the end of 2017. Blend & Pack produced 5.42 million cans of milk powder during the period of 1 July 2016 and 30 June 2017. Blend & Pack is one of Australia's infant formula manufacturers that hold an accreditation provided by the CNCA. Such accreditation allows for the production of infant formula for the purpose of exporting to the Chinese market.

PROSPECTS

2017 was an active year for Hong Kong's stock market, setting several new records in terms of market capitalization, number of new listings and trading volumes. The Remaining Group expects such momentum to continue. In February 2018, the Stock Exchange released a consultation paper on a listing regime for companies from emerging and innovative sectors, setting proposals to allow the listing of a broader range of companies on the main board of the Stock Exchange. The Remaining Group expects that the proposed amendments to the listing rules will attract a number of eligible innovative companies with weighted voting rights structure and a large number of bio-tech companies to be listed in Hong Kong. However, the Remaining Group remains cautiously optimistic about the global market environment due to the potential uptrend of US treasury yields. In addition, upon the approval of "southbound trading" of the Bond Connect scheme, the Remaining Group expects the bond market to enjoy added benefits through the mutual access arrangement in respect of trading, custody and settlement. Meanwhile, China will continue to be a major source of capital as a result of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, which will drive the Hong Kong stock market forward.

During the 19th National Congress of the Communist Party of China, the Chinese central government emphasized the importance of implementing the "Healthy China" initiative, which will likely result in an increasing effort by the government to improve the country's national health policy and to enhance its healthcare services for citizens. The state will also work to ensure that the newly implemented "two-child policy" seamlessly integrates with relevant economic and social policies. According to government statistics, a total of 17.23 million children were born in China in 2017, and the government predicts that the full effect of the policy will emerge in 2018, leading to a stable growth in birth rates. The Remaining Group foresees these new initiatives and rules to have positive impacts on its healthcare/medical sector, and its dairy manufacturing business.

To seize opportunities and respond to possible challenges that may arise, the Remaining Group will continue to promote its ''Enterprise + Finance'' strategy in the coming year. The Remaining Group is planning to broaden its channel of financing to improve its capital and debt structure, as well as to fine tune its business model so that both business streams complements each other. Meanwhile, the Remaining Group will continue to enhance its medical segment through organic growth and further acquisitions.

In terms of the financial sector, the Remaining Group will respond to the increasing demand for diversified and cross-border wealth management services from high net worth and sophisticated investors by enriching its variety of financial solutions while looking for potential acquisition targets in different regions that will benefit the development of the Remaining Group and create synergistic value. These potential acquisition targets include asset management firms, wealth management firms, investment banks and securities houses, which can enable the Remaining Group to consummate its financial ecosystem, offering custody, deposit and financial products of various types to customers. Upon successful acquisition of RPL, the Remaining Group will utilize RPL's deposit and custody capabilities to enhance the Remaining Group's customer loyalty, while strengthening its distribution channels for various financial products. The Remaining Group's goal is to establish a multinational financial platform with world-wide asset allocation capabilities that is capable of serving high net worth individuals globally.

The Remaining Group believes the aforementioned strategies will allow for organic growth and provide the Remaining Group with steady capital inflow and solid client base arising from healthcare sector, which will subsequently support the rapid development of the Remaining Group's financial services business.

The Remaining Group expects its healthcare sector to be a major contributor of revenue in the future. Riding on its cutting-edge RNA & DNA analytical technologies, as well as its well-advanced assisted reproduction technology, the Remaining Group will continue to serve and care for the Hong Kong market while exploring China and overseas opportunities arising from the growing affluence and size of the middle class population and China's ''two-child policy''. The Remaining Group will look for suitable expansion and acquisition opportunities in the healthcare industry.

Furthermore, the Remaining Group intends to grow internationally. The Remaining Group will assess potential acquisition targets that are tied to China's ''One Belt One Road'' initiative in the financial, healthcare and medical sectors. The Remaining Group endeavors to establish an ecosystem where the financial and healthcare sectors can complement and benefit each other.

The Remaining Group witnessed much progress with its ''Enterprise + Finance'' strategy in 2017. Looking ahead, the Remaining Group will continue to stride ahead with this strategy while maintaining high standards of corporate governance so as to become an all-rounded ''Health and Wealth Solutions Partner'' for its clients globally and to provide solid results for the Remaining Group's shareholders.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 31 December 2017, the Remaining Group's total equity amounted to approximately HK$6,015 million (including non-controlling interests of approximately HK$201 million). The Remaining Group had net current assets of approximately HK$3,134 million, including bank balances and cash of approximately HK$1,679 million as at 31 December 2017. As at 31 December 2017, the Remaining Group had borrowings of HK$321 million and therefore maintained a zero net gearing ratio as computed on the basis of net borrowings to total equity, and with a current ratio of 10 times.

As at 31 December 2017, the Remaining Group had outstanding unsecured loans amounting to HK$121 million. Bank and other borrowings of HK$111 million were denominated in Hong Kong Dollars at fixed interest rate with a range from 1% to 3.5% per annum. All bank and other borrowings are repayable in 2018. Furthermore, there were two outstanding unsecured bonds with principal amounts of HK$10 million each, which were issued in 2014 to two third-party investors. The bonds interest rates were both 5% per annum payable annually in arrears and will mature in 2021.

During 2017, a subsidiary of the Remaining Group entered into an loan agreement with Pangenia, pursuant to which Pangenia granted an unsecured loan of HK$20 million to the Remaining Group, for a period of 6 months from date of drawdown with interest rate of 3.5% per annum. The loan was drawdown in September 2017 and subsequently settled in March 2018.

In November 2016, the Company issued two unsecured fixed coupon notes due 2017 with principal amounts of HK$100 million and HK$200 million to two third-party investors. Both notes carried interest of 8% per annum. These bonds were redeemed in February 2017 upon their maturity.

During 2017, the Company raised an aggregate of HK$2,840 million in equity capital by issuing 22,124,799,450 shares at the subscription price of HK$0.13 pursuant to rights issue ("**Rights Issue**") and 4,056,213,232 new shares pursuant to a bonus issue ("**Bonus Issue**"). Completion of the Rights Issue and Bonus Issue took place in February 2017.

Treasury Policies

Having considered the Remaining Group's current cash and cash equivalents, bank and other borrowings, and banking facilities, the management believes that the Remaining Group's financial resources are sufficient for its day-to-day operations. The Remaining Group did not use financial instruments for financial hedging purposes during 2017. The Remaining Group's business transactions, assets and liabilities were principally denominated in Hong Kong dollars and Australian dollars. Fluctuations in the Australian dollars may have an impact on the Remaining Group's results and net asset value as the Remaining Group's consolidated financial statements are presented in Hong Kong dollars. The Remaining Group's treasury policy stipulated that foreign currency exposure would only be managed when the potential financial impact was material to the Remaining

Group. The Remaining Group would continue to monitor its foreign exchange position and, if necessary, utilize hedging tools, if available, to manage its foreign currency exposure.

Guarantees

As at 31 December 2017, the Remaining Group provided guarantees in favour of banks and financial institutions, in respect of facilities granted to a subsidiary to be disposed of under the Disposal (i.e. AYD), amounting to HK$109 million. A total of HK$85 million of the facility was utilized.

As at 31 December 2017, the Remaining Group provided a guarantee in respect of a loan granted to a third party individual with the principal amount of RMB51 million (equivalent to HK$57 million) for a loan guarantee fee income of HK$1.3 million recognised in the profit or loss.

CAPITAL COMMITMENTS

As at 31 December 2017, the Remaining Group had a total capital commitment of approximately HK$140 million, contracted for but not provided for in the financial statements in respect of the acquisition of intangible assets and subscription of funds.

CONTINGENT LIABILITIES

At the end of 2017, the Remaining Group issued a financial guarantee to a third party in respect of a loan granted to a third party individual with principal amount of RMB51 million (equivalent to HK$57 million) (2016: nil). The maximum liability of the Remaining Group at the end of 2017 under this guarantee was RMB53 million (equivalent to HK$59 million), representing the outstanding amount of the loan and interest payable to the third party as at the end of the reporting period.

PLEDGE OF ASSETS

As at 31 December 2017, the Remaining Group's bank deposits of HK$42 million were pledged to certain banks to secure a loan facility amounting to HK$60 million. The loan facility amounting to HK$60 million was utilized as at the end of 2017.

SIGNIFICANT INVESTMENTS

The Remaining Group remains cautious about the trading performance of its portfolio of securities. With volatile global financial markets during the Year, the Remaining Group made stock investments to capture trading profits. The Remaining Group will also leverage the Remaining Group's healthcare and consumer eco-system to identify securities investment opportunities with the aim of not just benefiting the Remaining Group as a result of its stock performance but also creating synergetic value by the investee companies. A net fair value gain recognized for the Remaining Group's financial asset at fair value through profit or loss amounted to approximately HK$75.9 million during the Year. The Remaining Group held a few listed investments as set out below:

List of significant stocks in terms of market value as at 31 December 2017

Name of stock listed on Stock Exchange/overseas stock exchange	Stock code	Brief description of the business	Number of shares held as at 31 December 2017	Proportion of shares held as at 31 December 2017	Investment cost as at 31 December 2017	Market value as at 31 December 2017
					HK$'000	*HK$'000*
Kong Sun Holdings Limited	295	Investment in and operation of photovoltaic power plants, properties investment, manufacturing and sale of life-like plants.	101,880,213	0.68%	122,684	31,583
Hengtou Securities Co., Limited — H Shares	1476	Provision of financial products & services to corporations, financial institutions, government entities & individuals, through brokerage & wealth management, investment management, proprietary trading & investment banking business.	40,376,000	8.96%	161,996	117,898
Q Technology (Group) Company Limited	1478	Engagement in the design, research, development, manufacture and sales of camera modules.	382,000	0.03%	4,642	4,202
Sheng Ye Capital Limited	8469	Provision of factoring services, including the provision of financing services (secured by accounts receivable) to factoring customers and the accounts receivable management services.	28,600,000	3.86%	57,797	199,342
Wattle Health Australia Limited	WHA (Australian Stock Exchange)	Provision of developing, sourcing and marketing high quality Australian made consumer food products	236,429	0.16%	827	2,639

Significant stocks gains/(losses) for the year ended 31 December 2017

Name of stock listed on Stock Exchange	Stock code	Realised gains/(losses) for the year ended 31 December 2017	Unrealised gains/(losses) for the year ended 31 December 2017	Dividend received for the year ended 31 December 2017
		HK$'000	*HK$'000*	*HK$'000*
Kong Sun Holdings Limited	295	—	(3,056)	—
Hengtou Securities Co., Limited — H shares	1476	—	(64,794)	—
China Huarong Asset Management Co., Ltd.	2799	1,256	—	—
Harbin Bank Co., Ltd.	6138	11,007	—	—
Sheng Ye Capital Limited	8469	—	141,545	—

MATERIAL ACQUISITIONS AND DISPOSALS

On 31 March 2017, the Remaining Group completed its acquisition of a 42.9% interest in Pangenia and its subsidiaries ("**Pangenia Group**"). The principal activities of Pangenia Group are trading of laboratory products and provision of laboratory testing related business. The consideration for the acquisition was HK$214 million. The acquisition will allow the Remaining Group to further capture growth opportunities in the life sciences and premium medical service industry in Hong Kong and create synergy with the IVF services.

On 4 July 2017, GL Food Holdings Pte. Ltd ("**Mason Food**"), the Company, Wattle Health Australia Limited ("**Wattle Health**"), Blend & Pack and the vendors (comprising eight individuals and a family trust, who together beneficially own 100% of Blend & Pack) entered into an agreement in relation to the acquisition of 75% and 5% of the issued capital of Blend & Pack by Mason Food and Wattle Health, respectively. Blend & Pack is one of the Australian infant formula manufacturers accredited by CNCA to produce infant formula (baby, follow-on and toddler formula) for export into the Chinese market and is one of the major independent infant formula manufacturers in Australia. The aggregate consideration for the acquisition of 80% of the issued capital of Blend & Pack was A$81,896,676, payable by the purchasers in cash pro-rata to their respective proportion. The consideration was subject to further adjustment due to disputed items in the completion accounts and has not been confirmed at the date of this circular. Completion of the acquisition took place on 27 September 2017.

On 7 September 2017, Mason Strategic Investment Company Limited purchased 100% of the HFG Group and Harris Fraser (Hong Kong) Limited for a consideration of HK$116,500,000. With the acquisition, the HFG Group's competitive advantages in wealth management services would strengthen the Remaining Group's wealth management business. Through the HFG Group's IFA network, the Remaining Group was able to rapidly expand its wealth management customer base.

On 18 October 2017, Mason Strategic Investment Company Limited entered into an agreement in relation to the acquisition of RPL for a consideration of CHF58,600,000 (subject to adjustments). Through the acquisition, the Remaining Group intends to leverage on the target company as the Remaining Group's platform as its core financial practice which will supplement the existing financial segments of the Company and enable further cross-selling and create synergies amongst the Remaining Group's different line of businesses. The Remaining Group would utilise this platform to further develop its wealth management business by offering a wide range of Asian financial products to European clients and providing high-quality European private banking services for high-net-worth clients in Asia Pacific. The acquisition completed on 28 March 2018.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the Remaining Group employed a total of 220 employees around the globe. The remuneration policy and package of the Remaining Group's employees are structured in accordance to market terms and statutory requirements where appropriate. In addition, the Remaining Group also provided other staff benefits such as medical insurance and mandatory provident fund.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017.

(III) FOR THE YEAR ENDED 31 DECEMBER 2018

Financial Services Business

Global business sentiment was dampened during 2018 by the escalated trade friction between the US and China. Given the anxiety on the global economic landscape, the Remaining Group has taken a more prudent approach in risk management to mitigate market uncertainty.

The Remaining Group's financial services business segment comprises asset management, wealth management, private banking, financing services, proprietary trading of securities, financial brokerage and related services.

In financial services, the Remaining Group's performance was boosted by the acquisition of RPL, a European private bank, and HFG Group, an Asia-based wealth management group company. These two acquisitions have enabled the Remaining Group to build a global financial platform and enhance the Remaining Group's global presence in the wealth management and private banking. The combination of organic growth, acquisitions and investments during 2018 resulted in the substantial expansion of the Remaining Group's geographical footprint to Europe and Asia Pacific. All these efforts significantly strengthen the Remaining Group's distribution channels and service capabilities, allowing it to provide more comprehensive wealth solutions to its clients and create a foundation on which further development can thrive.

The total turnover and operating income contributed by this business segment amounted to approximately HK$901 million and HK$334 million, respectively, during the 2018. The total loss contributed by this segment amounted to approximately HK$48 million during 2018 due to a loss of approximately HK$59 million from proprietary trading of securities.

Wealth and Asset Management

The Remaining Group strengthened its wealth and asset management operations with the newly acquired Liechtenstein-based private bank, RPL, in March 2018 and the Hong Kong-headquartered wealth management company, HFG Group, in May 2018. With the integration of RPL and HFG Group, our wealth and asset management business generated a total operating income of approximately HK$170 million and total profit of approximately HK$20 million to the Remaining Group during 2018. The management expect our prudent risk management and client targeting strategies will pave the way for good returns in the coming years.

The acquisition of RPL and HFG Group marked significant milestones in the Remaining Group's endeavors in establishing a wealth management platform with global asset allocation capability and in reconfiguring the Remaining Group's financial services platform with a business focus in wealth and asset management. The integration of RPL has added impetus to the growth of the Remaining Group's wealth and asset management operations and is expected to generate synergies by offering European private banking solutions to the Remaining Group's clients in Asia and facilitating cross-selling across the globe. The addition of HFG Group to the Remaining Group's financial services platform has taken the Remaining Group's development beyond Hong Kong and enhanced the Remaining Group's service offerings in investment and financial advisory services. New growth plans are in the pipeline for both RPL and HFG Group, including the broadening of HFG Group's network in Asia, as well as widening of both HFG Group and RPL's product and service range to offer better financial solutions to clients.

Following the introduction of the Remaining Group's first multi-strategy fund, targeting financial institutions and professional investors in early 2018, an additional Hong Kong equities fund was launched during 2018 as part of the implementation of the Remaining Group's strategy to increase AUM. There are also plans to introduce more funds that can generate consistent and long term returns for wealth and asset management and institutional clients.

Investment Banking Services — securities and futures brokerage and related services, securities margin financing, leveraged and acquisition financing, corporate finance services and related services

The Hong Kong stock market experienced high volatility in 2018. After reaching a record high in January 2018, the Hang Seng Index ("**HSI**") corrected and hit a 17-month low in October 2018. During 2018, the HSI and the Hang Seng China Enterprises Index ("**HSCEI**") dropped 13.6% and 13.5% respectively, which was the largest drop in the past 7 years against a backdrop of trade tensions between the US and Mainland China. A slowing China economy coupled with a weakening Renminbi further raised uncertainties about the outlook for corporate earnings.

In brokerage business, the Remaining Group continued to empower its business with technologies by upgrading the trading and supporting system and strengthened internal and external cooperation. In response to market volatility and global economic and policy uncertainties triggered by head wind in the trade environment since the second half of 2018, the Remaining Group has put extra efforts in and placed more emphasis on risk management and has refrained from high risk business endeavors and investments to minimize exposure to adverse conditions.

Due to unsatisfactory performance of the secondary market, many initial public offering ("**IPO**") applicants have delayed their IPO plans. Despite the poor market and rigorous regulatory environment, the Remaining Group's corporate finance department has successfully obtained an IPO sponsor license and built a professional investment banking team. Our corporate finance department mandated several pre-IPO and financial advisory projects and completed the first equity capital market deal in the end of 2018.

The Remaining Group's securities and futures brokerage business, securities margin financing, corporate finance advisory services, and other related financial services generated an operating income of approximately HK$83 million and loss of approximately HK$15 million.

Financing Services (mortgage and loans business)

During 2018, the Remaining Group's financing services business, including leveraged and acquisition finance activities and mortgage loan securitization business in Hong Kong continued to expand, contributing a total operating income of approximately HK$131 million, which showed an increase of approximately 9.74%, while profit of the business segment was approximately HK$6 million.

The Remaining Group launched an asset-backed fixed income product as a part of the mortgage loan securitization business. The product was successfully distributed to institutional clients in Northeast Asia. The total size of the Remaining Group's loan portfolio of mortgage and loan business, including the term loans granted by RPL, amounted to approximately HK$1,510 million in 2018. The Remaining Group maintains sufficient collateral and guarantees and pays close attention to the credit qualifications of the borrowers.

Proprietary Trading of Securities

The listed securities held by the Remaining Group are mainly listed on the Hong Kong and overseas stock market. In view of the turbulence in the capital markets that was reflected by the HSI, suffering a 15% decline over 2018, the Remaining Group divested some of its stock portfolio to redirect its resources to more robust and risk-adverse activities in the financial division and to reduce exposure to market volatility. Affected by the downward pressure on stock prices, the Remaining Group's proprietary trading of securities recorded a loss of approximately HK$59 million. This was mainly due to the increase in fair value losses of the Remaining Group's trading securities portfolio. The Remaining Group remains caution about the trading performance to minimise trading risks.

Healthcare Business Investments

The infertility ratio of couples in China at childbearing age continues to rise and one in every eight married couples in the country has experienced fertility problem. The Remaining Group created a solid foundation for the ongoing development of its healthcare business to tap into the promising assisted reproduction market. The market potential is even greater with the rising demand for premium services in this field, particularly from Chinese outbound medical tourists in various medical areas including assisted reproductive services.

Major milestones were achieved by way of the consolidation of the assisted reproductive services in the region with the establishment of RHG Group through the merger of RHG and The HK Women's Clinic Group Limited, a leading premium IVF practice in Hong Kong, and the participation in a consortium to invest in Genea, one of the world's leading fertility groups based in Australia.

With the investment in Genea in October 2018, the Remaining Group made considerable progress in building its IVF medical platform. Established for more than 30 years, Genea is the only integrated assisted reproductive technology ("**ART**") platform in the industry worldwide that both provides ART services and develops technology including culture media and embryo transfer catheters used in more than 600 clinics across 60 countries. Genea offers a comprehensive range of ART services, including IVF, egg and embryo freezing, genetic testing, sperm bank, day surgeries, and pathology in Australia, New Zealand, and Thailand. The investment in Genea marked a crucial step for the Remaining Group in expanding its assisted reproductive services supply chain and in broadening its healthcare division's reach beyond Asia while at the same time signaled a major landmark for Genea in expanding its presence outside of Australia. It is a big leap for the Remaining Group towards its goal of consolidating premium medical services and expanding the geographical outreach of its IVF business.

The Remaining Group's healthcare business investment, comprising the provision of IVF services, genetic diagnostic and advisory services, and health screening services, generated an operating income of approximately HK$65 million in 2018. The healthcare division recorded a profit of approximately HK$141 million. The decrease of operating income was due to RHG Group's cessation as a subsidiary of the Company after the merger of RHG and The HK Women's Clinic Group Limited on 8 June 2018 (the "**Merger**"). The Merger of RHG and The HK Women's Clinic Group Limited has formed a leading premium IVF practice in Hong Kong during 2018. The merger brought together 14 prominent doctors and specialists and 2 pioneers in the field of assisted reproduction. The consolidation of resources allows RHG to provide a more comprehensive range of IVF medical services including intra-uterine insemination, IVF/test tube baby, frozen-thawed embryo transfer and egg freezing services. Subsequent to the Merger, RHG ceased to be a subsidiary but an associate company of the Remaining Group, with the introduction of We Doctor Holdings Limited ("**WeDoctor**") as its strategic investor, its operating income no longer contributed to the Remaining Group's overall operating income. The reported profits of RHG Group (including the profits of RHG before the Merger and share of profits after becoming an associate) and the gain on deemed disposal of interests in RHG for 2018 was approximately HK$127 million.

In late 2018, the Remaining Group seized the opportunity to invest in a health check centre in Hong Kong providing health screening services. The centre will add to the Remaining Group's healthcare business and is expected to complement the services offered by RHG and its associate company, Pangenia Inc and its subsidiaries ("**Pangenia**"), a genetic diagnostic and advisory service provider. The reported share of profits of Pangenia for 2018 was approximately HK$13 million.

Manufacture of Infant Formula and Nutritional Products

The Remaining Group's dairy products business investment, consisting of Australian infant formula manufacturer, Blend and Pack Pty. Ltd. ("**Blend & Pack**"), generated approximately HK$92 million in operating income and earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") of approximately HK$940,000 contributed to the Remaining Group during 2018. In 2018, Blend & Pack produced 4.9 million cans of milk powder and sold 4.6 million cans.

In the light of changing global economic conditions, rising trade barriers between countries and regulatory uncertainties in the food industry, the Remaining Group decided to adopt a more prudent approach by reducing its exposure to cross border trading business. As a result, the Remaining Group agreed to sell its 46% stake in Blend & Pack and entered into put and call options for its remaining 29% stake in Blend & Pack. Further details are set out in the announcements issued by the Company on 8 February 2019, 22 February 2019, 12 April 2019 and 8 May 2019.

PROSPECTS

Financial Platform

With the completion of acquisition and full integration of RPL and HFG Group into the Remaining Group's wealth management platform, the Remaining Group now eyes expansion opportunities in the Asia Pacific region. The Remaining Group will continue to integrate its existing financial assets to maximize the synergies and cross-selling opportunities. The Remaining Group will also focus on expanding and strengthening its distribution network, as well as enriching its product offerings to attract more clients in a bid to increase its AUM. Given the uncertainties in global economic outlook in the forthcoming year, the Remaining Group believes the preservation and management of wealth and assets should be the focus for its financial service platform.

Healthcare Platform

The Remaining Group will continue to explore investment opportunities that are synergistic to its existing healthcare investments to create more value for its shareholders.

The implementation of the "two child policy" and deteriorating fertility rates have led to an increased demand for assisted reproductive services in China. The lack of domestic assisted reproductive medical resources and services due to strict regulations, however, have driven this demand overseas.

The Remaining Group achieved a major milestone in 2018 by creating a comprehensive IVF and biotechnology platform with pioneers in the field to capitalise on the growth potential of the market of assisted reproductive services in Asia, especially China. The Remaining Group has also extended the scope of its healthcare services and decided to invest in a healthcare centre in Hong Kong that provides premium health screening and selected medical services to tap into strong demand in medical tourism.

Going forward, the Remaining Group plans to seek and to participate in more investment opportunities in the health sector to reinforce its services capabilities and cement its position as the leading premium medical service provider in the region.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 31 December 2018, the net current assets of the Remaining Group amounted to approximately HK$2,369 million. The current ratio, expressed as current assets over current liabilities, was approximately 2. As at 31 December 2018, the total equity of the Remaining Group was approximately HK$5,902 million (including non-controlling interests of approximately HK$299 million).

Bank deposits and cash of the Remaining Group as at 31 December 2018 were approximately HK$2,690 million, which included fixed deposits and pledged bank deposit of approximately HK$1,180 million.

As at 31 December 2018, the carrying amount of our bank loans and other borrowings was approximately HK$267 million, including secured bank loans and unsecured loans amounting to HK$151 million and HK$116 million respectively.

As at 31 December 2018, the secured bank loans of approximately HK$151 million were secured by pledged deposits of approximately HK$22 million together with shares of a subsidiary of the Company and corporate guarantee. The carrying interest of secured bank loans of approximately HK$151 million is 3 months ICE LIBOR plus 1.50% to 2.50% per annum depending on the net profit margin of the Company. Bank loans and other borrowings of approximately HK$116 million and HK$151 million were denominated in Hong Kong Dollars and United States dollar respectively, in which approximately HK$116 million were at fixed interest rate and the rest balances were either at variable rates with average rate of 4.31% per annum. As at 31 December 2018, the Remaining Group had unutilised bank loan facilities of approximately HK$60 million.

Furthermore, there were two outstanding unsecured bonds with principal amounts of approximately HK$10 million each, which were issued in 2014 to two third party investors. The bonds interest rates were both 5% per annum payable annually in arrears and will mature in 2021.

During 2018, the Remaining Group acquired 100% interest in Liechtensein based RPL, a private bank providing services including bond and asset-backed financing. RPL offers its customers the possibility to create liquidity in exchange for collateral in the form of securities, by means of reserve repurchase agreements (repo transactions). Securities received as collateral are not recognized in the balance sheet. Securities originating from the bank's own resources are recognized in the corresponding balance sheet items. RPL entered into reverse repurchase agreements and repurchase agreements amounted to approximately CHF142 million (equivalent to HK$1,130 million) and approximately CHF44 million (equivalent to HK$350 million).

Of the total bank loans and other borrowings as at 31 December 2018, approximately HK$247 million was repayable within one year or on demand and approximately HK$20 million was repayable after one years but within five years. None was repayable after five years.

During 2018, a subsidiary of the Remaining Group issued 20,000,000 non-voting preferred shares to an investor, Classic Harmony Limited, a wholly-owned subsidiary of NWS Holdings Limited (stock code: 659) ("**Investor**") for an aggregate consideration of US$20 million (equivalent to HK$156 million). The Investor is entitled to receive cash dividend at a rate of US$0.02 per annum per preferred share. The Investor has the right to exchange the preferred shares for the shares of Mason Reproductive Technology Limited, Pangenia Inc, and/or MW Fertility Pte Limited (or economic interests attributable to such shares) which are owned by the Company. The maximum amount of preferred shares that may be exchanged is 100% of the principal amount of preferred shares as at the date of issue and any outstanding unpaid interest.

All outstanding preferred shares will be redeemed in three years (i.e. 25 October 2021) and will be settled at the election of the Investor, either (i) in cash at an amount equal to the subscription price at US$1.00 per preferred share (the "**Subscription Price**") plus interest at a rate of 4% on the Subscription Price compounded annually for the period commencing on 26 October 2018 and ending on 25 October 2021; or (ii) by the issue of such number of new shares of the Company as determined by dividing the aggregate subscription price for all outstanding preferred shares by the issue price. The issue price is determined at the higher of HK$0.28 or 80% of the average closing price of a share of the Company as quoted on the daily quotation sheet published by the Stock Exchange for the 5 consecutive trading days immediately before 25 October 2021.

The Remaining Group's total debt to equity ratio, calculated as total loans and borrowings, repurchase agreements and the issued preferred shares of approximately HK$775 million divided by shareholder's equity of the Remaining Group of approximately HK$5,902 million was approximately 0.13 as at 31 December 2018.

After taking into account the bank deposits and cash, the bank loans and other borrowings, repurchase agreements and the issued preferred shares of the Remaining Group as at the reporting date, and the estimated cash flows generated from the Remaining Group's operations, the directors of the Company are satisfied that the Remaining Group will have sufficient working capital for its present requirements for the foreseeable future. As such, the management believes that the Remaining Group is well positioned with sufficient operating funds to manage its existing operations and future expansion.

Treasury Policies

Having considered the Remaining Group's current cash and cash equivalents, bank and other borrowings and banking facilities, the management believes that the Remaining Group's financial resources are sufficient for its day-to-day operations. The Remaining Group did not use financial instruments for financial hedging purposes during 2018. The Remaining Group's business transactions, assets and liabilities are principally denominated in Australia dollars, Swiss Franc and Hong Kong dollars. Fluctuations in foreign currency may have an impact on the Remaining Group's results and net asset value as the Remaining Group's consolidated financial statements are presented in Hong Kong dollars. The Remaining Group's treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Remaining Group. The Remaining Group will continue to monitor its foreign exchange position and, if necessary, utilize hedging tools, if available, to manage its foreign currency exposure.

CAPITAL COMMITMENTS

As at 31 December 2018, the Remaining Group had a total capital commitment of approximately HK$23 million, contracted for but not provided for in the financial statements in respect of the acquisition of intangible assets and subscription of funds.

CONTINGENT LIABILITIES

As at 31 December 2018, the Remaining Group has provided guarantees in favour of banks, financial institutions, and third party individuals, in respect of facilities granted to certain subsidiaries and a subsidiary to be disposed of under the Disposal (i.e. AYD), amounting to approximately HK$428 million. Of these facilities, a total of approximately HK$320 million has been utilized.

As at 31 December 2018, the Remaining Group provided a guarantee in respect of a loan granted to a third party individual with the principal amount of approximately RMB51 million (equivalent to HK$58 million) for a loan guarantee fee income of approximately HK$0.59 million recognised in the profit or loss. The maximum liability of the Remaining Group under this guarantee was approximately RMB55 million (equivalent to HK$62 million), representing the outstanding amount of the loan and interest payable to the third party as at 31 December 2018. The management does not consider it probable that a claim will be made against the Remaining Group under this guarantee and the loan was repaid in February 2019.

PLEDGE OF ASSETS

As at 31 December 2018, the Remaining Group pledged the bank deposits of approximately HK$64 million and the shares of a subsidiary to certain banks to secure loan facilities amounting to approximately HK$212 million. Loan facilities amounting to approximately HK$151 million were utilized as at the end of 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 28 March 2018, the Remaining Group completed its acquisition of 100% interest in RPL, a private bank based in Liechtenstein. Founded in 1998, RPL provides comprehensive wealth management services, including asset support and monitoring, asset management, inheritance and succession planning, and portfolio analysis. The consideration for the acquisition was CHF59 million (equivalent to approximately HK$469 million). The consideration shall be adjusted subject to the equity portion adjustment and potential top- ups arising from certain provisions and/or reservations made in the completion accounts. The estimated consideration for the acquisition was approximately CHF63 million (equivalent to HK$557 million) and subject to the contingent payments. RPL greatly complements the Remaining Group's existing financial segments, by facilitating further cross selling and synergies across the Remaining Group's different lines of business. Including the offering of a full suite of Asian financial products to European clients and the provision of European private banking services to high net worth clients in the Asia Pacific.

On 21 May 2018, the Remaining Group completed its acquisition of 100% interest in HFG Group, a well-established wealth management company with a long history of serving affluent clients across the Asia Pacific region. Established in 1990, HFG Group's services include asset management, corporate and trust services, investment savings plans, tax planning, life and general insurance, and MPF advisory services. With offices in Hong Kong, and distribution business partners in Taipei, Beijing, Singapore, Sydney, and Tokyo, HFG Group has an extensive network of professional financial advisers. The consideration for the acquisition was approximately HK$117 million. The consideration shall be adjusted based on the aggregate net profit of HFG Group for financial year 2019 audited consolidated or combined financial accounts of the HFG Group. The expected consideration for the acquisition is approximately HK$128 million and will be finalised by September 2019. With the addition of HFG Group, the Remaining Group has expanded financial services capabilities, including the provision of a wider range of quality financial products and the enhancement of its investment and financial advisory services. HFG Group has added investment advisory services, as well as a network of 70 professional financial advisers, enabling the sales and distribution of a diverse range of products to clients in Asia and Europe, thus strengthening the competitiveness of the Remaining Group's financial platform.

On 8 June 2018, our indirect non-wholly owned subsidiary, RHG, a leading premium private IVF practice in Hong Kong completed the merger with The HK Women's Clinic Group Limited and its subsidiaries. Established in 1991, The HK Women's Clinic Group Limited was founded by Dr. Leong Ka Hong, Milton, the medical practitioner who successfully completed the first IVF case in Hong Kong. The clinic promotes a comprehensive concept of education and development, in addition to providing diagnosis and treatment. Its IVF centre is managed by several doctors and embryo specialists. The consideration for The HK Women's Clinic Group Limited was approximately HK$435 million and was settled as to HK$210 million in cash and as to approximately HK$225 million by the allotment and issue of the shares of RHG. Its amalgamation into our medical platform further consolidates and promotes the development of the IVF industry in this region. Upon the issue of the shares of RHG, RHG ceased to be a subsidiary of the Company.

On 17 May 2018, our indirect wholly owned subsidiary, Mason Healthcare Group Limited ("**MHG**"), entered into the transfer agreement with each of the strategic shareholders, including WeDoctor, Hong Kong Zhongya Environmental Group Company Limited and Aldworth Equity I SP and Aldworth Opportunities Fund SP for the disposal of 35.2% interest of MHG's shares in Mason Reproductive Technology Limited ("**MRT**"), which owned 46.71% of RHG after the Merger. The transfer was completed on 3 July 2018. With the scale and reputation of the merged business, along with the successful introduction of WeDoctor as a strategic shareholder, the Remaining Group is well positioned to take advantage of the growing cross¬border demand for IVF services in Asia.

On 28 December 2018, our indirect wholly owned subsidiary, Wealth Infinity Global Limited ("**WIG**"), completed the investment of A$30 million (equivalent to approximately HK$168 million) in TT Holdings Limited for the purpose of investing in Genea. Genea is one of the world's leading fertility groups with an outstanding track record spanning over 30 years. Genea developed technology including culture media and embryo transfer catheters used in more than 600 clinics across 60 countries. Headquartered in Sydney with over 400 employees and operations globally, Genea is the only integrated ART platform, with both services and technology, in the industry worldwide. Genea offers a comprehensive range of ART services, including IVF, egg and embryo freezing, genetic testing, sperm bank, day surgeries and pathology in Australia, New Zealand and Thailand and is the third largest IVF clinic group in Australia by IVF cycle volume. Leveraging on its extensive experience and technologies, this investment adds synergies to the Remaining Group's healthcare platform and further enhances the Remaining Group's presence in the IVF industry across the Asia Pacific region.

Other than the above, there was no other material acquisition or disposal of subsidiaries and associated companies by the Remaining Group during 2018.

SIGNIFICANT INVESTMENTS

The Remaining Group remains cautious about the trading performance of its portfolio of securities. With volatile global financial markets during the Year, the Remaining Group had disposed of some of its stock investments to minimize the capital loss. As proprietary trading of securities remains one of the principal businesses of the Remaining Group, the Remaining Group may consider investing in global and local stocks conservatively to preserve the value of its portfolio in the future. The Remaining Group will also leverage on the Remaining Group's healthcare and consumer eco-system to identify securities investment opportunities with an aim of not just benefiting the Remaining Group as a result of stock performance but also creating synergetic value by the investee companies.

Loss from the sale and net fair value gain recognized for the Remaining Group's financial asset at fair value through profit or loss amounted to approximately HK$64 million and HK$8 million respectively during the Year. The Remaining Group held a few listed investments as set out below:

List of significant stocks in terms of market value as at 31 December 2018

Name of stock listed on Stock Exchange/overseas stock exchange	Stock code	Brief description of the business	Number of shares held as at 31 December 2018	Proportion of shares held as at 31 December 2018	Investment cost as at 31 December 2018	Market value as at 31 December 2018
					HK$'000	*HK$'000*
Sheng Ye Capital Limited	8469	Provision of factoring services, including the provision of financing services (secured by accounts receivable) to factoring customers and the accounts receivable	28,600,000	3.25%	57,797	191,906
Camsing International Holding Limited	2662	Development, sales and distribution of intellectual property rights derived products and mobile devices	7,330,000	0.68%	39,151	65,457
Yadea Group Holdings Limited	1585	Development, manufacture and sales of electric two-wheeled vehicles and related accessories	16,600,000	0.55%	41,456	50,132
Beijing Sports and Entertainment Industry Group Limited	1803	Provision of air freight service in the wholesale market	15,000,000	1.15%	41,979	42,000
Rici Healthcare Holdings Limited	1526	General hospital business, medical examination business and clinic business	13,619,000	0.86%	25,581	23,833

Significant stocks gains/(losses) for the year ended 31 December 2018

Name of stock listed on Stock Exchange	Stock code	Realised gains/(losses) for the year ended 31 December 2018	Unrealised gains/(losses) for the year ended 31 December 2018	Dividend received for the year ended 31 December 2018
		HK$'000	*HK$'000*	*HK$'000*
Kong Sun Holdings Limited	295	(17,460)	—	—
Hengtou Securities Co., Limited — H Shares	1476	(37,363)	—	4,217
Sheng Ye Capital Limited	8469	—	(7,436)	—
Camsing International Holding Limited	2662	6	26,376	88
Yadea Group Holdings Limited	1585	(2)	8,681	663

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Remaining Group employed a total of 286 employees around the globe. The remuneration policy and package of the Remaining Group's employees are structured in accordance to market terms and statutory requirements where appropriate. In addition, the Remaining Group also provides other staff benefits such as medical insurance and mandatory provident fund.

FINANCIAL INFORMATION OF AYD GROUP

Set out below are consolidated statements of financial position of the AYD Group as at 31 December 2016, 2017 and 2018; consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows of the AYD Group for each of the three financial years ended 31 December 2016, 2017, and 2018 and certain explanatory notes of the AYD Group (collectively the "**Financial Information**"). The Financial Information has been prepared on the basis set out in Note 2 in this appendix, and in accordance with the accounting policies adopted by the Group and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules.

The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Transaction. The Company's auditor, BDO Limited, was engaged to review the Financial Information which is included in the Financial Information of the AYD Group set out on pages II-2 to II-11 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on their review on the Financial Information of the AYD Group, nothing has come to their attention that causes them to believe that the Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in Note 2 below.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	28,510	24,432	19,719
Intangible assets	30,806	34,479	39,441
Prepayments	318	3,681	1,713
Goodwill	—	1,761	1,676
	59,634	64,353	62,549
Current assets			
Inventories *(Note 3)*	217,454	280,303	314,237
Trade receivables *(Note 4)*	159,767	133,122	171,779
Deposits paid, prepayments and other receivables	102,781	221,417	269,177
Amount due from the holding company	43	36	—
Amounts due from related companies	10,543	15,186	—
Amounts due from shareholders	35	35	—
Tax recoverable	—	26	25
Pledged bank deposits	22,359	16,364	30,279
Cash and cash equivalents	4,380	80,625	92,844
	517,362	747,114	878,341
Current liabilities			
Trade and bill payables	107,450	333,945	325,144
Deposits received, receipts in advance, accruals and other payables	95,259	114,176	110,260
Contract liabilities	—	—	9,545
Amount due to holding company	—	—	814
Amounts due to related companies	357,337	515	632
Borrowings	—	189,016	176,119
Income tax payable	3,834	27,493	31,230
	563,880	665,145	653,744
Net current (liabilities)/assets	(46,518)	81,969	224,597
Net assets	13,116	146,322	287,146

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
EQUITY			
Share capital	78	78	78
Reserves	13,038	146,244	287,068
Total equity	13,116	146,322	287,146

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Revenue *(Note 5)*	259,179	2,511,777	3,016,007
Cost of inventories sold	(190,632)	(2,088,048)	(2,516,316)
Gross profit	68,547	423,729	499,691
Other operating income	733	1,447	4,521
Selling and distribution costs	(40,469)	(99,788)	(138,916)
Administrative and other expenses	(8,876)	(125,109)	(146,136)
Finance cost	—	(15,579)	(8,913)
Expected credit loss on financial assets	—	—	(2,006)
Profit before income tax expense	19,935	184,700	208,241
Income tax expense	(5,165)	(45,851)	(53,981)
Profit for the year attributable to owners of the AYD Group	14,770	138,849	154,260
Other comprehensive income, net of tax, attributable to owners of the AYD Group			
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations	(305)	2,787	(13,026)
Total comprehensive income for the year attributable to owners of the AYD Group	14,465	141,636	141,234

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Statutory reserve *HK$'000*	Translation reserves *HK$'000*	Other reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2016	2,535	6,543	(50)	—	14,848	23,876
Profit for the year	—	—	—	—	14,770	14,770
Other comprehensive income						
Exchange difference on translation of foreign operations	—	—	(305)	—	—	(305)
Total comprehensive income for the year	—	—	(305)	—	14,770	14,465
Issue of shares	78	—	—	—	—	78
Increase of capital by capitalisation of statutory reserves	5,895	(5,895)	—	—	—	—
Arising on reorganisation	(8,430)	—	—	8,430	—	—
Profit distribution	—	—	—	—	(25,303)	(25,303)
At 31 December 2016 and 1 January 2017	78	648	(355)	8,430	4,315	13,116
Profit for the year	—	—	—	—	138,849	138,849
Other comprehensive income						
Exchange difference on translation of foreign operations	—	—	2,787	—	—	2,787
Total comprehensive income for the year	—	—	2,787	—	138,849	141,636
Elimination of other reserve	—	—	—	(8,430)	—	(8,430)
At 31 December 2017 and 1 January 2018	78	648	2,432	—	143,164	146,322
Initial application of HKFRS 9	—	—	—	—	(410)	(410)
Restated balance at 1 January 2018	78	648	2,432	—	142,754	145,912

	Share capital HK$'000	Statutory reserve HK$'000	Translation reserves HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Profit for the year	—	—	—	—	154,260	154,260
Transfer to surplus reserve	—	3,921	—	—	(3,921)	—
Other comprehensive income						
Exchange difference on translation of foreign operations	—	—	(13,026)	—	—	(13,026)
Total comprehensive income for the year	—	3,921	(13,026)	—	150,339	141,234
At 31 December 2018	78	4,569	(10,594)	—	293,093	287,146

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before income tax expense	19,935	184,700	208,241
Adjustments for:			
Interest income	(626)	(519)	(193)
Depreciation of property, plant and equipment	5,668	9,240	9,255
Loss on disposal of property, plant and equipment	30	364	890
Impairment loss on financial assets for expected credit loss	—	—	2,006
Amortisation of intangible assets	—	3,242	3,768
Operating profit before working capital changes	25,007	197,027	223,967
Increase in inventories	(175,231)	(52,167)	(51,609)
(Increase)/decrease in trade receivables	(127,411)	35,728	(41,073)
Increase in deposits paid, prepayments and other receivables	(97,169)	(121,999)	(45,792)
Increase/(decrease) in trade and bills payables	35,832	211,644	(8,801)
Increase/(decrease) in deposits received, receipts in advance, accruals and other payables	75,998	14,913	(3,916)
Increase in contract liabilities	—	—	9,545
Increase/(decrease) in balance with holding company and related companies	318,660	(361,458)	16,188
Cash from/(used in) operations	55,686	(76,312)	98,509
Income tax paid	(5,056)	(22,218)	(50,245)
Net cash from/(used in) operating activities	50,630	(98,530)	48,264

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from investing activities			
Interest received	626	519	193
Decrease/(increase) in pledged deposits	25,386	5,995	(13,915)
Purchases of property, plant and equipment	(19,344)	(2,911)	(6,471)
Purchases of intangible asset	(30,806)	(4,700)	(10,651)
Acquisition of subsidiary, net of cash acquired	—	(3,514)	—
Utilisation of reserve	—	(8,430)	—
Net cash used in investing activities	(24,138)	(13,041)	(30,844)
Cash flows from financing activities			
Proceeds from borrowings	—	216,530	20,913
Repayment of borrowings	—	(27,514)	(24,849)
Profit distribution paid	(25,303)	—	—
Increase in amount due from shareholders	(34)	—	—
Issue of share	78	—	—
Net cash from/(used in) financing activities	(25,259)	189,016	(3,936)
Net increase in cash and cash equivalents	1,233	77,445	13,484
Cash and cash equivalents at beginning of year	2,951	4,380	80,625
Effect of exchange rate changes	196	(1,200)	(1,265)
Cash and cash equivalents at end of year	4,380	80,625	92,844

STATEMENT OF FINANCIAL POSITION OF AYD

	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Interest in a subsidiary *(Note a)*	—	—	—
Prepayments	—	888	—
	—	888	—
Current assets			
Amount due from holding company	—	43	43
Amounts due from shareholders	—	35	35
	—	78	78
Current liabilities			
Trade and bill payables	—	970	—
Deposits received, receipts in advance, accruals and other payables	388	388	388
Amount due to holding company	809	7	—
Amounts due to related companies	632	512	—
	1,829	1,877	388
Net current liabilities	(1,829)	(1,799)	(310)
Net liabilities	(1,829)	(911)	(310)
EQUITY			
Share Capital	78	78	78
Reserves	(1,907)	(989)	(388)
Total equity	(1,829)	(911)	(310)

Note a: The amount represents HK$1 of interest in a subsidiary.

NOTES TO THE FINANCIAL INFORMATION OF THE AYD GROUP
For each of the years ended 31 December 2016, 2017 and 2018

1. GENERAL INFORMATION

AYD is a limited company incorporated in the British Virgin Islands under the International Business Act. The address of its registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and principal place of business at 19/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong. The AYD Group is principally engaged in the franchising and retailing of mother-infant-child products. In the opinion of the directors of AYD, its immediate holding company is Pioneer Leap and the ultimate holding company is Mason Group Holdings Limited.

On 22 May 2019 (after trading hours), Pioneer Leap, Sino Ease and AYD entered into the SPA, pursuant to which, among other things, Sino Ease agreed to purchase from Pioneer Leap and Pioneer Leap agreed to sell to Sino Ease the Sale Shares for a total consideration of HK$10,024,001. Upon completion of the Disposal, Pioneer Leap will hold 46.2% of the issued capital of AYD. As a condition precedent to the Disposal, AYD will declare 100% of its distributable profits for the financial years ended 31 December 2017 and 2018 respectively, and will undertake to declare 100% of its distributable profits for the financial year ending 31 December 2019 to its shareholders. After the Disposal, Pioneer Leap will have the right to appoint two out of seven directors of the board of AYD. As Pioneer Leap will hold less than 50% of the issued capital of AYD and will no longer have the right to appoint the majority of the board of AYD, AYD will cease to be a subsidiary of the Company.

2. BASIS OF PREPARATION

The Financial Information of AYD Group has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal.

The Financial Information of AYD has been prepared in accordance with the accounting policies adopted by the Company as set out in its annual report for the year ended 31 December 2018, which is in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The Financial Information of AYD Group has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollar (HK$) and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The Financial Information of AYD Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" issued by the HKICPA nor an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

3. INVENTORIES

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Mechandise for resale	217,454	280,303	314,237

4. TRADE RECEIVABLES

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables from third parties	53,836	133,122	171,779
Amounts due from a number of franchisees related to the setup cost of respective franchise stories	105,931	—	—
	159,767	133,122	171,779

Most of the Group's non retail sales are due upon goods delivery while retail sale are on cash basis or by credit card payment. The credit terms offered to these customers are generally in credit limit without definite credit period, accordingly the trade receivables that are not individually nor collectively impaired are considered not overdue.

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	159,767	133,122	171,779

Receivables that were neither past due nor impaired relate to the customers for which there was no recent history of default.

5. REVENUE

Revenue represents net invoiced value of goods sold, after allowances for returns and discounts, rental income and the value of services rendered. Revenue recognised during the year is as follows:

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
General franchise and retail sales	247,834	2,419,885	2,908,917
Commission from concessionarie sales	5,468	8,210	25,300
Rental income from leasing shop premises	1,051	914	1,159
Other income from counters	1,290	39,708	59,703
Other supporting services	3,536	43,060	20,928
	259,179	2,511,777	3,016,007

A. THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE REMAINING GROUP

Basis of preparation and introduction

The unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") presented below is prepared in accordance with Rule 4.29 of the Listing Rules to illustrate (a) unaudited pro forma consolidated statement of the financial position of the Remaining Group as if the disposal of 71 shares of AYD held by Pioneer Leap pursuant to the terms of the sale and purchase agreement, amendment agreement and the distribution of profits of AYD (the "Transaction") had been completed on 31 December 2018; and (b) unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year 31 December 2018 as if the Transaction had been completed on 1 January 2018. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 31 December 2018 or at any future date had the Transaction been completed on 31 December 2018 or the results and cash flows of the Remaining Group for the year ended 31 December 2018 or for any future period had the Transaction been completed on 1 January 2018.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of the financial position of the Group as at 31 December 2018, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2018 which have been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2018 as set out in the 2018 Annual Report of the Company, and the unaudited financial information of the AYD Group after giving effect to the pro forma adjustments described in the notes and is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

As at 31 December 2018

	The Group (audited)	Pro forma adjustments					The Remaining Group (unaudited)
	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 5)*	
NON-CURRENT ASSETS							
Property, plant and equipment	335,449			(19,719)			315,730
Intangible assets	842,050			(39,441)	(453,748)		348,861
Goodwill	776,295			(1,676)	(269,574)		505,045
Interests in associates	833,489					647,724	1,481,213
Loan receivables	558,547						558,547
Other non-current deposits paid and prepayments	7,870			(1,713)			6,157
Deferred tax assets	7,979						7,979
Financial assets at fair value through profit or loss	364,909						364,909
Financial assets at fair value through other comprehensive income	633,244						633,244
Financial assets at amortised cost	173,785						173,785
Fixed bank deposits	44,816						44,816
	4,578,433	—	—	(62,549)	(723,322)	647,724	4,440,286

	The Group (audited)	Pro forma adjustments					The Remaining Group (unaudited)
	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 5)*	
CURRENT ASSETS							
Inventories	326,290			(314,237)			12,053
Financial assets at fair value through profit or loss	226,166						226,166
Derivative financial instruments	75,396						75,396
Loan receivables	925,927						925,927
Reverse repurchase agreements	1,130,371						1,130,371
Trade and other receivables	1,344,277			(440,956)			903,321
Dividend receivable	—	148,730					148,730
Tax recoverable	988			(25)			963
Fixed bank deposits	1,071,483						1,071,483
Pledged bank deposits	94,137			(30,279)			63,858
Bank balances and cash	1,603,086		10,024	(92,844)			1,520,266
	6,798,121	148,730	10,024	(878,341)	—	—	6,078,534

	The Group (audited)	Pro forma adjustments					The Remaining Group (unaudited)
	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 5)*	
CURRENT LIABILITIES							
Trade and other payables	(3,279,854)			436,850	(856)		(2,843,860)
Contract liabilities	(9,545)			9,545			—
Interest-bearing borrowings	(423,555)			176,119			(247,436)
Repurchase agreements	(350,185)						(350,185)
Amount due to an associate	(25,000)						(25,000)
Derivative financial instruments	(73,605)						(73,605)
Finance lease liabilities	(332)						(332)
Tax payables	(32,601)	(7,436)		31,230			(8,807)
Contingent consideration payable	(8,761)						(8,761)
	(4,203,438)	(7,436)	—	653,744	(856)	—	(3,557,986)
NET CURRENT ASSETS	**2,594,683**	**141,294**	**10,024**	**(224,597)**	**(856)**	**—**	**2,520,548**
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,173,116**	**141,294**	**10,024**	**(287,146)**	**(724,178)**	**647,724**	**6,960,834**
NON-CURRENT LIABILITIES							
Interest-bearing borrowings	(20,000)						(20,000)
Deferred tax liabilities	(193,012)				111,323		(81,689)
Finance lease liabilities	(304)						(304)
Redeemable and exchangeable preferred share	(157,744)						(157,744)
Long-term liabilities	(424)						(424)
	(371,484)	—	—	—	111,323	—	(260,161)
NET ASSETS	**6,801,632**	**141,294**	**10,024**	**(287,146)**	**(612,855)**	**647,724**	**6,700,673**
FINANCED BY:							
Share Capital	(6,142,962)						(6,142,962)
Reserves	(18,457)	(141,294)	(10,024)	287,146	271,699	(647,724)	(258,654)
Equity attributable to owners of the Company	(6,161,419)	(141,294)	(10,024)	287,146	271,699	(647,724)	(6,401,616)
Non-controlling interest	(640,213)			—	341,156	—	(299,057)
TOTAL EQUITY	**(6,801,632)**	**(141,294)**	**(10,024)**	**287,146**	**612,855**	**(647,724)**	**(6,700,673)**

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REMAINING GROUP

For the year ended 31 December 2018

	The Group	Pro forma adjustments				The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	
Turnover	**4,074,269**	(3,016,007)				**1,058,262**
Operating income	**3,506,994**	(3,016,007)				**490,987**
Other income	29,509	(4,521)				24,988
Consumables used and merchandise sold	(2,697,611)	2,618,953				(78,658)
Employee benefit expenses	(356,300)	112,531				(243,769)
Amortisation of intangible assets	(54,035)	3,768	2,322			(47,945)
Depreciation of property, plant and equipment	(29,429)	9,255				(20,174)
(Loss)/gain on disposal of property, plant and equipment	(617)	890				273
Impairment loss on financial assets for expected credit loss	(22,690)	2,006				(20,684)
Gain on deemed disposal of interest in subsidiaries	131,352					131,352
Gain on disposal of interest in a subsidiary	22,288					22,288
Net fair value gain on financial instruments	8,490					8,490
Net fair value gain on derivative financial instruments	532					532
Impairment loss on goodwill	(10,000)					(10,000)
Other operating expenses	(334,499)	55,971				(278,528)
Finance costs	(23,548)	8,913				(14,635)
Share of results of associates	24,708				71,268	95,976
Gain on disposal of subsidiaries	—	—	—	319,552	—	319,552
Profit from operation	**195,144**	(208,241)	2,322	319,552	71,268	**380,045**
Gain on measurement of contingent consideration payable	11,866	—	—	—	—	11,866
Profit before taxation	**207,010**	(208,241)	2,322	319,552	71,268	**391,911**
Income tax expenses	(30,998)	53,981	(580)	—	—	22,403
Profit for the year	**176,012**	(154,260)	1,742	319,552	71,268	**414,314**

	The Group	Pro forma adjustments				The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	
Profit for the year	**176,012**	(154,260)	1,742	319,552	71,268	**414,314**
Other comprehensive income:						
Changes in fair value of defined benefit scheme at fair value through other comprehensive income	(4,618)					(4,618)
Exchange differences on translation of foreign subsidiaries	(117,611)	13,026				(104,585)
Changes in fair value of equity instruments at fair value through other comprehensive income	(82,567)					(82,567)
Other comprehensive income for the year	(204,796)	13,026	—	—	—	(191,770)
Total comprehensive income for the year	(28,784)	(141,234)	1,742	319,552	71,268	222,544
Profit attributable to:						
Equity holders of the Company	90,184	(77,736)	818	319,552	71,268	404,086
Non-controlling interests	85,828	(76,524)	924	—	—	10,228
Profit for the year	176,012	(154,260)	1,742	319,552	71,268	414,314
Total comprehensive income attributable to:						
Equity holders of the Company	(109,101)	(71,172)	818	319,552	71,268	211,365
Non-controlling interests	80,317	(70,062)	924	—	—	11,179
Total comprehensive income for the year	(28,784)	(141,234)	1,742	319,552	71,268	222,544

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

For the year ended 31 December 2018

	The Group	Pro forma adjustments					The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	
OPERATING ACTIVITIES							
Profit before taxation	207,010		(208,241)	2,322	319,552	71,268	391,911
Amortisation of intangible assets	54,035		(3,768)	(2,322)			47,945
Depreciation of property, plant and equipment	29,429		(9,255)				20,174
Loss/(gain) on disposal of property, plant and equipment	617		(890)				(273)
Loss on write off of property, plant and equipment	1,544						1,544
Impairment loss on financial assets for expected credit loss	22,690		(2,006)				20,684
Gain on disposal of interest in a subsidiary	(22,288)						(22,288)
Gain on deemed disposal of interest in subsidiaries	(131,352)						(131,352)
Net fair value gain on derivative financial instruments	(532)						(532)
Net fair value gain on financial instruments	(8,490)						(8,490)
Impairment loss on goodwill	10,000						10,000
Interest income, other than from loan receivables	(19,928)		193				(19,735)
Finance costs	23,548						23,548
Share of results of associates	(24,708)					(71,268)	(95,976)
Gain on measurement of contingent consideration payable	(11,866)						(11,866)
Gain on disposal of subsidiaries	—				(319,522)		(319,522)
Changes in working capital:							
Inventories	(33,744)		51,609				17,865
Financial assets at fair value through profit or loss	(227,304)						(227,304)
Financial assets at fair value through other comprehensive income	70,308						70,308
Financial assets at amortised cost	(21,219)						(21,219)
Derivative financial instruments	(1,259)						(1,259)
Loan receivables	38,608						38,608
Trade and other receivables	1,453,874		71,527				1,525,401

	The Group	Pro forma adjustments					The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	
Trade and other payables	272,230		11,867				284,097
Reverse repurchase and repurchase agreements	(616,380)						(616,380)
Fixed bank deposits	(1,116,299)						(1,116,299)
Contract liabilities	9,545		(9,545)				—
Cash used in operations	(41,931)	—	(98,509)	—	—	—	(140,440)
Tax (paid)/refund	(40,727)		50,245				9,518
Interest received, other than loan receivables	19,928		(193)				19,735
Net cash used in operating activities	**(62,730)**	—	(48,457)	—	—	—	**(111,187)**
INVESTING ACTIVITIES							
Purchase of property, plant and equipment	(42,134)		6,471				(35,663)
Proceeds from sale of property, plant and equipment	416						416
Purchase of intangible assets	(21,516)		10,651				(10,865)
Decrease in pledged bank deposits	(35,173)		13,915				(21,258)
Net cash inflow from disposal of subsidiaries	33,719						33,719
Net cash outflow from acquisition of subsidiaries	(232,919)						(232,919)
Net cash outflow from deemed disposal of subsidiaries	(257,839)						(257,839)
Proceeds from partial disposal of a subsidiary	210,945						210,945
Additional consideration paid	(649)						(649)
Net proceeds from disposal of the AYD Group	—	10,024				—	10,024
Net cash used in investing activities	**(345,150)**	10,024	31,037	—	—	—	**(304,089)**

	The Group	Pro forma adjustments					The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	
FINANCING ACTIVITIES							
New bank loans and other loans raised	158,798		(20,913)				137,885
Repayment of bank loans and other loans	(34,909)		24,849				(10,060)
Loan from an associate	5,000						5,000
Dividends paid to non-controlling interests	(16,805)						(16,805)
Interest paid	(23,548)						(23,548)
Repayment of obligations under finance leases	(558)						(558)
Share subscription by a non-controlling interest in a subsidiary	50,000						50,000
Proceeds from issue of redeemable and exchangeable preferred share	156,000						156,000
Net cash generated from financing activities	**293,978**	—	3,936	—	—	—	**297,914**
Net (decrease)/increase in cash and cash equivalents	(113,902)	10,024	(13,484)	—	—	—	(117,362)
Cash and cash equivalents at the beginning of the reporting period	1,759,412		(80,625)				1,678,787
Effect of exchange rate changes	(42,424)		1,265				(41,159)
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	**1,603,086**	10,024	(92,844)	—	—	—	**1,520,266**

1. The balances were extracted from the consolidated statement of financial position of the Group as at 31 December 2018, the consolidated statement of comprehensive income, and the consolidated statement of cash flows of the Group for the year ended 31 December 2018 as set out in the published annual report of the Group for the year ended 31 December 2018.

2. The adjustment represents the dividends receivable by Pioneer Leap less withholding tax payable of 5%.

	HK$'000
Dividend income	
2017: (HKD138,849,000 x 55%)	76,367
2018: (HKD154,259,000 x 46.91%)	72,363
Total dividend income	148,730
Less: 5% withholding tax	(7,436)
	141,294

3. The adjustment represents the receipt of purchase price approximate to HK$10,024,000.

4. The adjustment represents the exclusion of assets and liabilities of AYD Group as at 31 December 2018, assuming the Transaction had taken place on 31 December 2018. The assets and liabilities of the AYD Group as at 31 December 2018 were extracted from the unaudited consolidated statement of financial position of AYD Group as disclosed in page II-2 of this Circular.

5. The adjustment represents the recognition of interest in an associate and the derecognition of goodwill, intangible assets, non-controlling interests and related deferred tax liabilities arising from the acquisition of AYD Group at consolidation level upon the completion of the Transaction.

6. The gain on the Transaction as if it had been taken place on 31 December 2018 is calculated as follows:

	HK$'000
Total consideration from the sale of shares	10,024
Recognition of interest in an associate *(Note a)*	647,724
Less: Derecognition of net assets value of AYD Group as at 31 December 2018 *(Note b)*	(287,146)
Less: Derecognition of non-controlling interests, goodwill, intangible assets, related deferred tax liabilities and exchange reserve related to from AYD Group	(268,952)
Add: Other reserve arose from the transfer of 809 shares in AYD as defined in the Second Announcement of this Circular *(Note c)*	66,702
Add: Dividend distribution from AYD Group for the year ended 31 December 2017 and 2018, net of 5% withholding tax	141,294
Gain on the Transaction	309,646

Note a

The amount represents the fair value of 46.2% shareholding in AYD Group, with reference to the valuation report prepared by an independent valuer on the fair value of the AYD Group after the dividend declaration for the year ended 31 December 2017 and 2018 which will be reassessed on the completion date of the Transaction.

	HK$'000
Fair value of AYD Group after FY2017 & FY2018 dividend declaration:	1,402,000
Fair value of 46.20% shareholding in AYD Group:	647,724

Note b

The net assets value of AYD Group as at 31 December 2018 were extracted from the unaudited consolidated statement of financial position of AYD Group as disclosed in II-2 of this Circular.

Note c

According to the announcement of the Company dated 30 June 2018 (the "Second Announcement"), Pioneer Leap transferred 809 shares in AYD to the AYD Management (as defined in this Circular) without any change in the composition of the board of directors of AYD. Upon the completion of the transfer on 5 July 2018, Pioneer Leap became holder of 46.91% of AYD and gain on disposal of HK$66,702,000 was credited into the other reserve due to the disposal of subsidiary without loss of control. Up to 31 December 2018, Pioneer Leap was still in negotiation with the AYD Management on the board composition of AYD and no agreement has been reached until the signing of the sale and purchase agreement (the "SPA") dated 22 May 2019.

On 22 May 2019, Pioneer Leap entered into the SPA and the amendment agreement (the "Amendment Agreement") with companies controlled by the AYD Management to, among other things, effect a change in the composition of the board of directors of AYD and further dispose of 71 shares in AYD at a consideration of approximately HK$10,024,000. According to the Amendment Agreement, Pioneer Leap will have the right to appoint two out of seven directors of the board of AYD. As Pioneer Leap will no longer have the right to appoint the majority of the board of AYD, AYD will cease to be a subsidiary of the Company. The change of control in AYD resulted from the Amendment Agreement is considered a linked transaction to the transfer of the 809 shares described in the Second Announcement. In preparing the unaudited pro forma consolidated statement of financial position of the Remaining Group as if the Transaction had taken place on 31 December 2018, HK$66,702,000 was recycled from other reserve under equity to profit or loss in calculating the gain on the Transaction.

7. The adjustment represents the exclusion of each line item of AYD Group that has been incorporated in the consolidated statement of comprehensive income of the Group for the year ended 31 December 2018 as if the Transaction had been completed on 1 January 2018. The statement of comprehensive income of the AYD Group for the year ended 31 December 2018 were extracted from the unaudited consolidated statement of comprehensive income of AYD Group as disclosed in II-4 of this Circular.

8. The adjustment reflects the exclusion of amortisation expenses on intangible assets for the year ended 31 December 2018 which arose from the acquisition of AYD Group at consolidation level, and its effect on the non-controlling interests.

9. The gain on the Transaction as if it had been taken place on 1 January 2018 is calculated as follows:

	HK$'000
Total consideration from the sale of shares	10,024
Recognition of interest in an associate *(Note a)*	639,223
Less: Derecognition of net assets value of AYD Group as at 31 December 2017 *(Note b)*	(146,322)
Less: Derecognition of non-controlling interests, goodwill, intangible assets, related deferred tax liabilities and exchange reserve related to AYD Group	(322,624)
Add: Other reserve arose from the transfer of 809 shares in AYD as defined in the Second Announcement of this Circular *(Note c)*	66,702
Add: Dividend distribution from AYD Group for the year ended 31 December 2017, net of 5% withholding tax	72,549
Estimated gain on the Transaction	319,552

Note a

The amount represents the fair value of 46.2% shareholding in AYD Group, with reference to the valuation report prepared by an independent valuer on the fair value of the AYD Group after the dividend declaration for the year ended 31 December 2017 and 2018 which will be reassessed on the completion date of the Transaction.

	HK$'000
Fair value of AYD Group after 2017 and 2018 dividend declaration:	1,383,600
Fair value of 46.20% shareholding in AYD Group:	639,223

Note b

The net assets value of AYD Group as at 31 December 2017 were extracted from the unaudited consolidated statement of financial position of AYD Group as disclosed in II-2 of this Circular.

Note c

According to the announcement of the Company dated 30 June 2018 (the "Second Announcement"), Pioneer Leap transferred 809 shares in AYD to the AYD Management (as defined in this Circular) without any change in the composition of the board of directors of AYD. Upon the completion of the transfer on 5 July 2018, Pioneer Leap became holder of 46.91% of AYD and gain on disposal of HK$66,702,000 was credited into the other reserve due to the disposal of subsidiary without loss of control. Up to 31 December 2018, Pioneer Leap was still in negotiation with the AYD Management on the board composition of AYD and no agreement has been reached until the signing of the sale and purchase agreement (the "SPA") dated 22 May 2019.

On 22 May 2019, Pioneer Leap entered into the SPA and the amendment agreement (the "Amendment Agreement") with companies controlled by the AYD Management to, among other things, effect a change in the composition of the board of directors of AYD and further dispose of 71 shares in AYD at a consideration of approximately HK$10,024,000. According to the Amendment Agreement, Pioneer Leap will have the right to appoint two out of seven directors of the board of AYD. As Pioneer Leap will no longer have the right to appoint the majority of the board of AYD, AYD will cease to be a subsidiary of the Company. The change of control in AYD resulted from the Amendment Agreement is considered a linked transaction to the transfer of the 809 shares described in the Second Announcement. In preparing the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group as if the Transaction had taken place on 1 January 2018, it is assumed that the transfer of 809 shares was completed on 1 January 2018 and HK$66,702,000 was recognised in the profit or loss in calculating the gain on the Transaction.

10. The adjustment represents the share of result from AYD Group as if the Transaction had been taken place on 1 January 2018 and AYD Group becomes an associate of the Group upon completion of the Transaction.

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

To the directors of Mason Group Holdings Limited

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 the "Group") excluding AYD Group Limited and its subsidiaries (the "Disposal Group") (collectively the "Remaining Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2018, the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2018 and related notes as set out on pages III-1 to III-13 of the Company's circular dated 12 June 2019 (the "Circular"), in connection with the proposed disposal of the Disposal Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages III-10 to III-13 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2018 as if the Transaction had taken place at 31 December 2018 and the Group's financial performance and cash flows for the year ended 31 December 2018 as if the Transaction had taken place at 1 January 2018. As part of this process, information about the Group's financial position, financial performance and, cash flows has been extracted by the directors of the Company from the Company's consolidated financial statements for the year ended 31 December 2018, on which an auditor's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 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 ("HKICPA").

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a 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 Transaction at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

12 June 2019

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 and based on the information provided by the Vendors, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading

2. DISCLOSURE OF INTERESTS

(a) 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 a)*	1.42%
Chang Tat Joel	Interest of controlled corporation/ personal interests	484,170,800 *(Note b)*	1.08%

Notes:

(a) 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 chairman of the Company.

(b) Out of the 484,170,800 Shares, 483,370,800 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.

(b) 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	7,656,916,000 *(Note a)*	17.16%
Chen Sung-Tse	Interest of controlled corporation	3,976,495,616 *(Note b)*	8.91%

Notes:

(a) These shares are held by Future Achiever Limited, a company wholly-owned by Mr. Hui Wing Mau.

(b) These shares are held by Investment Talent Limited, a company wholly-owned by Mr. Chen Sung-Tse.

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.

3. DIRECTORS' SERVICE CONTRACTS

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

4. EXPERT AND CONSENT

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

Name	Qualification
BDO Limited	Certified Public Accountants
China Tonghai Capital Limited	A corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

The above mentioned expert 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 it appears.

As at the Latest Practicable Date, the above mentioned expert 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 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. 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 2018, being the date to which the latest published audited consolidated accounts of the Group were made up.

As at the Latest Practicable Date, 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.

6. COMPETING INTEREST

As at the Latest Practicable Date, Ms. Kan Lai Kuen, Alice is an executive and a shareholder of Asia Investment Management Limited, which is a licensed corporation under the SFO carrying on a business of asset management, advising on securities and advising on corporate finance. As at the Latest Practicable Date, save for Ms. Kan Lai Kuen, Alice's interest in Asia Investment Management Limited, 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.

The Directors consider that such competition, if any, is neither significant nor material to the Group as a whole. Furthermore Ms. Kan Lai Kuen, Alice will fulfill her fiduciary duties in order to ensure that she will act in the best interest of the Shareholders and the Company as a whole at all times. Hence, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

7. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

(a) the Shareholders' Agreement;

(b) 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 A$80,000,000 (subject to adjustment);

(c) the sale and purchase agreement dated 7 September 2017 entered into by Mason Strategic Investment Company Limited and Ng Yuen Yee 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;

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

(e) the subscription agreement dated 17 May 2018 entered into between Reproductive Healthcare Group Ltd as purchaser and Dr. Doo Alexander Kenneth and Dr. Leong Ka Hong as vendors in relation to the acquisition by Reproductive Healthcare Group Ltd of Vineyard Company Limited, Women's Clinic Management Co. Ltd. and Choice IVF (HK) Limited in a consideration of HK$435,005,000. The consideration settled as to HK$210,000,000 in cash and as to HK$225,005,000 by the allotment and issue of 72,134,000 shares of Reproductive Healthcare Group Ltd at HK$3.119 per share to vendors;

(f) the agreement dated 17 May 2018 entered into between Reproductive Healthcare Group Ltd and Mason Worldwide Capital Limited in relation to the subscription of 51,294,000 shares of Reproductive Healthcare Group Ltd at a subscription price of HK$3.119 per share;

(g) the agreements dated 17 May 2018 entered into between We Doctor Holdings Limited, Aldworth Equity I SP, Aldworth Opportunities Fund SP and Hong Kong Zhongya Environmental Group Company Limited, as transferees, and Mason Healthcare Group Limited as transferor in relation to transfer of a 35.15% interest in Mason Worldwide Capital Limited to the transferees at approximately HK$600.2 per share;

(h) the agreements dated 30 June 2018 entered into between AYD, Pioneer Leap, Sino Ease, Golden Metro, Cosmicfield and the Company in relation to the Shareholders' Agreement;

(i) the commitment letter dated 16 October 2018 provided by Wealth Infinity Global Limited ("**WIG**") to TT Holdings Limited ("**TT Holdings**") for committing to invest A$30,000,000 (equivalent to approximately HK$168,000,000) into TT Holdings and agreements dated 16 October 2018 entered into between WIG, TT Holdings, We Doctor (HK) Limited, Aldworth Equity I SP, Aldworth Opportunities Fund SP and the other parties in relation to the investment of around 60.72% interest in Genea Limited;

(j) the agreement dated 24 October 2018 entered into between Mason Healthcare Group Limited ("**Mason Healthcare**") and Classic Harmony Limited ("**CHL**") in relation to the issue of the non-voting redeemable and exchangeable preferred shares of US$0.0001 each in the share capital of Mason Healthcare to CHL for an aggregate consideration of US$20,000,000 (approximately HK$156,000,000);

(k) the agreement dated 8 February 2019 entered into between Mason Food and Wattle Health Australia Investments Pty Ltd and the agreement dated 8 February 2019 entered into between Mason Food and Wattle Health in relation to the disposal of 46% of the issued shares at the consideration of A$47,791,378 (approximately HK$271,455,027) and the grant of put and call options over 29% of the issued shares of Blend and Pack Pty. Ltd. (collectively, the "**B&P Agreements**");

(l) the amended agreement dated 8 May 2019 entered into between Mason Food and Wattle Health in relation to the amendment and restatement of the B&P Agreements for the disposal of 75% of the issued shares of Blend and Pack Pty. Ltd. at the consideration of US$55,000,000; and

(m) the SPA.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

9. CORPORATE INFORMATION

Registered office & principal office	19/F, Lee Garden Three 1 Sunning Road Causeway Bay Hong Kong
Company secretary	Ms. Lui Choi Yiu Angela *Certified Public Accountant* 19/F, Lee Garden Three 1 Sunning Road Causeway Bay 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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the normal business hours from 9:00 a.m. to 5:30 p.m. (save for Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at 19/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong on any Business Day from the date of this circular up to and including the date of the General Meeting:

(a) the articles of association of the Company;

(b) the financial information of AYD, the text of which is set out in Appendix II to this circular;

(c) the report on the pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(d) the annual reports of the Company for the years ended 31 December 2016, 31 December 2017 and 31 December 2018;

(e) the material contracts referred to in paragraph headed "Material Contracts" in this Appendix IV;

(f) the written consents referred to in the paragraph headed "Expert and Consent" in this Appendix IV; and

(g) this circular.

11. MISCELLANEOUS

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

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 ("**General Meeting**") of Mason Group Holdings Limited (the "**Company**") will be held at 4:00 p.m. on 27 June 2019 at Victoria Room II, 3/F., Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong or any adjournment of such meeting for the purposes of considering and, if thought fit, passing the following resolutions, with or without modifications, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

Words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular dated 12 June 2019 in relation to the disposal of the Sale Shares of AYD, published by the Company.

1. "**THAT** the SPA (a copy of which has been tabled at the meeting marked "A" and signed by the chairman of the meeting for identification purpose) and all transactions contemplated in connection therewith and any other ancillary documents be and are hereby approved, confirmed and ratified."

2. "**THAT** the Amendment Agreement (a copy of which has been tabled at the meeting marked "B" and signed by the chairman of the meeting for identification purpose) and all transactions contemplated in connection therewith and any other ancillary documents be and are hereby approved, confirmed and ratified."

3. "**THAT** any executive director or any officer of the Company as authorised by the Board be and is hereby authorised to do all acts, deeds and things and to sign and execute all directors as he may, at his absolute discretion, deem incidental to, ancillary to or in connection with the SPA, the Amendment Agreement and the transactions contemplated thereunder."

By order of the Board
Mason Group Holdings Limited
KO Po Ming
Chairman & Chief Executive Officer

Hong Kong, 12 June 2019

Notes:

1. Any shareholder of the Company (the "**Shareholders**") entitled to attend and vote at the above General Meeting shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A proxy need not be a Shareholder. A Shareholder may appoint a proxy in respect of only part of his/her/its holding of ordinary shares of the Company (the "**Shares**").

2. 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 certified copy thereof, must be deposited with the Company's share registrar and transfer office in Hong Kong, 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 holding the General Meeting or any adjourned meeting thereof.

3. The ordinary resolutions set out above will be determined by way of a poll.

As at the date of this notice, the Board comprises:

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

Non-executive Director:
Ms. Hui Mei Mei, Carol

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