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 or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Paliburg Holdings Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) 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(s) or the transferee(s).

百利保控股有限公司

Paliburg Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 617)

MAJOR TRANSACTIONS IN RELATION TO
(I) FIRST COSMO SHARES TRANSFER;
(II) AMTD I ACQUISITION;
(III) CIDL DISPOSAL;
(IV) AMTD II ACQUISITION;
(V) HOTEL INTERESTS DISPOSAL;
(VI) HOTEL FINANCIAL ASSISTANCE;
(VII) SECOND COSMO SHARES TRANSFER; AND
(VIII) AMTD III ACQUISITION

Financial adviser

越秀融資

YUEXIU CAPITAL

Yue Xiu Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 13 to 65 of this circular.

31 March 2020

CONTENTS

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

"ADS(s)"	American depositary share(s) of AMTD, each representing one AMTD Class A Share, that are listed on the New York Stock Exchange
"AMTD"	AMTD International Inc., a company incorporated in the Cayman Islands, the ADSs of which are listed on the New York Stock Exchange (Symbol: HKIB)
"AMTD Class A Share(s)"	Class A ordinary share(s) of AMTD
"AMTD Class B Share(s)"	Class B ordinary share(s) of AMTD
"AMTD I Acquisition"	the acquisition of AMTD I Shares by P&R Finance at the AMTD Shares Acquisition Price pursuant to the AMTD I Acquisition Agreement
"AMTD I Acquisition Agreement"	the agreement dated 31 December 2019 entered into between P&R Finance and the AMTD Shares Vendor in respect of the AMTD I Acquisition
"AMTD I Shares"	5,674,000 AMTD Class A Shares acquired by P&R Finance under the AMTD I Acquisition
"AMTD II Acquisition"	the acquisition of the AMTD II Shares by the AMTD II Purchaser at the AMTD Shares Acquisition Price pursuant to the AMTD II Acquisition Agreement
"AMTD II Acquisition Agreement"	the agreement dated 31 December 2019 entered into between AMTD II Purchaser and the AMTD Shares Vendor in respect of the AMTD II Acquisition
"AMTD II Purchaser"	Clear Radiant Limited, a company incorporated in BVI, and a wholly-owned subsidiary of Cosmopolitan
"AMTD II Shares"	6,069,000 AMTD Class A Shares to be acquired by the AMTD II Purchaser under the AMTD II Acquisition
"AMTD III Acquisition"	the acquisition of AMTD III Shares by P&R Finance at the AMTD Shares Acquisition Price pursuant to the AMTD III Acquisition Agreement
"AMTD III Acquisition Agreement"	the agreement dated 24 January 2020 entered into between P&R Finance and the AMTD Shares Vendor in respect of the AMTD III Acquisition

"AMTD III Share Swap"	collectively, the Second Cosmo Shares Transfer and the AMTD III Acquisition
"AMTD III Shares"	9,500,000 AMTD Class A Shares to be acquired by P&R Finance under the AMTD III Acquisition
"AMTD Prospectus"	the prospectus dated 2 August 2019 issued by AMTD
"AMTD Share(s)"	collectively, AMTD Class A Share(s) and AMTD Class B Share(s)
"AMTD Shares Acquisition"	the transactions contemplated under the AMTD I Acquisition Agreement, the AMTD II Acquisition Agreement and the AMTD III Acquisition Agreement
"AMTD Shares Acquisition Price"	the price per AMTD Class A Share under the AMTD I Acquisition, the AMTD II Acquisition and the AMTD III Acquisition, being US$8.45 per AMTD Class A Share
"AMTD Shares Vendor"	AMTD Group Company Limited, a company incorporated in BVI, and the controlling shareholder of AMTD
"associate(s)"	has the meaning ascribed to such term in the Listing Rules
"Beijing Fuli"	北京富利投資管理有限公司 (Beijing Fuli Investment Management Company Limited*), a company established under the laws of the PRC, and a wholly-owned subsidiary of CIDL
"Board"	board of the Directors
"Business Day"	a day (excluding Saturday, Sunday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning is hoisted at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Century City"	Century City International Holdings Limited, a company incorporated in Bermuda, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 355)
"Century City Group"	Century City and its subsidiaries

"Century City SGM"	the special general meeting of Century City convened to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 24 April 2020 for considering and, if thought fit, approving the AMTD III Share Swap
"Chengdu Fuhui Debts"	the total amount of the CIDL Subsidiary Deposit and the principal amounts outstanding under the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility, together with any interest accrued under the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement
"CIDL"	Cosmopolitan International Development Limited, a company incorporated in the BVI, a wholly-owned subsidiary of CIDL Seller and an indirect wholly-owned subsidiary of Cosmopolitan
"CIDL Completion Date"	the date on which completion of CIDL Disposal Agreement will take place, which shall be on the 5th Business Day after fulfilment of the condition precedent (or such other date as the parties to the CIDL Disposal Agreement may agree in writing)
"CIDL Consideration"	the consideration for the CIDL Disposal, being a sum of HK$400.0 million
"CIDL Disposal"	the transactions contemplated under the CIDL Disposal Agreement
"CIDL Disposal Agreement"	the sale and purchase agreement dated 31 December 2019 entered into between the CIDL Seller and the CIDL Purchaser in respect of the CIDL Disposal
"CIDL Group"	CIDL and its subsidiaries, including CIDL Subsidiary
"CIDL Loan"	any and all loans and other debts owing to the CIDL Seller by the CIDL Group and outstanding at CIDL Completion Date, which amounted to approximately HK$746.2 million as at the Latest Practicable Date
"CIDL MOU"	the memorandum of understanding dated 1 November 2019 entered into between the CIDL Seller and Sino Insight Investments Limited in relation to the potential disposal of CIDL
"CIDL Purchaser"	Fortis Fund IV Limited, a company incorporated in the Cayman Islands

"CIDL Related Transactions"	collectively, the CIDL Disposal and the AMTD II Acquisition
"CIDL Seller"	Groupsource Investments Limited, a company incorporated in the BVI, and a wholly-owned subsidiary of Cosmopolitan
"CIDL Share"	the entire issued share capital of CIDL, which is legally and beneficially owned by the CIDL Seller before the completion of the CIDL Disposal
"CIDL Subsidiary"	成都富薈實業有限公司 (Chengdu Fuhui Company Limited*), a company established under the laws of the PRC, an indirect wholly-owned subsidiary of CIDL and an indirect wholly-owned subsidiary of Cosmopolitan
"CIDL Subsidiary Deposit"	the deposit in the total sum of RMB170.0 million paid by CIDL Subsidiary to Yuanchang Logistics and its controlling shareholder pursuant to the CIDL Subsidiary Deposit Agreement
"CIDL Subsidiary Deposit Agreement"	the agreement dated 16 August 2018 entered into between CIDL Subsidiary, Yuancheng Logistics and its controlling shareholder in respect of the payment of the CIDL Subsidiary Deposit by the CIDL Subsidiary to Yuancheng Logistics and its controlling shareholder for the Possible JV Investment, as amended and supplemented by the CIDL Subsidiary Deposit (Supplemental) Agreement
"CIDL Subsidiary Deposit (Supplemental) Agreement"	the agreement dated 31 August 2018 entered into between CIDL Subsidiary, Yuancheng Logistics and its controlling shareholder to amend and supplement the CIDL Subsidiary Deposit Agreement
"CIDL Subsidiary Loan Agreement"	the loan agreement dated 31 August 2018 entered into between CIDL Subsidiary (as the lender) and Yuancheng Logistics (as the borrower) in respect of the provision of the CIDL Subsidiary Loan Facility, as amended and supplemented on 30 September 2018
"CIDL Subsidiary Loan Facility"	the secured term loan facility of RMB100.0 million granted by CIDL Subsidiary (as the lender) to Yuancheng Logistics (as the borrower) pursuant to the CIDL Subsidiary Loan Agreement

"Civil Complaints"	the three civil complaints* (民事起訴狀) lodged by CIDL Subsidiary as plaintiff against certain defendants, including but not limited to, Yuancheng Logistics and its controlling shareholder as disclosed in the joint announcement of the Relevant Group Companies dated 16 January 2020
"Completion Accounts"	a consolidated statement of financial position of the Hotel Holding Company as at close of business on the Hotel Interests Disposal Completion Date duly certified by a director of the Hotel Holding Company as true and accurate in accordance with HKFRS and shall show a true and fair view of the Hotel Holding Company's affairs and financial position (on a consolidated basis) as at the Hotel Interests Disposal Completion Date and with adequate and full provision for the construction costs and tax in accordance with the prevailing regulations and assessing practice of the Inland Revenue Department of Hong Kong
"connected person"	has the meaning ascribed to such term in the Listing Rules
"controlling shareholder"	has the meaning ascribed to such term in the Listing Rules
"Cosmopolitan"	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 120)
"Cosmopolitan CPS(s)"	non-voting non-redeemable convertible preference share(s) of HK$0.002 each in the share capital of Cosmopolitan
"Cosmopolitan Directors"	directors of Cosmopolitan
"Cosmopolitan EGM"	the extraordinary general meeting of Cosmopolitan held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on 24 March 2020 for the purpose of considering and, if thought fit, approving the CIDL Related Transactions
"Cosmopolitan Group"	Cosmopolitan and its subsidiaries
"Cosmopolitan Independent Shareholders"	Cosmopolitan Shareholders who were not prohibited or required to abstain from voting under the Listing Rules to approve the CIDL Related Transactions at the Cosmopolitan EGM

"Cosmopolitan Share(s)"	ordinary share(s) of HK$0.002 each in the share capital of Cosmopolitan
"Cosmopolitan Shareholder(s)"	holder(s) of the Cosmopolitan Share(s)
"Directors"	directors of Paliburg
"Fine Cosmos"	Fine Cosmos Development Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of the Hotel Holding Company
"First Cosmo Shares"	an aggregate of 220,000,000 existing Cosmopolitan Shares
"First Cosmo Shares Purchaser"	International Merchants Holdings, a company incorporated in the Cayman Islands
"First Cosmo Shares Transfer"	the sale of the First Cosmo Shares by the First Cosmo Shares Vendor to the First Cosmo Shares Purchaser at HK$1.70 per Cosmopolitan Share pursuant to the First Cosmo Shares Transfer Agreement
"First Cosmo Shares Transfer Agreement"	the agreement dated 31 December 2019 and entered into between the First Cosmo Shares Vendor and the First Cosmo Shares Purchaser in respect of the First Cosmo Shares Transfer
"First Cosmo Shares Vendor"	Lendas Investments Limited, a company incorporated in the BVI, and a wholly-owned subsidiary of P&R
"First Joint Announcement"	the announcement dated 2 January 2020 jointly published by the Relevant Group Companies in relation to the Shares Related Transactions, the CIDL Related Transactions and the Hotel Related Transactions
"First Joint Announcement Date"	2 January 2020, being the date of the First Joint Announcement
"Guarantees"	the guarantees for the Project Loan Facility and for the refinancing of the Project Loan Facility (as procured by P&R) provided by each of Paliburg and Regal in proportion to their respective equity interests in P&R on a several basis
"HKFRS"	the Hong Kong Financial Reporting Standards
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hotel"	a contemporary select-service hotel developed at Nos. 5-7 Bonham Strand West and Nos. 169-171 Wing Lok Street, Sheung Wan, Hong Kong
"Hotel Call Option"	the call option granted by P&R to the Hotel Purchaser under the Hotel Interests Disposal Agreement to purchase from P&R (a) an additional 1% equity interests in the Hotel Holding Company; (b) an additional 1% of the Hotel Shareholders' Loan; and (c) 51% of the then outstanding Top Up Loan, at an option price of HK$5.4 million plus the face value of the outstanding Top Up Loan to be transferred
"Hotel Consideration Adjustments"	approximately HK$0.42 million, which represented the adjustments on the Hotel Interests Disposal Consideration in accordance with the terms and conditions of the Hotel Interests Disposal Agreement, being 50% of the NTAV
"Hotel Deposit"	the hotel deposit in the sum of HK$60.0 million paid by the Hotel Purchaser pursuant to the Hotel Interests Disposal Agreement
"Hotel Financial Assistance"	the Guarantees and the Top Up Loan as contemplated under the Hotel Related Transactions
"Hotel Holding Company"	Dense Globe Investments Limited, a company incorporated in the BVI, a wholly-owned subsidiary of P&R immediately before the Hotel Interests Disposal Completion, 50% equity interests in which was sold to the Hotel Purchaser upon the Hotel Interests Disposal Completion, which was subsequently assigned to the Second Cosmo Shares Purchaser on 7 February 2020
"Hotel Holding Company Sale Loan"	approximately HK$127.6 million, equivalent to 50% of all amounts, including principal and interest, owing by Fine Cosmos to the shareholders of the Hotel Holding Company as at the Hotel Interests Disposal Completion Date, and for the avoidance of doubt, excluding the Top Up Loan
"Hotel Holding Company Sale Shares"	50 ordinary shares in the issued share capital of the Hotel Holding Company, representing 50% equity interests in the Hotel Holding Company
"Hotel Holding Group"	Hotel Holding Company and Fine Cosmos

"Hotel Interests Disposal"	the disposal of the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan by P&R to the Hotel Purchaser pursuant to the terms of the Hotel Interests Disposal Agreement
"Hotel Interests Disposal Agreement"	the sale and purchase agreement dated 31 December 2019 entered into between P&R and the Hotel Purchaser in respect of, among others, the Hotel Interests Disposal
"Hotel Interests Disposal Completion"	the completion of the Hotel Interests Disposal
"Hotel Interests Disposal Completion Date"	31 December 2019, being the date on which the Hotel Interests Disposal Completion took place
"Hotel Interests Disposal Consideration "	the final consideration in the amount of approximately HK$270.4 million (after the Hotel Consideration Adjustments) for the Hotel Interests Disposal
"Hotel Licence"	the hotel licence to be issued by the Home Affairs Department in respect of the Hotel under the Hotel and Guesthouse Accommodation Ordinance (Chapter 349 of the Laws of Hong Kong)
"Hotel Management Agreement"	the hotel management agreement dated 31 December 2019 and entered into between Fine Cosmos and Regal Hotels International Limited, a wholly-owned subsidiary of Regal
"Hotel Management Fee"	the hotel management fee which consists of a base fee of an amount equal to 2% of the total revenue of the Hotel and an incentive fee at the range of 1% to 6% based on the excess of the gross operating profit over a base fee and the fixed charges as contemplated under the Hotel Management Agreement
"Hotel Purchaser"	AMTD Property Investment Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the AMTD Shares Vendor, which subsequently assigned its title under the Hotel Interests Disposal Agreement to the Second Cosmo Shares Purchaser on 7 February 2020 with the consent of P&R
"Hotel Put Option"	the put option granted by the Hotel Purchaser to P&R under the Hotel Interests Disposal Agreement to sell to the Hotel Purchaser, subject to the exercise of the Hotel Call Option by the Hotel Purchaser, (a) an additional equity interests of up to 49% in the Hotel Holding Company; (b) up to an additional 49% of the Hotel Shareholders' Loan; and (c) up to an additional 49% of the then outstanding Top Up Loan, at an option price of up to HK$676.2 million plus the face value of the outstanding Top Up Loan to be transferred

"Hotel Related Transactions"	collectively, the Hotel Interests Disposal and the Hotel Financial Assistance
"Hotel Shareholders' Agreement"	the shareholders agreement dated 31 December 2019 and entered into among (a) P&R; (b) the Hotel Purchaser; (c) the AMTD Shares Vendor; (d) the Hotel Holding Company; and (e) Fine Cosmos in respect of the rights and obligations of the shareholders of the Hotel Holding Company (as supplemented by the Hotel Supplemental Shareholders' Agreement)
"Hotel Supplemental Shareholders' Agreement"	the agreement dated 7 February 2020 and entered into among (a) P&R; (b) the Hotel Purchaser; (c) the Second Cosmo Shares Purchaser; (d) the AMTD Shares Vendor; (e) the Hotel Holding Company; and (f) Fine Cosmos to amend and supplement the Hotel Shareholders' Agreement
"Hotel Shareholders' Loan"	all amounts, including principal and interest, owing by Fine Cosmos to the shareholders of the Hotel Holding Company and for the avoidance of doubt, excluding the Top Up Loan
"IFRS"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the relevant company and its connected persons in accordance with the Listing Rules
"Latest Practicable Date"	26 March 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Note"	the loan note is the principal amount of approximately HK$210.4 million issued by the Hotel Purchaser in favour of P&R, payment obligation of which was subsequently novoted to and assumed by the Second Cosmo Shares Purchaser on 7 February 2020
"New Facility"	a property loan to be obtained by Fine Cosmos from a financial institution(s) on normal commercial terms for similar financing transactions in Hong Kong for a principal amount of up to HK$660.0 million and with a tenor of not less than three (3) years for the replacement of the Project Loan Facility and the Top Up Loan

"NTAV"	approximately HK$0.84 million, represented the aggregate value (on a consolidated basis) of all tangible current assets of the Hotel Holding Company which are readily convertible into cash or cash equivalents (including utilities and other miscellaneous pre-paid deposits, prepaid rates and government rent, and other prepaid expenses relating to the property, but excluding the property and all furniture, fixtures and equipment therein, any intangible assets, other fixed assets and deferred tax) minus the aggregate value of all current liabilities (actual, contingent or otherwise, but excluding the Top Up Loan) as at the Hotel Interests Disposal Completion Date
"Paliburg"	Paliburg Holdings Limited, a company incorporated in Bermuda, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 617)
"Paliburg Group"	Paliburg and its subsidiaries
"Paliburg Shareholder(s)"	the holder(s) of the ordinary shares in the share capital of Paliburg with a nominal value of HK$0.1 each
"percentage ratios"	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
"Possible JV Investment"	a possible acquisition of certain equity interest in Yuancheng Logistics (or directly or indirectly in the relevant parent companies of Yuancheng Logistics) or the major businesses of Yuancheng Logistics by CIDL Subsidiary pursuant to the CIDL Subsidiary Deposit Agreement and the CIDL Subsidiary Deposit (Supplemental) Agreement
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Project Loan Facility"	a project loan facility granted to Fine Cosmos by a bank secured by a charge on the Hotel in the amount of HK$357.2 million as at the date of Hotel Interests Disposal Completion and as at the Latest Practicable Date
"P&R"	P&R Holdings Limited, a company owned as to 50% by Paliburg Group (excluding the Regal Group) and 50% by Regal Group, and the vendor of the Hotel Interests Disposal
"P&R Finance"	P&R Finance Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of P&R

"P&R Group"	P&R and its subsidiaries
"Regal"	Regal Hotels International Holdings Limited, a company incorporated in Bermuda, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 78)
"Regal Group"	Regal and its subsidiaries
"Relevant Group Companies"	Century City, Paliburg, Regal, RH International and Cosmopolitan
"RH International"	RH International Finance Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Regal, the medium term notes and the senior perpetual securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 5687 and 5425)
"RMB"	Renminbi, the lawful currency of the PRC
"Second CIDL Subsidiary Loan Agreement"	the loan agreement dated 20 September 2018 entered into between CIDL Subsidiary (as the lender) and Yuancheng Logistics (as the borrower) in respect of the provision of Second CIDL Subsidiary Loan Facility
"Second CIDL Subsidiary Loan Facility"	the secured term loan facility of RMB50.0 million granted by CIDL Subsidiary (as the lender) to Yuancheng Logistics (as the borrower) pursuant to the Second CIDL Subsidiary Loan Agreement
"Second Cosmo Shares"	an aggregate of 368,320,000 existing Cosmopolitan Shares
"Second Cosmo Shares Purchaser"	AMTD Properties (HK) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Hotel Purchaser and the AMTD Shares Vendor
"Second Cosmo Shares Transfer"	the sale of the Second Cosmo Shares by the Second Cosmo Shares Vendor to the Second Cosmo Shares Purchaser at HK$1.70 per Cosmopolitan Share pursuant to the Second Cosmo Shares Transfer Agreement
"Second Cosmo Shares Transfer Agreement"	the agreement dated 24 January 2020 and entered into between the Second Cosmo Shares Vendor, the Second Cosmo Shares Purchaser, the AMTD Shares Vendor and P&R Finance in respect of the Second Cosmo Shares Transfer
"Second Cosmo Shares Vendor"	Valuegood International Limited, a company incorporated in the BVI and a wholly-owned subsidiary of P&R

"Second Joint Announcement"	the announcement dated 24 January 2020 jointly published by Century City and Paliburg in relation to the AMTD III Share Swap
"Second Joint Announcement Date"	24 January 2020, being the date of the Second Joint Announcement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Mortgage"	the mortgage on the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan in favour of P&R created by the Hotel Purchaser in respect of the Loan Note, security obligation of which was subsequently novated to and assumed by the Second Cosmo Shares Purchaser on 7 February 2020
"Shares Related Transactions"	collectively, the First Cosmo Shares Transfer and the AMTD I Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to such term in the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to such term in the Listing Rules
"Top Up Loan"	a term loan in the amount of HK$302.8 million advanced by P&R (as the lender) to Fine Cosmos (as the borrower) on 31 December 2019 upon the Hotel Interests Disposal Completion
"Transactions"	collectively, the Shares Related Transactions, the CIDL Related Transactions, the Hotel Related Transactions and the AMTD III Share Swap
"US$"	United States dollars, the lawful currency of the United States of America
"Yuancheng Logistics"	遠成物流股份有限公司 (Yuancheng Logistics Company Limited*), a company established under the laws of the PRC
"%"	per cent.

** For identification purpose only*

For the purpose of this circular, unless the context otherwise requires or expressly specified, conversion of United States dollars into Hong Kong dollars is based on the approximate exchange rate of HK$7.80 to US$1.00 and conversion of Renminbi into Hong Kong dollars is based on the exchange rate of HK$1.1154 to RMB1.00. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi or United States dollars has been, could have been or may be converted at such or any other rate or at all.

百利保控股有限公司
Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 617)

Executive Directors:
Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Mr. Jimmy LO Chun To
(Vice Chairman and Managing Director)
Mr. Donald FAN Tung *(Chief Operating Officer)*
Miss LO Po Man
Mr. Kenneth NG Kwai Kai
Mr. Kenneth WONG Po Man

Independent non-executive Directors:
Mr. Bowen Joseph Leung Po Wing, GBS, JP
Ms. Winnie NG, JP
Hon Abraham SHEK Lai Him, GBS, JP
Mr. WONG Chi Keung

Registered office:
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Head office and principal place of business in Hong Kong:
11th Floor
68 Yee Wo Street
Causeway Bay, Hong Kong

31 March 2020

To the Paliburg Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTIONS IN RELATION TO (I) FIRST COSMO SHARES TRANSFER; (II) AMTD I ACQUISITION; (III) CIDL DISPOSAL; (IV) AMTD II ACQUISITION; (V) HOTEL INTERESTS DISPOSAL; (VI) HOTEL FINANCIAL ASSISTANCE; (VII) SECOND COSMO SHARES TRANSFER; AND (VIII) AMTD III ACQUISITION

Reference is made to (a) the First Joint Announcement issued by the Relevant Group Companies dated 2 January 2020 in relation to, among others, (i) the Shares Related Transactions comprising the First Cosmo Shares Transfer and the AMTD I Acquisition; (ii) the CIDL Related Transactions comprising the CIDL Disposal and the AMTD II Acquisition; and (iii) the Hotel Related Transactions comprising the Hotel Interests Disposal and the Hotel Financial Assistance; (b) the Second Joint

Announcement issued by Century City and Paliburg dated 24 January 2020 in relation to the AMTD III Share Swap comprising the Second Cosmo Shares Transfer and the AMTD III Acquisition; (c) the circular issued by Cosmopolitan dated 5 March 2020 in relation to the CIDL Related Transactions; (d) the announcement issued by Cosmopolitan dated 24 March 2020 in relation to the CIDL Related Transactions; and (e) the circular issued by Century City dated 31 March 2020 in relation to the Transactions. The Hotel Interests Disposal was completed on 31 December 2019 and the Shares Related Transactions were completed on 10 January 2020.

The CIDL Related Transactions were approved by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM but were not completed as at the Latest Practicable Date.

The AMTD III Share Swap also constitutes a very substantial acquisition and a very substantial disposal for Century City and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Century City SGM has been convened to be held for the purpose of considering and, if thought fit, approving the AMTD III Share Swap. The AMTD III Share Swap has not been completed as at the Latest Practicable Date.

The purpose of this circular is to provide the Paliburg Shareholders with further information in relation to the Transactions.

I. THE SHARES RELATED TRANSACTIONS

The Shares Related Transactions comprise the First Cosmo Shares Transfer and the AMTD I Acquisition.

A. FIRST COSMO SHARES TRANSFER

On 31 December 2019 (after trading hours of the Stock Exchange), the First Cosmo Shares Vendor entered into the First Cosmo Shares Transfer Agreement with the First Cosmo Shares Purchaser, pursuant to which the First Cosmo Shares Vendor agreed to sell and the First Cosmo Shares Purchaser agreed to purchase 220,000,000 Cosmopolitan Shares at HK$1.70 per Cosmopolitan Share.

THE FIRST COSMO SHARES TRANSFER AGREEMENT

The major terms of the First Cosmo Shares Transfer Agreement are set out as follows:

Date:	31 December 2019
Parties:	(a) First Cosmo Shares Vendor (as seller), a wholly-owned subsidiary of P&R (b) First Cosmo Shares Purchaser (as buyer) To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the First Cosmo Shares Purchaser and its ultimate beneficial owner are Independent Third Parties of Paliburg and its connected persons.
Assets disposed of:	220,000,000 Cosmopolitan Shares, representing approximately (a) 4.98% of the issued Cosmopolitan Shares; and (b) 3.25% of the issued shares of Cosmopolitan (including the issued Cosmopolitan Shares and Cosmopolitan CPSs) as at the Latest Practicable Date.
Consideration:	The price per First Cosmo Share is HK$1.70, representing (a) a discount of approximately 3.41% to the closing price of HK$1.76 per Cosmopolitan Share as quoted on the Stock Exchange on 31 December 2019; and (b) a premium of approximately 77.1% over the closing price of HK$0.96 per Cosmopolitan Share as quoted on the Stock Exchange on the Latest Practicable Date. The price per First Cosmo Share was negotiated on an arm's length basis between the First Cosmo Shares Vendor and the First Cosmo Shares Purchaser with reference to the then prevailing market price of the Cosmopolitan Shares. The total consideration for the First Cosmo Shares Transfer is HK$374.0 million.
Payment terms:	Payment of the consideration was settled in cash upon completion.
Completion:	Completion of the First Cosmo Shares Transfer took place on 10 January 2020.

Undertakings by the First Cosmo Shares Purchaser:	Subject to availability of a scrip dividend alternative option offered by Cosmopolitan, so long as the First Cosmo Shares Purchaser holds any First Cosmo Shares prior to 31 December 2026, the First Cosmo Shares Purchaser shall elect to receive any and all dividends or distributions declared and distributed by Cosmopolitan with respect to any such First Cosmo Shares in the form of Cosmopolitan Shares.
Lock-up:	The First Cosmo Shares Purchaser shall not, during the 180 days lock-up period after completion of the First Cosmo Shares Transfer (i.e. on or before 8 July 2020), transfer any First Cosmo Shares, any reinvestment shares in Cosmopolitan or any interest therein without the prior written consent of First Cosmo Shares Vendor.

The proceeds received from the First Cosmo Shares Transfer was applied to the purchase of AMTD I Shares under the AMTD I Acquisition as detailed below.

FINANCIAL EFFECTS OF THE FIRST COSMO SHARES TRANSFER

The First Cosmo Shares Transfer and the AMTD I Acquisition are regarded as linked transactions in accordance with guidance of the relevant accounting standards. Based on an assumption adopted in the Appendix IV — Unaudited Pro Forma Financial Information of the Paliburg Group that the fair value of the AMTD I Shares would be the same as the consideration for the AMTD I Acquisition upon completion of the AMTD I Acquisition, the assets of the Paliburg Group would increase by approximately HK$374.0 million upon completion of the First Cosmo Shares Transfer. The actual increase in the assets of the Paliburg Group is approximately HK$4.4 million more as the fair value of the AMTD I Shares based on its closing price on the date of completion of the AMTD I Acquisition on 10 January 2020 was higher than the consideration for the AMTD I Acquisition. The total consideration for the First Cosmo Shares of HK$374.0 million is higher than the net asset value of the First Cosmo Shares of approximately HK$39.6 million as at 31 December 2019 (based on the net asset value per Cosmopolitan Share of HK$0.18 as at 31 December 2019 as disclosed in Cosmopolitan's final results announcement for the year ended 31 December 2019). However, there will be no impact on the consolidated statement of comprehensive income of Paliburg as a result of the implementation of the First Cosmo Shares Transfer as Cosmopolitan will remain a subsidiary of Paliburg after completion thereof. The financial statements of Cosmopolitan will continue to be consolidated with the financial statements of Paliburg after completion of the First Cosmo Shares Transfer.

B. AMTD I ACQUISITION

On 31 December 2019 (after trading hours of the Stock Exchange), P&R Finance and the AMTD Shares Vendor entered into the AMTD I Acquisition Agreement, pursuant to which the AMTD Shares Vendor conditionally agreed to sell and P&R Finance conditionally agreed to acquire the AMTD I Shares at the AMTD Shares Acquisition Price. Completion of the AMTD I Acquisition was conditional upon, among others, the completion of the First Cosmo Shares Transfer.

THE AMTD I ACQUISITION AGREEMENT

The major terms of the AMTD I Acquisition Agreement are set out as follows:

Date:	31 December 2019
Parties:	(a) P&R Finance (as buyer), a wholly-owned subsidiary of P&R (b) AMTD Shares Vendor (as seller), an investment holding company and the controlling shareholder of AMTD Save as disclosed under the section headed "Information on Other Counterparties" in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the AMTD Shares Vendor and its ultimate beneficial owners are Independent Third Parties of Paliburg and its connected persons.
Assets acquired:	5,674,000 AMTD Class A Shares, representing approximately (a) 2.3% of the total issued share capital of AMTD, (b) 0.2% of the total voting power represented by the total issued share capital of AMTD; and (c) 9.1% of AMTD Class A Shares as at the Latest Practicable Date assuming the AMTD II Acquisition and AMTD III Acquisition were completed as at the Latest Practicable Date.
Consideration:	The AMTD Shares Acquisition Price is US$8.45 (equivalent to approximately HK$65.91) per AMTD Class A Share which represented (a) a discount of approximately 4.6% to the closing price of US$8.86 per ADS as quoted on the New York Stock Exchange on 31 December 2019; (b) a premium of approximately 19.0% over the closing price of US$7.10 per ADS as quoted on the New York Stock Exchange on the Latest Practicable Date; and (c) premium of approximately 0.8% over the offer price of US$8.38 per ADS at the time of AMTD's initial public offering in August 2019. The AMTD Shares Acquisition Price was negotiated on an arm's length basis between P&R Finance and the AMTD Shares Vendor and was determined with reference to the then prevailing market price of the ADSs. The total consideration for the AMTD I Acquisition is approximately US$47.9 million (equivalent to approximately HK$374.0 million).
Payment terms:	Payment of the consideration was settled in cash upon completion.

The consideration for the AMTD I Acquisition was funded by the proceeds received from the First Cosmo Shares Transfer.

Conditions precedent: Completion of the AMTD I Acquisition was subject to the satisfaction or waiver (as the case may be) by P&R Finance and the AMTD Shares Vendor of the following conditions precedent:

(a) no provision of any applicable law or no judgment entered by or with any governmental authority with competent jurisdiction, should be in effect that enjoins, prohibits or materially alters the terms of the transactions contemplated by the AMTD I Acquisition Agreement;

(b) no proceeding challenging the AMTD I Acquisition Agreement or the transactions contemplated thereby, or seeking to prohibit, alter, prevent or materially delay the completion, should have been instituted or be pending before any governmental authority;

(c) the completion of the First Cosmo Shares Transfer;

(d) the representations and warranties of the AMTD Shares Vendor should be true and correct in all material respects;

(e) there should have been no material adverse effect on the financial condition or results of operations of AMTD and its subsidiaries taken as a whole;

(f) the representations and warranties of P&R Finance should be true and correct in all material respects; and

(g) both parties should have performed all of their obligations and fulfilled all of their conditions in accordance with the AMTD I Acquisition Agreement.

All of the conditions precedent were satisfied upon the completion on 10 January 2020.

Completion: Completion of the AMTD I Acquisition took place on 10 January 2020.

Undertaking by P&R Finance:	So long as P&R Finance or its affiliates hold any AMTD I Shares prior to 31 December 2026, P&R Finance shall, and shall cause its affiliates to, reinvest any future cash dividends to be declared and paid by AMTD with respect to the AMTD I Shares and any related reinvestment shares in AMTD under its ownership by way of purchase of AMTD Class A Shares from the AMTD Shares Vendor or subscription of new AMTD Class A Shares to be determined by AMTD Shares Vendor up to a cumulative limit of HK$193.28 million for the initial reinvestment period up to 31 December 2026 at a price per AMTD Class A Share that is equal to the average closing price of the ADSs for 15 trading days prior to the relevant record date set by AMTD for the purposes of distributing the cash dividends. The reinvestment period shall be automatically extended for seven years and ends on 31 December 2033 unless the parties mutually agree otherwise.
Lock-up:	P&R Finance shall not, during the 180 days lock-up period after the completion of the AMTD I Acquisition (i.e. on or before 8 July 2020), transfer any AMTD I Shares acquired under the AMTD I Acquisition without the prior written consent of the AMTD Shares Vendor except for transfer of any AMTD I Shares (including any reinvestment shares in AMTD) to any of its affiliates and subsidiaries.

There is no provision in the AMTD I Acquisition Agreement under which P&R Finance will be entitled (a) to nominate or appoint any director to the board of AMTD and (b) to be involved in the day-to-day operation of AMTD.

Directors' view on fairness and reasonableness of the First Cosmo Shares Transfer and the AMTD I Acquisition

By taking into consideration the reasons as stated under the section headed "Reasons for and Benefits of the Transactions", the terms and conditions of each of the First Cosmo Shares Transfer Agreement and the AMTD I Acquisition Agreement, and the basis for determination of each of the price for the First Cosmo Shares Transfer and the AMTD Shares Acquisition Price, the Directors are of the view that the terms of each of the First Cosmo Shares Transfer and the AMTD I Acquisition are fair and reasonable and in the interests of Paliburg and the Paliburg Shareholders as a whole.

II. THE CIDL RELATED TRANSACTIONS

The CIDL Related Transactions comprise the CIDL Disposal and the AMTD II Acquisition.

A. CIDL DISPOSAL

Reference is made to (a) the joint announcements dated 17 August 2018, 3 September 2018 and 30 September 2018 and issued by the Relevant Group Companies in relation to the Possible JV Investment, the CIDL Subsidiary Deposit Agreement and the CIDL Subsidiary Loan Agreement relating to the logistics business; (b) the joint announcement dated 20 September 2018 and issued by the Relevant Group Companies in relation to the Second CIDL Subsidiary Loan Agreement; (c) the joint announcements dated 1 November 2019 and 20 December 2019 and issued by the Relevant Group Companies in relation to the CIDL MOU; (d) the joint announcement dated 16 January 2020 and issued by the Relevant Group Companies in relation to the legal proceedings initiated by CIDL Subsidiary in respect of the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement (together with (a), (b) and (c) above, the "**CIDL Announcements**"); (e) the circular dated 22 October 2018 and issued by Cosmopolitan in relation to the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement; (f) the circular dated 5 March 2020 and issued by Cosmopolitan in relation to the CIDL Related Transactions (together with (e) above, the "**CIDL Circulars**"); (g) the 2018 Annual Report of Paliburg; (h) the 2019 Interim Report of Paliburg; and (i) the final results announcement of Paliburg for the year ended 31 December 2019.

As disclosed in the CIDL Announcements and the CIDL Circulars:

(a) CIDL Subsidiary paid the CIDL Subsidiary Deposit in a total sum of RMB170.0 million in respect of the Possible JV Investment in Yuancheng Logistics pursuant to the CIDL Subsidiary Deposit Agreement;

(b) CIDL Subsidiary (as lender) granted to Yuancheng Logistics (as borrower) a RMB100.0 million secured loan facility pursuant to the CIDL Subsidiary Loan Agreement, which was fully drawn and was repayable by Yuancheng Logistics on 20 November 2018 (as extended); and

(c) CIDL Subsidiary (as lender) granted to Yuancheng Logistics (as borrower) a RMB50.0 million secured loan facility pursuant to the Second CIDL Subsidiary Loan Agreement, which was fully drawn and was repayable by Yuancheng Logistics on 20 November 2018.

The CIDL Subsidiary Deposit, the CIDL Subsidiary Loan Facility, the Second CIDL Subsidiary Loan Facility, together with the total contractual interest accrued thereon amounted to RMB372.1 million (net of tax provision) as at 31 December 2019. They are secured primarily by equity pledges over certain PRC companies associated with Yuancheng Logistics, guarantees provided by the controlling shareholder of Yuancheng Logistics and certain of his associates, and pledges over the receivables of Yuancheng Logistics and certain associates of the controlling shareholder of Yuancheng Logistics.

The CIDL Seller entered into the CIDL MOU on 1 November 2019 in relation to the proposed disposal of the entire interests in CIDL. As the exclusivity period for negotiations under the CIDL MOU expired on 15 December 2019 and no definitive agreement in respect of the subject matter under the CIDL MOU had been entered into between the parties, the CIDL Seller ceased the negotiations under the CIDL MOU. As disclosed in the joint announcement of the Relevant Group Companies dated 20 December 2019, Cosmopolitan would actively explore other opportunities for the divestment of its interests in CIDL.

On 31 December 2019 (after trading hours of the Stock Exchange), the CIDL Seller and the CIDL Purchaser entered into the CIDL Disposal Agreement, pursuant to which the CIDL Seller conditionally agreed to sell and the CIDL Purchaser conditionally agreed to purchase the CIDL Share and CIDL Loan at the CIDL Consideration. Major terms of the CIDL Disposal Agreement are set out below.

THE CIDL DISPOSAL AGREEMENT

The major terms of the CIDL Disposal Agreement are set out as follows:

Date: 31 December 2019

Parties:

(a) The CIDL Seller (as seller), a wholly-owned subsidiary of Cosmopolitan

(b) The CIDL Purchaser (as buyer)

Save as disclosed under the section headed "Information on our counterparties" in this circular, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the CIDL Purchaser and its ultimate beneficial owner are Independent Third Parties of Paliburg and its connected persons.

Assets to be disposed of:

(a) the entire issued share capital of CIDL (i.e. the CIDL Share); and

(b) all loans or other debts owed to the CIDL Seller by the CIDL Group on the CIDL Completion Date (i.e. the CIDL Loan).

Pursuant to the CIDL Disposal Agreement, the CIDL Seller may procure CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of Cosmopolitan.

If the CIDL Seller procures CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of Cosmopolitan, the CIDL Purchaser shall not be entitled to any and all rights and benefits relating to Beijing Fuli, other than its shareholding interests in CIDL Subsidiary.

If the CIDL Seller does not procure CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of the Cosmopolitan, the CIDL Purchaser will be entitled to any and all rights and benefits relating to Beijing Fuli, in addition to its shareholding interests in CIDL Subsidiary.

Consideration: The CIDL Consideration is HK$400.0 million, irrespective of Beijing Fuli to be included or excluded from CIDL Group under the CIDL Disposal.

The CIDL Consideration was negotiated between the parties on an aggregate basis by taking into account:

(a) the CIDL Subsidiary Deposit in the total amount of RMB170.0 million;

(b) the principal amount outstanding under the CIDL Subsidiary Loan Facility and the total contractual interest accrued thereon up to 31 December 2019 of RMB100.0 million and approximately RMB46.3 million, respectively;

(c) the principal amount outstanding under the Second CIDL Subsidiary Loan Facility and the total contractual interest accrued thereon up to 31 December 2019 of RMB50.0 million and approximately RMB23.1 million, respectively; and

(d) the related tax payable of approximately RMB17.3 million,

the net amount of the items (a) to (d) above is approximately RMB372.1 million (equivalent to approximately HK$415.1 million).

Payment terms:	The CIDL Consideration is payable as follows: (a) a sum of HK$10.0 million (as deposit) was paid by the CIDL Purchaser in cash upon signing of the CIDL Disposal Agreement; and (b) a sum of HK$390.0 million shall be paid by the CIDL Purchaser in cash on the CIDL Completion Date.
Completion:	Completion of the CIDL Disposal shall take place on the 5th Business Day after fulfilment of the condition precedent. The CIDL Disposal has not been completed as at the Latest Practicable Date.
Condition precedent:	Completion of the CIDL Disposal is conditional upon the passing of the necessary resolution by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM to approve the CIDL Disposal Agreement and the transactions contemplated therein or incidental thereto and the implementation thereof. The condition precedent has been fulfilled as at the Latest Practicable Date. Completion of the CIDL Disposal is not conditional on the completion of the AMTD II Acquisition.
Costs reimbursement:	The CIDL Seller undertakes to reimburse the costs and expenses reasonably and properly incurred by the CIDL Subsidiary for the collection of the amounts receivable or any actions or proceedings taken or continued with respect to the enforcement of rights under or in respect of the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement, the Second CIDL Subsidiary Loan Agreement and their relevant security documents within a 36-month period after the CIDL Completion Date, subject to a cap of HK$5.0 million.

The Cosmopolitan Group will apply the proceeds from the CIDL Disposal for the purchase of the AMTD II Shares under the AMTD II Acquisition.

The CIDL Seller and the CIDL Purchaser considered the possibility of excluding Beijing Fuli from the CIDL Group in their course of negotiation as the principal assets of Beijing Fuli are inter-company receivables which are unrelated to the purpose of the CIDL Disposal.

As at the Latest Practicable Date, the CIDL Seller has not decided whether it will procure CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of Cosmopolitan. The CIDL Seller considered the possibility of including Beijing Fuli in the CIDL Group under the CIDL Disposal in light of the following factors: (i) the implementation steps of the CIDL Disposal; (ii) the relevant rules and regulations in the PRC; (iii) tax implications; and (iv) completion timeframe. The CIDL Seller will take into account the above factors when deciding whether to include or exclude Beijing Fuli in the CIDL Group under the CIDL Disposal.

The inter-company receivables due by the Cosmopolitan Group to Beijing Fuli will be written-off or transferred to the Cosmopolitan Group before the completion of the CIDL Disposal.

All issued share or paid up capital of Beijing Fuli was not transferred from CIDL Group to a wholly-owned subsidiary of Cosmopolitan before the completion of the CIDL Disposal.

The CIDL Related Transactions also constitute discloseable and connected transactions for Cosmopolitan and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. The CIDL Related Transactions were approved by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM but were not completed as at the Latest Practicable Date.

Financial information on the CIDL Group

Set out below is the unaudited financial information of the CIDL Group (excluding Beijing Fuli) for the three financial years ended 31 December 2019:

	For the financial year ended 31 December 2017	**For the financial year ended 31 December 2018**	**For the financial year ended 31 December 2019**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	—	—
(Loss) / profit before taxation	(22)	14,744	64,118
(Loss) / profit after taxation	(22)	11,054	48,076

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*
Total assets	2,949	381,339	434,386
Total liabilities	10,030	392,873	409,095
Net (liabilities) / assets	(7,081)	(11,534)	25,291

Set out below is the unaudited financial information of the CIDL Group (including Beijing Fuli) for the three financial years ended 31 December 2019:

	For the financial year ended 31 December 2017	For the financial year ended 31 December 2018	For the financial year ended 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	—	—
Profit before taxation	129	14,735	64,109
Profit after taxation	91	11,045	48,067

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*
Total assets	360,562	720,785	766,906
Total liabilities	384,581	755,370	767,001
Net assets	24,019	34,585	95

Set out below is the unaudited financial information of Beijing Fuli for the three financial years ended 31 December 2019:

	For the financial year ended 31 December 2017	For the financial year ended 31 December 2018	For the financial year ended 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	—	—
Profit / (loss) before taxation	151	(9)	(9)
Profit / (loss) after taxation	113	(9)	(9)

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*
Total assets	590,496	924,857	766,578
Total liabilities	232,765	585,297	433,946
Net assets	357,731	339,560	332,632

FINANCIAL EFFECTS OF THE CIDL DISPOSAL

If the CIDL Seller procures CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of Cosmopolitan after the completion of CIDL Disposal, it was estimated that the Paliburg Group would record a loss before tax and non-controlling interests of approximately HK$16.0 million arising from the CIDL Disposal, which was calculated based on (a) the CIDL Consideration of HK$400.0 million; (b) the net asset value of the CIDL Group (excluding Beijing Fuli) as at the date of the CIDL Disposal Agreement of approximately RMB371.7 million (equivalent to approximately HK$414.6 million), which includes the CIDL Loan (excluding the intercompany payables due by Beijing Fuli to the Cosmopolitan Group) and the total contractual interest accrued (net of tax provision) on the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility up to 31 December 2019; and (c) the release of a loss in the exchange reserve of approximately HK$1.4 million. Such loss in the exchange reserve, which is not related to the Chengdu Fuhui Debts and the Possible JV Investment in Yuancheng Logistics, represents the cumulative currency exchange translation differences recorded in equity in respect of the retained profit of the CIDL Subsidiary and will be reclassified to profit and loss upon disposal of the CIDL Subsidiary.

If the CIDL Seller does not procure CIDL to transfer all issued share or paid-up capital of Beijing Fuli to a wholly-owned subsidiary of Cosmopolitan after the completion of CIDL Disposal, it was preliminarily estimated that the Paliburg Group would record a loss before tax and non-controlling interests of approximately HK$71.9 million from the CIDL Disposal, which was calculated based on (a) the CIDL Consideration of HK$400.0 million; (b) the net asset value of the

CIDL Group (including Beijing Fuli) as at the date of the CIDL Disposal Agreement of approximately RMB372.2 million (equivalent to approximately HK$415.2 million), which includes the CIDL Loan and the total contractual interest accrued (net of tax provision) on the CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility up to 31 December 2019; and (c) the release of a loss in exchange reserve of HK$56.7 million. Such loss in the exchange reserve, which is not related to the Chengdu Fuhui Debts and the Possible JV Investment in Yuancheng Logistics, represents the cumulative currency exchange translation differences recorded in equity in respect of, among others, the retained profit of the CIDL Subsidiary and the paid-up capital of Beijing Fuli and will be reclassified to profit and loss upon disposal of the CIDL Subsidiary and Beijing Fuli.

The above preliminarily estimated financial effect did not take into account (i) the litigation fee of approximately RMB2.8 million (equivalent to approximately HK$3.2 million) paid by the CIDL Subsidiary after the date of the CIDL Disposal Agreement; and (ii) the reimbursement costs and expenses undertaken by the CIDL Seller of up to HK$5.0 million for the collection of debts by the CIDL Subsidiary after the CIDL Completion Date as mentioned above. The actual amount of financial effect arising from the CIDL Disposal to be recognised in the consolidated financial statements of Cosmopolitan would be subject to (a) audit, (b) any further expenses to be incurred by CIDL Group before completion, (c) the determination of the net asset value of the CIDL Group as at the CIDL Completion Date, and (d) any difference between the fair value of the AMTD II Shares as at the completion date of the AMTD II Acquisition and the consideration for acquisition of the AMTD II Shares as the CIDL Disposal and AMTD II Acquisition are regarded as linked transactions in accordance with the guidance of the relevant accounting standards. The above preliminarily estimated losses arising from the CIDL Disposal would (i) decrease if the fair value of the AMTD II Shares as at the completion date of the AMTD II Acquisition is higher than the consideration of the AMTD II Shares, or (ii) increase if the fair value of the AMTD II Shares as at the completion date of the AMTD II Acquisition is lower than the consideration of the AMTD II Shares. As at 31 December 2019, a loss allowance of approximately HK$14.6 million has been provided for in the financial statements of the Cosmopolitan Group in respect of the CIDL Disposal. The CIDL Disposal provides an opportunity for Cosmopolitan to realise the Chengdu Fuhui Debts including the interest accrued.

However, irrespective of Beijing Fuli to be included in or excluded from the CIDL Group under the CIDL Disposal, there will be no material impact on the Paliburg Group's net assets as the release of a loss in the exchange reserve will not have an effect on Paliburg Group's net assets.

Upon the completion of CIDL Disposal, each member of the CIDL Group including Beijing Fuli will cease to be a subsidiary of Paliburg, and Paliburg will cease to have any interest in the CIDL Group. The financial statements of the CIDL Group will no longer be consolidated into the consolidated financial statements of Paliburg following the CIDL Completion Date.

Since the date of the CIDL Disposal Agreement and until completion of the CIDL Disposal Agreement, Cosmopolitan had ceased to recognise interest income under the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement.

B. AMTD II ACQUISITION

On 31 December 2019 (after trading hours of the Stock Exchange), the AMTD II Purchaser (as purchaser) and the AMTD Shares Vendor (as seller) entered into the AMTD II Acquisition Agreement, pursuant to which the AMTD Shares Vendor conditionally agreed to sell and the AMTD II Purchaser conditionally agreed to acquire the AMTD II Shares at the AMTD Shares Acquisition Price. Completion of the AMTD II Acquisition is conditional upon, among others, the completion of the CIDL Disposal.

THE AMTD II ACQUISITION AGREEMENT

The major terms of the AMTD II Acquisition Agreement are set out as follows:

Date:	31 December 2019
Parties:	(a) AMTD II Purchaser, a wholly-owned subsidiary of Cosmopolitan (b) AMTD Shares Vendor, an investment holding company and the controlling shareholder of AMTD Save as disclosed under the section headed "Information on Other Counterparties" in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the AMTD Shares Vendor and its ultimate beneficial owners are Independent Third Parties of Paliburg and its connected persons.
Assets to be acquired:	6,069,000 AMTD Class A Shares, representing approximately (a) 2.5% of the total issued share capital of AMTD, (b) 0.2% of the total voting power represented by the total issued share capital of AMTD; and (c) 9.7% of the AMTD Class A Shares as at the Latest Practicable Date assuming the AMTD II Acquisition and AMTD III Acquisition were completed as at the Latest Practicable Date.

Consideration:	The AMTD Shares Acquisition Price is US$8.45 (equivalent to approximately HK$65.91) per AMTD Class A Share which represented (a) a discount of approximately 4.6% to the closing price of US$8.86 per ADS as quoted on the New York Stock Exchange on 31 December 2019; (b) a premium of approximately 19.0% over the closing price of US$7.10 per ADS as quoted on the New York Stock Exchange on the Latest Practicable Date; and (c) a premium of approximately 0.8% to the offer price of US$8.38 per ADS at the time of AMTD's initial public offering in August 2019. The AMTD Shares Acquisition Price was negotiated on an arm's length basis between the AMTD II Purchaser and the AMTD Shares Vendor and was determined with reference to the then prevailing market price of the ADSs. The total consideration for the AMTD II Acquisition is US$51,283,050 (equivalent to approximately HK$400.0 million).
Payment terms:	Payment of the consideration will be settled in cash upon completion. The consideration for the AMTD II Acquisition will be funded by the proceeds from the CIDL Disposal.
Conditions precedent:	Completion of the AMTD II Acquisition is subject to the satisfaction or waiver (as the case may be) by the AMTD II Purchaser and the AMTD Shares Vendor of the following conditions precedent: (a) no provision of any applicable law or no judgment entered by or with any governmental authority with competent jurisdiction, shall be in effect that enjoins, prohibits or materially alters the terms of the transactions contemplated by the AMTD II Acquisition Agreement; (b) no proceeding challenging the AMTD II Acquisition Agreement or the transactions contemplated thereby, or seeking to prohibit, alter, prevent or materially delay the completion, shall have been instituted or be pending before any governmental authority; (c) the completion of the CIDL Disposal; (d) the representations and warranties of the AMTD Shares Vendor shall be true and correct in all material respects;

(e) there shall have been no material adverse effect on the financial condition or results of operations of AMTD and its subsidiaries taken as a whole;

(f) the representations and warranties of the AMTD II Purchaser shall be true and correct in all material respects;

(g) the AMTD II Purchaser and the AMTD Shares Vendor shall have performed all of their obligations and fulfilled all of their conditions in accordance with the AMTD II Acquisition Agreement; and

(h) the passing of the necessary resolution in relation to the AMTD II Acquisition Agreement and the transactions contemplated thereunder by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM in accordance with the Listing Rules.

As at the Latest Practicable Date, condition (h) was satisfied.

Completion: Subject to the fulfilment or waiver (as the case may be) of the relevant conditions precedent, the completion of the AMTD II Acquisition shall take place within one Business Day following the completion of the CIDL Disposal.

The AMTD II Acquisition was not completed as at the Latest Practicable Date.

Undertaking by the AMTD II Purchaser: So long as the AMTD II Purchaser or its affiliates hold any AMTD II Shares prior to 31 December 2026, the AMTD II Purchaser shall, and shall cause its affiliates to, reinvest any future cash dividends to be declared and paid by AMTD with respect to the AMTD II Shares and any reinvestment shares in AMTD under its ownership by way of purchase of AMTD Class A Shares from the AMTD Shares Vendor or subscription of new AMTD Class A Shares to be determined by AMTD Shares Vendor up to a cumulative limit of HK$206.72 million for the initial reinvestment period up to 31 December 2026 at a price per AMTD Class A Share that is equal to the average closing price of the ADSs for 15 trading days prior to the relevant record date set by AMTD for the purposes of distributing the cash dividends. The reinvestment period shall be automatically extended for seven years and ends on 31 December 2033 unless the parties mutually agree otherwise.

Lock-up:	The AMTD II Purchaser shall not, during the 180 days lock-up period after the completion of the AMTD II Acquisition, transfer any AMTD Class A Shares acquired under the AMTD II Acquisition without the prior written consent of the AMTD Shares Vendor except for transfer of any AMTD Class A Shares (including any AMTD II Shares and reinvestment shares in AMTD) to any of its affiliates and subsidiaries.

The completion of the AMTD II Acquisition is conditional on the completion of the CIDL Disposal.

There is no provision in the AMTD II Acquisition Agreement under which the AMTD II Purchaser will be entitled (a) to nominate or appoint any director to the board of AMTD and/or (b) to be involved in the day-to-day operation of AMTD.

A circular of Cosmopolitan dated 5 March 2020 in relation to the CIDL Related Transactions comprising the CIDL Disposal and the AMTD II Acquisition was despatched to the shareholders of Cosmopolitan. The CIDL Related Transactions were approved by the Cosmopolitan Independent Shareholders at the Cosmopolitan EGM but were not completed as at the Latest Practicable Date.

Directors' View on Fairness and Reasonableness of the CIDL Disposal and the AMTD II Acquisition

As set out in the CIDL Announcements, CIDL Seller entered into CIDL MOU on 1 November 2019 in relation to the proposed disposal of the entire interests in the CIDL. As the exclusivity period for negotiations under the CIDL MOU expired on 15 December 2019 and no definitive agreement in respect of the subject matter under the CIDL MOU was entered into between the parties, the CIDL Seller ceased the negotiations under the CIDL MOU. Cosmopolitan has since been actively exploring other opportunities for the divestment of its interests in CIDL. The successful implementation of the CIDL Related Transactions would allow Cosmopolitan to monetize the funds tied up in this non-core asset of Cosmopolitan for re-deployment in AMTD.

By taking into consideration the reasons as stated under the section headed "Reasons for and Benefits of the Transactions", the terms and conditions of each of the CIDL Disposal Agreement and the AMTD II Acquisition Agreement and the basis for determination of each of the CIDL Consideration and the AMTD Shares Acquisition Price, the Directors are of the view that the terms of each of the CIDL Disposal and the AMTD II Acquisition are fair and reasonable and in the interests of Paliburg and the Paliburg Shareholders as a whole.

III. THE HOTEL RELATED TRANSACTIONS

The Hotel Related Transactions comprise the Hotel Interests Disposal and the Hotel Financial Assistance.

A. THE HOTEL INTERESTS DISPOSAL

On 31 December 2019 (after trading hours of the Stock Exchange), P&R and the Hotel Purchaser entered into the Hotel Interests Disposal Agreement, pursuant to which (a) P&R agreed to dispose of and the Hotel Purchaser agreed to purchase the Hotel Holding Company Sale Shares, representing 50% equity interests in the Hotel Holding Company, and the Hotel Holding Company Sale Loan at the Hotel Interests Disposal Consideration; (b) P&R granted the Hotel Call Option to the Hotel Purchaser; and (c) the Hotel Purchaser granted the Hotel Put Option to P&R. Completion of the Hotel Interests Disposal took place on 31 December 2019.

On 7 February 2020, pursuant to a deed of assignment entered into between the Hotel Purchaser and the Second Cosmo Shares Purchaser, a wholly-owned subsidiary of the Hotel Purchaser, the Hotel Purchaser assigned its rights in the Hotel Interests Disposal Agreement and transferred the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan to the Second Cosmo Shares Purchaser.

THE HOTEL INTERESTS DISPOSAL AGREEMENT

The major terms of the Hotel Interests Disposal Agreement are set out as follows:

Date:	31 December 2019
Parties:	(a) P&R (as seller) (b) The Hotel Purchaser (as buyer), a wholly-owned subsidiary of AMTD Shares Vendor Save as disclosed under the section headed "Information on other counterparties" in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Hotel Purchaser and its ultimate beneficial owner are Independent Third Parties of Paliburg and its connected persons.
Assets disposed of:	(a) Hotel Holding Company Sale Shares, representing 50% of the issued share capital of the Hotel Holding Company; and (b) Hotel Holding Company Sale Loan Upon completion of the Hotel Interests Disposal on 31 December 2019, P&R's equity interests in the Hotel Holding Company was reduced to 50% and the Hotel Holding Company has ceased as a subsidiary of Paliburg.

P&R's undertakings: P&R has undertaken with the Hotel Purchaser, among others:

(a) to procure the fitting-out works in respect of the Hotel to be completed and procure the Hotel Holding Group to continue with its application for the Hotel Licence to ensure it is granted on or before 30 June 2020;

(b) that the Hotel Holding Group has sufficient cash reserve to discharge and pay for in full the construction costs and adequate provisions for all outstanding construction costs have been made in the Completion Accounts as contemplated under the Hotel Interests Disposal Agreement;

(c) to provide the Top Up Loan to Fine Cosmos on or before the Hotel Interests Disposal Completion Date;

(d) to procure the entering into of the Hotel Management Agreement on or before the Hotel Interests Disposal Completion Date; and

(e) to use its reasonable endeavours to procure that the Project Loan Facility be refinanced by the New Facility.

P&R has fulfilled the undertakings (c) and (d) above as at the Latest Practicable Date.

Hotel Purchaser's undertakings: The Hotel Purchaser has undertaken with P&R, among others, to provide or procure that a several guarantee and/or other security be provided to the lender(s) of the Project Loan Facility and the New Facility in proportion to its shareholding interests in the Hotel Holding Company.

If P&R is required to provide or procure the abovementioned guarantee and/or other security be provided to the lender(s) of the Project Loan Facility and the New Facility in excess of its proportional interests in the Hotel Holding Company and the Hotel Call Option has not been exercised by the Hotel Purchaser, the Hotel Purchaser shall pay a guarantee fee equivalent to two (2)% per annum of such exceeded amount to P&R at the end of each calendar year and indemnify and keep P&R indemnified from and against all claims, liabilities, losses, reasonable costs and expenses which P&R, the guarantor(s) and/or the security provider(s) may suffer or incur.

Hotel Interests Disposal Consideration:	approximately HK$270.4 million, after the Hotel Consideration Adjustments, the basis for determination of which is as follows: (a) there should be added an amount equal to 50% of the NTAV if the NTAV as determined by reference to the Completion Accounts as contemplated under the Hotel Interests Disposal Agreement is a positive figure; and (b) there should be deducted an amount equal to 50% of the NTAV if the NTAV as determined by reference to the Completion Accounts as contemplated under the Hotel Interests Disposal Agreement is a negative figure. The Hotel Interests Disposal Consideration was determined after arm's length negotiations between P&R and the Hotel Purchaser by taking into account: (a) the agreed value of the Hotel at HK$1,200.0 million; and (b) the amount of the Project Loan Facility of HK$357.2 million and the Top Up Loan of HK302.8 million, and accordingly, the net agreed value of the Hotel Holding Group is HK$540.0 million. The Hotel Interests Disposal Consideration (before the Hotel Consideration Adjustments) of HK$270.0 million represents 50% of such net agreed value. The agreed value of the Hotel at HK$1,200.0 million was determined with reference to other factors including the location and specifications of the Hotel and the market conditions of the hotel industry in Hong Kong. A property valuation report on the Hotel prepared by Knight Frank Petty Limited is set out in Appendix V to this circular. The amount of Hotel Consideration Adjustments was approximately HK$0.42 million, being 50% of the NTAV in the amount of approximately HK$0.84 million.
Payment terms:	The Hotel Purchaser paid the Hotel Interests Disposal Consideration in the following manner: (a) HK$60.0 million in cash on the signing of the Hotel Interests Disposal Agreement; and

(b) the remaining approximately HK$210.4 million (after the Hotel Consideration Adjustments) by the Loan Note, which was novated to the Second Cosmo Shares Purchaser by the Hotel Purchaser on 7 February 2020. The Loan Note is interest free and repayable in cash (or other securities subject to mutual agreement between the parties) on or before 31 March 2020 (or such later date as may be agreed in writing between the parties). It is guaranteed by AMTD Shares Vendor and secured by the Share Mortgage in respect of the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan in favour of P&R.

Completion: Completion of the Hotel Interests Disposal took place on 31 December 2019.

Use of proceeds: As general working capital of the P&R Group

Hotel Management Agreement: Fine Cosmos entered into the Hotel Management Agreement on the date of the Hotel Interests Disposal Agreement, pursuant to which a wholly-owned subsidiary of Regal shall provide certain standard hotel management services, which will be in line with hotel industry norm, for the operations of the Hotel and receive the Hotel Management Fee in return from Fine Cosmos.

Hotel Call Option: The Hotel Purchaser was granted by P&R the right, but not obligation, to purchase from P&R:

(a) an additional 1% equity interests in the Hotel Holding Company;

(b) an additional 1% of the Hotel Shareholders' Loan; and

(c) 51% of the then outstanding Top Up Loan,

within a period of seven years after the Hotel Interests Disposal Completion Date, at an option price of HK$5.4 million plus the face value of the then outstanding Top Up Loan to be transferred.

Hotel Put Option: P&R was granted by the Hotel Purchaser the right, but not obligation, to sell to the Hotel Purchaser:

(a) within the first three years commencing after the Hotel Interests Disposal Completion Date (i.e. during the years 2020 to 2022),

(i) an additional 19% equity interests in the Hotel Holding Company;

(ii) an additional 19% of the Hotel Shareholders' Loan; and

(iii) an additional 19% of the then outstanding Top Up Loan,

at the option price of HK$125.4 million (during 2020), HK$148.2 million (during 2021) or HK$171.0 million (during 2022) plus the face value of the then outstanding Top Up Loan to be transferred; or

(b) within the period between the fourth year and the seventh year after the Hotel Interests Disposal Completion Date (i.e. during the years 2023 to 2026),

(i) an additional 49% equity interests in the Hotel Holding Company;

(ii) an additional 49% of the Hotel Shareholders' Loan; and

(iii) an additional 49% of the then outstanding Top Up Loan,

at an option price of HK$499.8 million (during 2023), HK$558.6 million (during 2024), HK$617.4 million (during 2025) or HK$676.2 million (during 2026) plus the face value of the then outstanding Top Up Loan to be transferred.

The Hotel Put Option can only be exercised by P&R after the Hotel Call Option is exercised.

The Hotel Call Option was granted by P&R at the request of the Hotel Purchaser, which will give the Hotel Purchaser an opportunity to acquire the majority control in the Hotel Holding Company during the Hotel Call Option period if it considers fit. At the same time, the Hotel Put Option provides flexibility to P&R to dispose of its further interests in the Hotel Holding Company, ranging from 19% to 49% equity interests in the Hotel Holding Company at a pre-determined price in the event that the Hotel Purchaser exercises the Hotel Call Option to acquire majority control in the Hotel Holding Company. The mutual grant of the Hotel Call Option and the Hotel Put Option is part and parcel of the terms of the Hotel Interests Disposal Agreement.

The option price of the Hotel Call Option at HK$5.4 million for 1% equity interests in the Hotel Holding Company and 1% of the Hotel Shareholders' Loan (excluding the 51% of the then outstanding Top Up Loan which is determined based on its face value) was determined based on the proportional amount of the net agreed value of the Hotel Holding Group, being the difference between (a) the agreed value of the Hotel at HK$1,200 million; and (b) the maximum amount of the Project Loan Facility (or the New Facility) and the Top Up Loan (i.e. HK$660 million).

The option price of the Hotel Put Option (excluding up to an additional of 49% of the then outstanding Top Up Loan which is determined based on its face value) was determined based on the proportional amount of the net agreed value of the Hotel Holding Group, being the difference between (a) the agreed value of the Hotel at HK$1,200 million plus a pre-determined 10% increment in value per year during the exercise period of the Hotel Put Option; and (b) the maximum amount of the Project Loan Facility (or the New Facility) and the Top Up Loan (i.e. HK$660 million).

Paliburg will comply with the relevant Listing Rules requirements in the event that P&R decides to exercise the Hotel Put Option.

THE HOTEL SHAREHOLDERS' AGREEMENT

On 31 December 2019 (after trading hours of the Stock Exchange), P&R, the Hotel Purchaser, AMTD Shares Vendor (as guarantor to the Hotel Purchaser), the Hotel Holding Company and Fine Cosmos entered into the Hotel Shareholders' Agreement setting out the rights and obligations of the shareholders of the Hotel Holding Company.

On 7 February 2020, (a) P&R; (b) the Hotel Purchaser; (c) the Second Cosmo Shares Purchaser; (d) the AMTD Shares Vendor; (e) the Hotel Holding Company; and (f) Fine Cosmo entered into the Hotel Supplemental Shareholders' Agreement, pursuant to which the Second Cosmo Shares Purchaser shall replace the Hotel Purchaser to assume all rights and obligations of the Hotel Purchaser under the Hotel Shareholders' Agreement.

The major terms of the Hotel Shareholders Agreement (as supplemented by the Hotel Supplemental Shareholders' Agreement) are set out below:

Parties:	(a) P&R (as the 50% shareholder of Hotel Holding Company)
	(b) Hotel Purchaser (as the 50% shareholder of Hotel Holding Company before it assigned 50% interests in the Hotel Holding Company, the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan to the Second Cosmo Shares Purchaser under an assignment deed dated 7 February 2020)
	(c) Second Cosmo Shares Purchaser (as the assignee of the 50% interests in the Hotel Interests Disposal Agreement, the Hotel Holding Company Sale Shares and the Hotel Holding Company Sale Loan under an assignment deed dated 7 February 2020)
	(d) AMTD Shares Vendor (as guarantor for the performance of the obligations of the Second Cosmo Shares Purchaser under the Hotel Shareholders Agreement)
	(e) Hotel Holding Company
	(f) Fine Cosmos
Board composition:	The board of directors of each member of the Hotel Holding Group shall consist of not more than eight directors. P&R and the Second Cosmo Shares Purchaser shall each have the right to appoint, remove or substitute up to four directors. So long as the Second Cosmo Shares Purchaser continues to hold not less than 50% equity interests in the Hotel Holding Company, it shall be entitled to nominate the chairman of the board of directors of each member of the Hotel Holding Group who shall not have a casting vote.
Quorum for board meetings:	2 directors, comprising at least 1 director nominated by each of P&R and the Second Cosmo Shares Purchaser.
	Any director(s) present at any adjourned meeting shall constitute a valid quorum.
Funding:	Please refer to the section headed "B. Hotel Financial Assistance" below.

Voting:	Each shareholder of the Hotel Holding Company shall have one vote for each share it owns. Save for the matters regarding unanimous vote as set out below, the resolutions proposed at any general meeting of the Hotel Holding Company shall be passed by a simple majority of votes.
Matters requiring unanimous vote:	The following shall not be undertaken by a member of the Hotel Holding Group without the prior written consent of all shareholders of the Hotel Holding Company:

(a) any increase, reduction, alteration or reconstitution of its share capital or entering into any arrangement with its creditors;

(b) any creation or issue of any other class of shares, warrants or loan stocks or give any option in respect of any class of shares, warrants or loan stocks;

(c) obtaining any external financing or creation of any charge or encumbrance on any assets of any member of the Hotel Holding Group other than for the purpose of securing the New Facility;

(d) disposal of any interest in its subsidiaries or substantial assets of the Hotel Holding Group;

(e) entering into any new business not related to the then existing business of the Hotel Holding Group or cessation of any existing business;

(f) incurring any material expenditure or liability of a capital nature;

(g) altering any of the provisions of the articles of association of any member of the Hotel Holding Group or pass a resolution that it be wound up;

(h) entering into any joint venture, partnership, long term or abnormal contract or capital commitment;

(i) giving any guarantee, indemnity or security in respect of the obligations of any third party; and

(j) replacing the manager of the hotel or amending or terminating the Hotel Management Agreement.

Transfer of shares:	No shareholder of the Hotel Holding Company shall transfer or dispose of its shares and/or beneficial interests in the Hotel Holding Company, or cause its ultimate beneficial ownership to be changed, without the prior written consent of the other shareholder(s) of the Hotel Holding Company, except for transfer of any shares in the Hotel Holding Company by any shareholder of the Hotel Holding Company to its affiliate and subsidiary. Transfers of shares in the Hotel Holding Company shall be subject to pre-emption rights in favour of the other shareholder of the Hotel Holding Company.

FINANCIAL EFFECTS OF THE HOTEL INTERESTS DISPOSAL

The Hotel Holding Company has ceased as a subsidiary of each of P&R and Paliburg upon Hotel Interests Disposal Completion. Accordingly, the financial statements of the Hotel Holding Company is no longer consolidated to the financial statements of each of P&R and Paliburg. After the Hotel Interests Disposal Completion, the remaining 50% equity interests in the Hotel Holding Company held by P&R has been accounted for as a joint venture by Paliburg using the equity method of accounting.

Based on the agreed value of the Hotel at HK$1,200.0 million and the carrying amount of approximately HK$708.6 million on the book of Paliburg as at 31 December 2019, a gain (before tax and non-controlling interests) of approximately HK$491.4 million, including a gain on the remeasurement of the carrying amount of the remaining 50% equity interests in the Hotel Holding Company held by P&R, was recorded in the consolidated financial statements of Paliburg upon Hotel Interests Disposal Completion. The disposal gain of HK$491.4 million was calculated based on (a) the disposal gain from the 50% agreed value of the Hotel at HK$1,200 million (i.e. HK$600 million) against the carrying amount of 50% interests in the Hotel of approximately HK$354.3 million as at 31 December 2019 and (b) the unrealised gain between the remeasurement value of HK$600 million and the carrying amount of approximately HK$354.3 million for the remaining 50% interests in the Hotel.

The total assets of Paliburg Group increased by approximately HK$133.9 million and the total liabilities of Paliburg Group decreased by approximately HK$357.5 million upon the Hotel Interests Disposal Completion.

B. HOTEL FINANCIAL ASSISTANCE

The development of the Hotel has been partially financed by the Project Loan Facility, which is guaranteed by Paliburg and Regal in proportion to their respective equity interests in P&R on a several basis. Pursuant to the Hotel Shareholders' Agreement, P&R was undertaken to use its reasonable endeavours to procure the New Facility to refinance the Project Loan Facility and the Top Up Loan. As at the Latest Practicable Date, no New Facility has been concluded. P&R has advanced the Top Up Loan to Fine Cosmos on an unsecured basis upon the Hotel Interests Disposal Completion.

TOP UP LOAN

The major terms of the Top Up Loan are set out below:

Parties:	(a) P&R (as lender) (b) Fine Cosmos (as borrower)
Loan Amounts:	Up to HK$302.8 million divided into two tranches: (a) up to HK$242.8 million and (b) up to HK$60.0 million The actual amount of the Top Up Loan provided by P&R was HK$302.8 million.
Repayment terms:	On the 3rd anniversary of Hotel Interests Disposal Completion (i.e. 31 December 2022).
Interest rate:	(a) the aggregate of 1.15% per annum over 1-month HIBOR (the "**Base Rate**") for up to HK$242.8 million and (b) two times the Base Rate for up to HK$60.0 million.
Transferability:	P&R may transfer its rights and obligations under the Top Up Loan without the prior consent of Fine Cosmos.
Undertaking by Fine Cosmos:	No repayment of the Hotel Shareholders' Loan shall be made unless and until the entire Top Up Loan together with interest accrued thereon has been repaid in full.

GUARANTEES

Paliburg and Regal have continued to provide the Guarantees for the Project Loan Facility (as procured by P&R) after the Hotel Interests Disposal Completion. As the Hotel Holding Company has ceased as a subsidiary of Paliburg and P&R upon the Hotel Interests Disposal Completion, the Guarantees has become a transaction for Paliburg under Rule 14.04(1)(e) of the Listing Rules and therefore, is subject to the announcement requirement under Chapter 14 of the Listing Rules.

The major terms of the Guarantees are set out below:

Date of Guarantees:	7 February 2012, 29 May 2015 (supplemented) and 10 October 2018 (further supplemented)
Parties:	(a) Paliburg (as guarantor) (b) Regal (as guarantor) (c) the relevant bank in respect of the Project Loan Facility (as lender)

Scope of Guarantees:	the principal and the interest thereon and other monies payable by Fine Cosmos to the relevant bank in respect of the Project Loan Facility
Liability of each of the guarantors:	on a several basis, i.e. 50% of the liabilities under the Guarantees, including the principal and the interest thereon and other monies payable by Fine Cosmos

The Guarantees for the Project Loan Facility will be released upon repayment in full of the Project Loan Facility.

Pursuant to the Hotel Shareholders' Agreement, P&R has undertaken to procure the Guarantee for the Project Loan Facility and its refinancing.

Directors' View on Fairness and Reasonableness of the Hotel Interests Disposal and the Hotel Financial Assistance

By taking into consideration the reasons as stated under the section headed "Reasons for and Benefits of the Transactions", the terms and conditions of each of the Hotel Interests Disposal and the Hotel Financial Assistance and the basis for determination of the Hotel Interests Disposal Consideration, the Directors are of the view that the terms of each of the Hotel Interests Disposal and the Hotel Financial Assistance are fair and reasonable and in the interests of Paliburg and the Paliburg Shareholders as a whole.

IV. AMTD III SHARE SWAP

The AMTD III Share Swap comprises the Second Cosmo Shares Transfer and the AMTD III Acquisition.

A. THE SECOND COSMO SHARES TRANSFER

On 24 January 2020 (after trading hours of the Stock Exchange), the Second Cosmo Shares Vendor entered into the Second Cosmo Shares Transfer Agreement with the Second Cosmo Shares Purchaser, AMTD Shares Vendor and P&R Finance, pursuant to which the Second Cosmo Shares Vendor conditionally agreed to sell and the Second Cosmo Shares Purchaser conditionally agreed to acquire the Second Cosmo Shares at HK$1.70 per Cosmopolitan Share.

THE SECOND COSMO SHARES TRANSFER AGREEMENT

The major terms of the Second Cosmo Shares Transfer Agreement are set out as follows:

Date:	24 January 2020
Parties:	(a) Second Cosmo Shares Vendor (as seller), a wholly-owned subsidiary of P&R

	(b) P&R Finance (as buyer under the AMTD III Acquisition Agreement)
	(c) Second Cosmo Shares Purchaser (as buyer)
	(d) AMTD Shares Vendor (as seller under the AMTD III Acquisition Agreement)
	Save as disclosed under the section headed "Information on Other Counterparties" in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Second Cosmo Shares Purchaser and the AMTD Shares Vendor and their ultimate beneficial owners are Independent Third Parties of Paliburg and its connected persons.
Assets to be disposed of:	368,320,000 Cosmopolitan Shares, representing approximately (a) 8.3% of the issued Cosmopolitan Shares; and (b) 5.4% of the issued shares of Cosmopolitan (including issued Cosmopolitan Shares and Cosmopolitan CPSs) as at the Latest Practicable Date.
Consideration:	The price per Second Cosmo Share is HK$1.70, representing (a) a discount of approximately 1.16% to the closing price of HK$1.72 per Cosmopolitan Share as quoted on the Stock Exchange on 24 January 2020; and (b) a premium of approximately 77.1% over the closing price of HK$0.96 per Cosmopolitan Share as quoted on the Stock Exchange on the Latest Practicable Date. The price per Second Cosmo Share was negotiated on an arm's length basis between the Second Cosmo Shares Vendor and the Second Cosmo Shares Purchaser with reference to the then prevailing market price of the Cosmopolitan Shares.
	The total consideration for the Second Cosmo Shares Transfer is approximately HK$626.1 million.
Payment terms:	The consideration for the Second Cosmo Shares Transfer shall be paid and satisfied by AMTD Shares Vendor transferring and delivering the AMTD III Shares under the AMTD III Acquisition to P&R Finance on the date of completion of the Second Cosmo Shares Transfer.
Conditions precedent:	Completion of the Second Cosmo Shares Transfer is conditional upon,

(a) Century City having obtained approval of the transactions contemplated under the Second Cosmo Shares Transfer Agreement from its shareholders in general meeting;

(b) Paliburg having obtained approval of the transactions contemplated under the Second Cosmo Shares Transfer Agreement from the Paliburg Shareholders by written approval; and

(c) the AMTD III Acquisition Agreement having been signed and the AMTD III Acquisition having become unconditional (other than the condition relating to the Second Cosmo Shares Transfer Agreement having become unconditional).

As at the Latest Practicable Date, none of the conditions precedent were satisfied.

Completion: Completion of the Second Cosmo Shares Transfer shall take place on the third Business Day after the day on which the last condition precedent is satisfied.

If the condition precedents are not satisfied on or before 24 April 2020 or such other date as the parties may agree in writing, the Second Cosmo Shares Transfer Agreement shall terminate.

Upon completion of the Second Cosmo Shares Transfer, the Second Cosmo Shares shall be transferred and delivered to the Second Cosmo Shares Purchaser.

Undertaking by the Second Cosmo Shares Purchaser: Subject to availability of a scrip dividend alternative option offered by Cosmopolitan, so long as Second Cosmo Shares Purchaser or its affiliates holds any of the Second Cosmo Shares or any reinvestment shares in Cosmopolitan prior to 31 December 2026, the Second Cosmo Shares Purchaser shall elect to receive any and all dividends or distributions, declared or distributed by Cosmopolitan in Cosmopolitan Shares with respect to the Second Cosmo Shares under the Second Cosmo Shares Transfer and reinvestment shares in Cosmopolitan held by Second Cosmo Shares Purchaser or its affiliates. The reinvestment period shall be automatically extended for seven years and ends on 31 December 2033 unless the parties mutually agree otherwise.

Lock-up:	The Second Cosmo Shares Purchaser shall not, during the 180 days lock-up period after completion of the Second Cosmo Shares Transfer, transfer any Second Cosmo Shares acquired under the Second Cosmo Shares Transfer Agreement and any reinvestment shares in Cosmopolitan without the prior written consent of the Second Cosmo Shares Vendor except for transfer of such Second Cosmo Shares (including any reinvestment shares in Cosmopolitan) to any of the affiliates of the Second Cosmo Shares Purchaser.

B. THE AMTD III ACQUISITION

On 24 January 2020 (after trading hours of the Stock Exchange), P&R Finance and the AMTD Shares Vendor entered into the AMTD III Acquisition Agreement, pursuant to which the AMTD Shares Vendor conditionally agreed to sell and P&R Finance conditionally agreed to acquire the AMTD III Shares at the AMTD Shares Acquisition Price.

THE AMTD III ACQUISITION AGREEMENT

The major terms of the AMTD III Acquisition Agreement are set out as follows:

Date:	24 January 2020
Parties:	(a) P&R Finance (as buyer), a wholly-owned subsidiary of P&R (b) AMTD Shares Vendor (as seller) , an investment holding company and the controlling shareholder of AMTD Save as disclosed under the section headed "Information on Other Counterparties" in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the AMTD Shares Vendor and its ultimate beneficial owners are Independent Third Parties of Paliburg and its connected persons.
Assets to be acquired:	9,500,000 AMTD Class A Shares, representing approximately (a) 3.9% of the total issued share capital of AMTD; (b) 0.3% of the total voting power represented by the total issued share capital of AMTD; and (c) 15.2% of the AMTD Class A Shares as at the Latest Practicable Date assuming the AMTD II Acquisition and AMTD III Acquisition were completed as at the Latest Practicable Date

Taking into account of the AMTD I Shares, the AMTD II Shares and the AMTD III Shares, Paliburg Group (including the P&R Group and the Cosmopolitan Group) will be interested in an aggregate of 21,243,000 AMTD Class A Shares representing approximately (a) 8.6% of the total issued share capital of AMTD; (b) 0.6% of the total voting power represented by the total issued share capital of AMTD; and (c) 34.1% of the AMTD Class A Shares as at the Latest Practicable Date assuming the AMTD II Acquisition and AMTD III Acquisition were completed as at the Latest Practicable Date.

Consideration: The AMTD Shares Acquisition Price is US$8.45 (equivalent to approximately HK$65.91) per AMTD Class A Share which represented (a) a discount of approximately 0.59% to the closing price of US$8.50 per ADS as quoted on the New York Stock Exchange on 23 January 2020; (b) a premium of approximately 19.0% over the closing price of US$7.10 per ADS as quoted on the New York Stock Exchange on the Latest Practicable Date; and (c) a premium of approximately 0.8% over the offer price of US$8.38 per ADS at the time of AMTD's initial public offering in August 2019. The AMTD Shares Acquisition Price was negotiated on an arm's length basis between P&R Finance and the AMTD Shares Vendor and was determined with reference to the then prevailing market price of ADSs.

The total consideration for the AMTD III Acquisition is approximately US$80.3 million (equivalent to approximately HK$626.1 million).

Payment terms: The consideration for AMTD III Acquisition shall be paid and satisfied by the Second Cosmo Shares Vendor transferring and delivering the Second Cosmo Shares under the Second Cosmo Shares Transfer to the Second Cosmo Shares Purchaser on the date of completion of the AMTD III Acquisition.

Conditions precedent: Completion of the AMTD III Acquisition is subject to the satisfaction or waiver (as the case may be) by P&R Finance and the AMTD Shares Vendor of the following conditions precedent:

(a) no provision of any applicable law or no judgment entered by or with any governmental authority with competent jurisdiction, shall be in effect that enjoins, prohibits or materially alters the terms of the transactions contemplated by the AMTD III Acquisition Agreement;

(b) no proceeding challenging the AMTD III Acquisition Agreement or the transactions contemplated thereby, or seeking to prohibit, alter, prevent or materially delay the completion, shall have been instituted or be pending before any governmental authority;

(c) the Second Cosmo Shares Transfer Agreement shall have been signed and the Second Cosmo Shares Transfer having become unconditional (other than the condition relating to the AMTD III Acquisition Agreement having become unconditional);

(d) Century City having obtained approval of the transactions contemplated under the AMTD III Acquisition Agreement from its shareholders in general meeting in accordance with the requirements of the Listing Rules;

(e) Paliburg having obtained approval of the transactions contemplated under the AMTD III Acquisition Agreement from the Paliburg Shareholders by written approval in accordance with the requirements of the Listing Rules;

(f) the representations and warranties of the AMTD Shares Vendor shall be true and correct in all material respects;

(g) there shall have been no material adverse effect on the financial condition or results of operations of AMTD and its subsidiaries taken as a whole;

(h) the representations and warranties of P&R Finance shall be true and correct in all material respects; and

	(i) both parties shall have performed all of their obligations and fulfilled all of their conditions in accordance with the AMTD III Acquisition Agreement. As at the Latest Practicable Date, none of the conditions precedent were satisfied.
Completion:	Subject to the fulfilment of the relevant conditions precedent, the completion of the AMTD III Acquisition shall take place on or before 29 April 2020 concurrently with completion of the Second Cosmo Shares Transfer.
Undertaking by P&R Finance:	So long as P&R Finance or its affiliates hold any AMTD III Shares prior to 31 December 2026, P&R Finance shall, and shall cause its affiliates to, reinvest any future cash dividends to be declared and paid by AMTD with respect to the AMTD III Shares under the AMTD III Acquisition and any reinvestment shares in AMTD under its ownership by way of purchase of AMTD Class A Shares from the AMTD Shares Vendor or subscription of new AMTD Class A Shares to be determined by the AMTD Shares Vendor up to a cumulative limit of HK$320 million for the initial reinvestment period up to 31 December 2026 at a price per AMTD Class A Share that is equal to the average closing price of the ADSs for 15 trading days prior to the relevant record date set by AMTD for the purposes of distributing the cash dividends. The reinvestment period shall be automatically extended for seven years and ends on 31 December 2033 unless the parties mutually agree otherwise.
Lock-up:	P&R Finance shall not, during the 180 days lock-up period after completion of the AMTD III Acquisition, transfer any AMTD Class A Shares acquired under the AMTD III Acquisition without the prior written consent of the AMTD Shares Vendor except for transfer of any AMTD Class A Shares (including any AMTD III Shares and reinvestment shares in AMTD) to any of its affiliates and subsidiaries.

There is no provision in the AMTD III Acquisition Agreement under which P&R Finance will be entitled (a) to nominate or appoint any director to the board of AMTD and (b) to be involved in the day-to-day operation of AMTD.

A circular in relation to the Transactions was issued by Century City on 31 March 2020 and despatched to the shareholders of Century City. The Century City SGM will be held for the shareholders of Century City to consider and, if thought fit, approve the AMTD III Share Swap.

Directors' view on fairness and reasonableness of the Second Cosmo Shares Transfer and the AMTD III Acquisition

By taking into consideration the reasons as stated under the section headed "Reasons for and Benefits of the Transactions", the terms and conditions of each of the Second Cosmo Shares Transfer Agreement and the AMTD III Acquisition Agreement, and the basis for determination of each of the price for the Second Cosmo Shares Transfer and the AMTD Shares Acquisition Price, the Directors are of the view that the terms of each of the Second Cosmo Shares Transfer and the AMTD III Acquisition are fair and reasonable and in the interests of Paliburg and the Paliburg Shareholders as a whole.

INFORMATION ON PALIBURG GROUP

Paliburg is a listed subsidiary of Century City. Paliburg Group is principally engaged in property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing business and other investments including financial assets investments.

Regal is a listed subsidiary of Paliburg. Regal Group is principally engaged in hotel ownership business undertaken through Regal Real Estate Investment Trust ("**Regal REIT**"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through P&R, aircraft ownership and leasing business and other investments including financial assets investments.

RH International is a wholly-owned subsidiary of Regal, the medium term notes and the senior perpetual securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 5687 and 5425).

P&R is a 50-50 owned joint venture of Paliburg and Regal and a subsidiary of Century City and Paliburg. The P&R Group is principally engaged in the development of real estate projects for sale and/or leasing, the undertaking of related investment and financing activities, and the acquisition or making of any investments (directly or indirectly) in the financial assets of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

Cosmopolitan is a listed subsidiary of Paliburg and, through Paliburg, of Century City. Cosmopolitan Group is principally engaged in property development and investment and other investments, which are mainly focused in the PRC, and investment in financial assets.

Financial information on Cosmopolitan

Based on the published consolidated financial statements of Cosmopolitan Group for the years ended 31 December 2017, 31 December 2018 and 31 December 2019, set out below is the key financial information of Cosmopolitan Group:

	For the financial year ended 31 December		
	2017	**2018**	**2019**
	HK$ million	*HK$ million*	*HK$ million*
Revenue	830.1	2,147.3	119.6
Profit/(loss) before taxation	36.3	316.5	(144.2)
Profit/(loss) after taxation	11.8	201.9	(170.3)

	As at 31 December		
	2017	**2018**	**2019**
	HK$ million	*HK$ million*	*HK$ million*
Total assets	5,855.3	4,638.6	5,347.6
Total liabilities	4,542.7	3,225.5	4,147.7
Net assets	1,312.6	1,413.1	1,199.9

Based on the final results announcement of Cosmopolitan for the year ended 31 December 2019, the net asset value per Cosmopolitan Share as at 31 December 2019 as disclosed in Cosmopolitan's final results announcement for the year ended 31 December 2019 is HK$0.18.

INFORMATION ON AMTD

AMTD is a comprehensive financial institution headquartered in Hong Kong which was incorporated under the laws of the Cayman Islands. AMTD (through its subsidiaries) operates a full-service platform encompassing three business lines: investment banking, asset management, and strategic investment. According to the AMTD Prospectus, under the investment banking segment, AMTD (through its subsidiaries) offers a broad range of services including equity underwriting, debt underwriting, advisory (on credit rating, financing, and mergers and acquisitions transactions), securities brokerage, institutional sales and distribution, and research; under the asset management segment, AMTD (through its subsidiaries) provides professional investment management and advisory services primarily to corporate and institutional clients; under the strategic investment platform, AMTD makes long-term strategic investments focusing on Asia's financial and new economy sectors. ADSs of AMTD have been listed on the New York Stock Exchange under the symbol "HKIB" since August 2019.

The share capital of AMTD comprises AMTD Class A Shares and AMTD Class B Shares. Holders of AMTD Class A Shares and AMTD Class B Shares have the same rights (including dividend rights) except for voting rights and conversion right. Each AMTD Class A Share is entitled to one vote and is not convertible into AMTD Class B Share. Each AMTD Class B Share is entitled to twenty votes and is convertible into one AMTD Class A Share. As at the Latest Practicable Date, there were 46,758,851 AMTD Class A Shares and 198,852,628 AMTD Class B Shares in issue.

Upon completion of the AMTD I Acquisition, the AMTD II Acquisition and the AMTD III Acquisition, P&R Group (excluding Cosmopolitan Group), Cosmopolitan Group and Regal Group will be interested in 15,174,000, 6,069,000, and 461,538 AMTD Class A Shares, respectively, representing 6.2%, 2.5% and 0.2% of the total issued share capital of AMTD, respectively.

As at the Latest Practicable Date, AMTD had 23,873,655 ADSs in issue. Holders of ADS are not treated as the shareholders of AMTD and do not have shareholder rights. Shareholder rights of AMTD shareholders are governed by Cayman Islands law. The depositary which registers and delivers the ADS is the holder of AMTD Class A Shares underlying ADSs. A registered holder of ADSs has ADS holder rights. A deposit agreement among AMTD, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The depositary will deliver ADSs if holders of AMTD Class A Shares or their brokers deposit shares or evidence of rights to receive shares with the custodian appointed or engaged by AMTD. Upon payment of its fees and expenses (including US$5.00 (or less) per 100 ADSs (or portion of 100 ADSs) for issuance of ADSs) and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names requested and will deliver the ADSs to or upon the order of the person or persons that made the deposit, which is expected to be completed within 5 calendar days.

The depositary will convert any cash dividend or other cash distribution AMTD pays on the shares into United States dollars, if it can do so on a reasonable basis and can transfer the United States dollars to the United States. Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted.

ADS holders are entitled to instruct the depositary how to vote the number of deposited shares their ADSs represent. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of its articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders.

Except by instructing the depositary as described above, ADS holders will not be able to exercise voting rights at the shareholders' meeting of AMTD unless they surrender their ADSs and withdraw the AMTD Class A Shares.

Financial information on AMTD

Based on the published consolidated financial statements of AMTD for the two years ended 31 December 2018 as extracted from the AMTD Prospectus and prepared in accordance with the IFRS, and the published condensed consolidated financial statements of AMTD for the nine months ended 30 September 2019 as extracted from its interim results for the nine months ended 30 September 2019, set out below is the key financial information of AMTD:

	For the financial year ended 31 December		For the nine months ended 30 September
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	1,033,164	723,226	1,042,008
Profit before taxation	808,585	608,965	881,073
Profit after taxation	673,372	525,126	741,343

	As at 31 December		As at 30 September
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	6,041,617	7,107,190	7,086,735
Total liabilities	3,372,341	3,912,788	1,130,195
Net assets	2,669,276	3,194,402	5,956,540

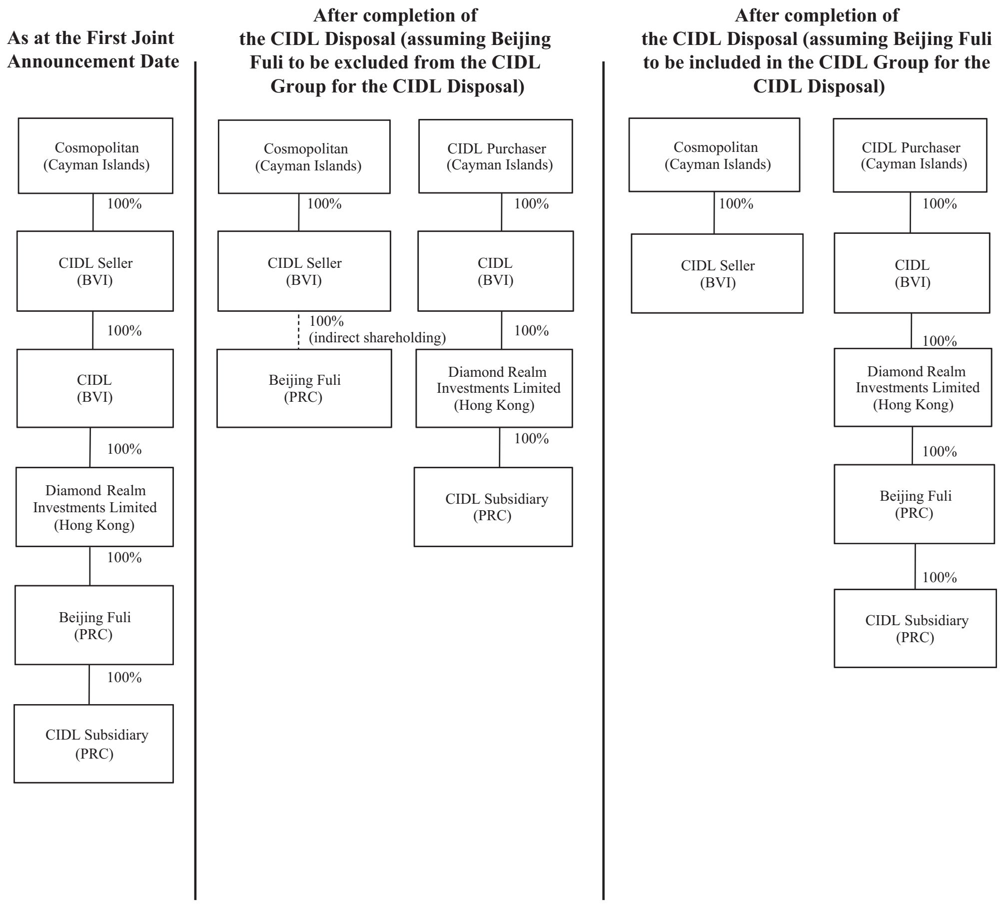
As at 30 September 2019, the net asset value per AMTD ordinary share was approximately HK$25.5 (approximately US$3.27). AMTD has not declared any dividend since the listing of its ADSs in August 2019.

Please refer to the Appendix II "Financial Information of AMTD" to this circular for further details.

INFORMATION ON THE CIDL GROUP

CIDL is an investment holding company. The CIDL Subsidiary has not commenced any business since its establishment other than advancing of the Chengdu Fuhui Debts. The principal assets held by CIDL Subsidiary are the Chengdu Fuhui Debts.

Set out below is the shareholding structure of the CIDL Group as at the First Joint Announcement Date and upon completion of the CIDL Disposal in the following scenarios:



Reference is made to the joint announcement dated 16 January 2020 issued by the Relevant Group Companies and the circular dated 5 March 2020 and the announcement dated 24 March 2020 both issued by Cosmopolitan.

On 16 January 2020, the Civil Complaints lodged by CIDL Subsidiary as plaintiff against certain defendants, including but not limited to, Yuancheng Logistics and its controlling shareholder, on the grounds of certain breaches relating to the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Loan Agreement and the Second CIDL Subsidiary Loan Agreement, were formally accepted by the Chengdu Intermediate Court of Sichuan Province* (四川省成都市中級人民法院). CIDL Seller has disclosed in the CIDL Disposal Agreement these potential legal proceedings to CIDL Purchaser. As subsequently informed by the Chengdu Intermediate Court of Sichuan Province, the three Civil Complaints would be transferred to the Shanghai No. 3 Intermediate Court* (上海市第三中級人民法院) on the grounds that the Shanghai No. 3 Intermediate Court has formally accepted an application for the liquidation of Yuancheng Logistics lodged by its creditor. As at the Latest Practicable Date, the legal proceedings for the Civil Complaints were still in progress.

CIDL Subsidiary is the plaintiff of the Civil Complaints. Any award of or any loss resulting from the Civil Complaints will be accrued to CIDL Subsidiary. After completion of the CIDL Disposal, the CIDL Purchaser (as the indirect beneficial owner of the CIDL Subsidiary) will be entitled to retain the award of or will be responsible for any loss resulting from the Civil Complaints. However, if completion of the CIDL Disposal does not take place, CIDL Subsidiary would remain as a subsidiary of Paliburg through Cosmopolitan and Cosmopolitan would be entitled to retain the award of or would be responsible for any loss resulting from the Civil Complaints.

In the event that the completion of the CIDL Disposal does not take place, if the amount of remedies awarded to the CIDL Subsidiary in the Civil Complaints is less than the Chengdu Fuhui Debts, Cosmopolitan Group will recognise a loss resulting from the excess of the amount of Chengdu Fuhui Debts over the amount of remedies awarded to the CIDL Subsidiary in the Civil Complaints, subject to the assessment of recoverability of the amount of remedies awarded. On the contrary, if the amount of remedies awarded is higher than the amount of the Chengdu Fuhui Debts, Cosmopolitan Group will recognise a gain, subject to the assessment of recoverability of the amount of remedies awarded. The outcome of the Civil Complaints will have no financial impact on Cosmopolitan Group if the CIDL Disposal is completed.

Before the completion of the CIDL Disposal, Cosmopolitan is responsible for the handling of the Civil Complaints, as CIDL Subsidiary is still a member of the Cosmopolitan Group. Pursuant to the CIDL Disposal Agreement, after completion of the CIDL Disposal, CIDL Purchaser shall appoint parties designated by CIDL Seller to be the sole and exclusive collection agent to collect the Chengdu Fuhui Debts. Accordingly, the Cosmopolitan Group will continue to handle the Civil Complaints on behalf of the CIDL Purchaser after completion of the CIDL Disposal.

INFORMATION ON THE HOTEL HOLDING GROUP

The Hotel Holding Company, wholly-owned by P&R immediately before the completion of the Hotel Interests Disposal, is a limited liability company established in the BVI. 50% equity interests of the Hotel Holding Company were sold to the Hotel Purchaser pursuant to the Hotel Interests Disposal Agreement, which were further assigned to the Second Cosmo Shares Purchaser pursuant to an assignment deed dated 7 February 2020. It is the sole beneficial owner of Fine Cosmos which in turn holds the Hotel.

The Hotel Holding Group is engaged in the investment and development of the Hotel, the key specifications of which are as follows:

Location:	Nos. 5-7 Bonham Strand West and Nos. 169-171 Wing Lok Street, Sheung Wan, Hong Kong
No. of guestrooms:	98 guestrooms and suites (162 room bays)
No. of storeys:	32 storeys (including basement and ground floor)
Gross floor area:	Approximately 5,236 square metres
Development area:	Approximately 6,838 square metres

The occupation permit for the Hotel was issued on 19 November 2019. It is expected that the Hotel Licence of the Hotel will be obtained before 30 June 2020.

Financial information of the Hotel Holding Group

Based on the financial information of the Hotel Holding Group, set out below is the key financial information of the Hotel Holding Group for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019:

	For the financial year ended 31 December		
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	—	—	—
Loss before/after taxation	72	71	1,601

	As at 31 December		
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	307,730	438,480	574,446
Total liabilities	646,978	777,799	915,366
Net liabilities	339,248	339,319	340,920

INFORMATION ON OTHER COUNTERPARTIES

The First Cosmo Shares Purchaser is a company incorporated in the Cayman Islands, principally engaged in, among others, investment activities, focusing on financial institutions, internet technology, infrastructure. Mr. Qu Xiao Chuan, an entrepreneur with investments across a number of industries, is the ultimate beneficial owner who owns 90% shareholding interests in the First Cosmo Shares Purchaser.

The Second Cosmo Shares Purchaser is a company incorporated in the BVI and a wholly-owned subsidiary of the Hotel Purchaser and the AMTD Shares Vendor. The Second Cosmo Shares Purchaser is principally engaged in investment holding.

CIDL Purchaser is a company incorporated in the Cayman Islands and an investment holding company. Mr. CONG Lin, an entrepreneur with investments across a number of industries, is the ultimate beneficial owner of the CIDL Purchaser. As disclosed in the AMTD Prospectus, Mr. CONG Lin is a director of L.R. Capital Management Company (Cayman) Limited, which indirectly owns 61.6% of the total issued shares of AMTD Shares Vendor.

AMTD Shares Vendor is a company incorporated in the BVI, and the controlling shareholder of AMTD. As disclosed in the AMTD Prospectus, the shareholders of AMTD Shares Vendor include Infinity Power Investments Limited, a company wholly-owned by Mr. Calvin CHOI, the chairman of the board of directors and chief executive officer of AMTD, and L.R. Capital Financial Holdings Limited, which is ultimately controlled by L.R. Capital Management Company (Cayman) Limited. Infinity Power Investments Limited and L.R. Capital Financial Holdings Limited owned 32.5% and 61.6% of the total issued shares of AMTD Shares Vendor, respectively. The AMTD Shares Vendor was deemed a connected person of Cosmopolitan under Rule 14A.20 of the Listing Rules, and as at the Latest Practicable Date, the P&R Group was interested in 5,674,000 AMTD Class A Shares, and the Regal Group was interested in 461,538 AMTD Class A Shares and US$14.1 million worth of 7.625% senior perpetual securities issued by AMTD Shares Vendor, which are listed on the Stock Exchange (stock code: 5222).

The Hotel Purchaser is a company incorporated in the BVI and a wholly-owned subsidiary of AMTD Shares Vendor. The Hotel Purchaser is principally engaged in investment holding.

Save as disclosed above and in this circular, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, each of the First Cosmo Shares Purchaser, the Second Cosmo Shares Purchaser, the CIDL Purchaser, AMTD, the AMTD Shares Vendor and the Hotel Purchaser (a) does not hold shares of each other; and (b) is not related to Paliburg and its connected persons.

FINANCIAL EFFECTS OF THE FIRST COSMO SHARES TRANSFER AND THE SECOND COSMO SHARES TRANSFER

The First Cosmo Shares Transfer and the Second Cosmo Shares Transfer are regarded as linked transactions with the AMTD I Acquisition and AMTD III Acquisition respectively in accordance with the guidance of the relevant accounting standards. Based on an assumption adopted in the Appendix IV-Unaudited Pro Forma Financial Information of the Paliburg Group that the aggregate fair values of the AMTD I Shares and the AMTD III Shares would be the same as the total considerations for the AMTD I Acquisition and the AMTD III Acquisition upon completion of the AMTD I Acquisition and the AMTD III Acquisition, the assets of the Paliburg Group would increase by approximately HK$1,000.1 million upon completion of the First Cosmo Shares Transfer and the Second Cosmo Shares Transfer. In addition to the actual effect of the increase in the assets of the Paliburg Group as mentioned in the section "FINANCIAL EFFECTS OF THE FIRST COSMO SHARES TRANSFER" above because of the actual difference between the fair value of the AMTD I Shares and the consideration for the AMTD I Acquisition upon its completion, the actual increase in the assets of the Paliburg Group would be (i) more if the fair value of the AMTD III Shares is higher than the consideration for the AMTD III Acquisition or (ii) less if the fair value of the AMTD III Shares is lower than the consideration for the AMTD III Acquisition, upon completion of the AMTD III Acquisition. The respective total consideration for the First Cosmo Shares Transfer and the Second Cosmo Shares Transfer of HK$374.0 million and HK$626.1 million is higher than the net asset value of the First Cosmo Shares and the Second Cosmo Shares of approximately HK$39.6 million and HK$66.3 million, respectively as at 31 December 2019 (based on the net asset value per

Cosmopolitan Share of HK$0.18 as at 31 December 2019 as disclosed in Cosmopolitan's final results announcement for the year ended 31 December 2019). However, there will be no impact on the consolidated statement of comprehensive income of Paliburg as a result of the implementation of the First Cosmo Shares Transfer and the Second Cosmo Shares Transfer as Cosmopolitan will remain a subsidiary of Paliburg after completion thereof. The financial statements of Cosmopolitan will continue to be consolidated with the financial statements of Paliburg after completion of the First Cosmo Shares Transfer and the Second Cosmo Shares Transfer.

EFFECT ON SHAREHOLDING STRUCTURE OF COSMOPOLITAN

For illustrative purpose only, the following table sets out the shareholding structure of Cosmopolitan (a) as at the Latest Practicable Date (including completion of the First Cosmo Shares Transfer); (b) assuming conversion of 50,000,000 Cosmopolitan CPSs into 50,000,000 Cosmopolitan Shares before completion of the Second Cosmo Shares Transfer; and (c) immediately after completion of the Second Cosmo Shares Transfer (assuming there is no other change in the shareholding structure of Cosmopolitan before completion of the Second Cosmo Shares Transfer):

	As at the Latest Practicable Date (including completion of the First Cosmo Shares Transfer)		**Assuming conversion of 50,000,000 Cosmopolitan CPSs into 50,000,000 Cosmopolitan Shares before completion of the Second Cosmo Shares Transfer**		**Immediately after completion of the Second Cosmo Shares Transfer**	
Cosmopolitan Shareholders	*Number of Cosmopolitan Shares*	*%*	*Number of Cosmopolitan Shares*	*%*	*Number of Cosmopolitan Shares*	*%*
P&R Group (*note*)	2,552,316,716	57.83	2,602,316,716	58.30	2,233,996,716	50.05
Regal Group	531,858,000	12.04	531,858,000	11.91	531,858,000	11.91
Sub-total	3,084,174,716	69.87	3,134,174,716	70.21	2,765,854,716	61.96
Cosmopolitan Directors	3,649,101	0.08	3,649,101	0.08	3,649,101	0.08
Second Cosmo Shares Purchaser	—	—	—	—	368,320,000	8.25
Other shareholders (including First Cosmo Shares Purchaser)	1,326,102,555	30.05	1,326,102,555	29.71	1,326,102,555	29.71
Total	4,413,926,372	100.00	4,463,926,372	100.00	4,463,926,372	100.00

Note: *P&R Group intends to convert certain amount of its Cosmopolitan CPSs into Cosmopolitan Shares prior to completion of the Second Cosmo Shares Transfer so as to maintain its then shareholding in Cosmopolitan Shares at more than 50% immediately before completion of the Second Cosmo Shares Transfer.*

FINANCIAL EFFECT OF AMTD I ACQUISITION, AMTD II ACQUISITION AND AMTD III ACQUISITION

AMTD will not become a subsidiary of Paliburg and its financial statements will not be consolidated into that of Paliburg upon completion of the AMTD I Acquisition, the AMTD II Acquisition and the AMTD III Acquisition. The investment in AMTD Class A Shares will be recognised as equity investment designated at fair value through other comprehensive income, and the subsequent gain or loss arising from such investment will be accounted for in other comprehensive income in the consolidated financial statements of Paliburg.

EFFECT ON SHAREHOLDING STRUCTURE OF AMTD

For illustrative purpose only, the following table sets out the shareholding structure of AMTD (a) as at the Latest Practicable Date (including completion of the AMTD I Acquisition); and (b) immediately after completion of the AMTD II Acquisition; and (c) immediately after completion of AMID II Acquisition and the AMTD III Acquisition (assuming there is no other change in the shareholding structure of AMTD before completion of the AMTD II Acquisition and the AMTD III Acquisition):

	As at Lastest Practicable Date (including completion of AMTD I Acquisition)			Immediately after completion of AMTD II Acquisition			Immediately after completion of AMTD II Acquisition and AMTD III Acquisition		
	Number of AMTD Shares	Approximate percentage by class of AMTD Shares	Approximate percentage by total number of AMTD Shares	Number of AMTD Shares	Approximate percentage by class of AMTD Shares	Approximate percentage by total number of AMTD Shares	Number of AMTD Shares	Approximate percentage by class of AMTD Shares	Approximate percentage by total number of AMTD Shares
		(%)	(%)		(%)	(%)		(%)	(%)
Shareholders of AMTD									
AMTD Class A Shares									
Regal Group	461,538	1.0%	0.2%	461,538	0.9%	0.2%	461,538	0.7%	0.2%
P&R Group (excluding Cosmopolitan Group)	5,674,000	12.1%	2.3%	5,674,000	10.7%	2.3%	15,174,000	24.3%	6.2%
Cosmopolitan Group	—	—	—	6,069,000	11.5%	2.5%	6,069,000	9.7%	2.5%
Sub-total	6,135,538	13.1%	2.5%	12,204,538	23.1%	5.0%	21,704,538	34.8%	8.8%
Other shareholders	40,623,313	86.9%	16.5%	40,623,313	76.9%	16.5%	40,623,313	65.2%	16.5%
	46,758,851	100.0%	19.0%	52,827,851	100.0%	21.5%	62,327,851	100.0%	25.4%
Holders of AMTD Class B Shares	198,852,628	100.0%	81.0%	192,783,628	100.0%	78.5%	183,283,628	100.0%	74.6%
Total	245,611,479		100.0%	245,611,479		100.0%	245,611,479		100.0%

FINANCIAL EFFECT OF THE TRANSACTIONS

Set out in Appendix IV to this circular is the "Unaudited Pro Forma Financial Information of the Paliburg Group" for the pro forma effect of the Transactions on the Paliburg Group and the basis of preparation thereon.

Assets and liabilities

As set out in the unaudited pro forma financial information on Paliburg Group as set out in Appendix IV to this circular, assuming that completion of the Shares Related Transactions, the CIDL Related Transactions and the AMTD III Share Swap had taken place on 31 December 2019, the total assets of Paliburg Group would have increased from approximately HK$46,466.6 million to approximately HK$47,436.4 million, the total liabilities of Paliburg Group would have decreased from approximately HK$25,051.7 million to approximately HK$25,022.0 million and the net assets of Paliburg Group would have increased from approximately HK$21,414.9 million to approximately HK$22,414.4 million as a result of the implementation of the Shares Related Transactions, the CIDL Related Transactions and the AMTD III Share Swap. Further details of the unaudited pro forma consolidated statement of assets and liabilities of Paliburg Group are set out in Appendix IV to this circular.

V. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors consider that the First Cosmo Shares Transfer and the Second Cosmo Shares Transfer would allow Cosmopolitan to enlarge its shareholders' base and to introduce the First Cosmo Shares Purchaser and the Second Cosmo Shares Purchaser as its new strategic investor, and consequentially, would potentially enhance the underlying embedded liquidity of the Cosmopolitan Shares as a whole.

The principal assets of CIDL Group comprise the CIDL Subsidiary Deposits, CIDL Subsidiary Loan Facility and the Second CIDL Subsidiary Loan Facility, which are not related to the core business activity of the Cosmopolitan Group. After discontinuance of negotiations with a potential purchaser in respect of the entire interests in CIDL as set out in the announcement of Cosmopolitan dated 20 December 2019, Cosmopolitan had actively explored other opportunities for the divestment of its interests in CIDL relating to the logistic business. The Directors consider that the successful implementation of the CIDL Related Transactions would therefore allow Cosmopolitan Group to successfully monetize the funds tied up in this non-core assets for re-deployment in AMTD.

The proceeds generated or to be generated under the First Cosmo Shares Transfer, the Second Cosmo Shares Transfer and the CIDL Disposal, have been and will be deployed for the AMTD Shares Acquisition, and taking into account the Regal Group's interests in 461,538 AMTD Class A Shares, is expected to result in the Paliburg Group (including the P&R Group, the Regal Group and the Cosmopolitan Group) holding, in aggregate, approximately (a) 8.8% of the total issued share capital of AMTD, (b) 0.6% of the total voting power represented by the total issued share capital of AMTD; and (c) 34.8% of the AMTD Class A Shares as at the Latest Practicable Date assuming the AMTD II Acquisition and AMTD III Acquisition were completed as at the Latest Practicable Date. The Directors are of the view that the transactions contemplated under the AMTD III Acquisition Agreement will strengthen the long-term strategic relationship between AMTD and the Paliburg

Group. As AMTD is a listed financial services platform which is well-positioned to capitalise on merchant banking opportunities emanating from the Asian Pacific region, the Paliburg Group could benefit from AMTD's expertise in the financial industry. Cosmopolitan is seeking to expand and diversify its investment portfolio through this strategic co-operative relationship with AMTD. It is expected that AMTD will be able to help in the capitalisation plan of Paliburg Group and could also introduce potential investment opportunities to Paliburg Group to expand and diversify its investment portfolio. As at the Latest Practicable Date, there was no negotiation, agreement or understanding between Paliburg and AMTD in relation to the capitalisation plan of Paliburg or the introduction of the potential investment opportunities to Paliburg Group.

The AMTD III Shares Swap also provides an opportunity for Paliburg Group to re-allocate its existing resources for deployment in AMTD without affecting its controlling position in Cosmopolitan and cash position.

Based on the agreed value of the Hotel at HK$1,200.0 million, Paliburg Group has recorded a gain (before tax and non-controlling interests) of approximately HK$491.4 million as a result of the Hotel Interests Disposal. Upon the Hotel Interests Disposal Completion, such gain on disposal has been recorded in the consolidated financial statements of Paliburg for the year ended 31 December 2019. Paliburg Group could further strengthen its cash position and lessen liabilities through the implementation of the Hotel Related Transactions.

By taking into consideration the abovementioned factors, the Directors are of the view that the implementation of the Transactions, either individually or together, are in the interests of Paliburg and the Paliburg Shareholders as a whole.

VI. LISTING RULES IMPLICATIONS

A. THE SHARES RELATED TRANSACTIONS

THE FIRST COSMO SHARES TRANSFER

The First Cosmo Shares Transfer is a notifiable transaction for Paliburg under Chapter 14 of the Listing Rules since the First Cosmo Shares Vendor is a subsidiary of Paliburg.

As the highest applicable percentage ratio for Paliburg in respect of the First Cosmo Shares Transfer is more than 5% but are less than 25%, the First Cosmo Shares Transfer constitutes a discloseable transaction for Paliburg and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

AMTD I ACQUISITION

The AMTD I Acquisition is a notifiable transaction for Paliburg under Chapter 14 of the Listing Rules since P&R Finance is a subsidiary of Paliburg.

As the highest applicable percentage ratio in respect of the AMTD I Acquisition is more than 5% but is less than 25% for Paliburg, the transaction contemplated under the AMTD I Acquisition constitutes a discloseable transaction for Paliburg and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

B. THE CIDL RELATED TRANSACTIONS

CIDL DISPOSAL

The CIDL Disposal is a notifiable transaction for Paliburg under Chapter 14 of the Listing Rules since CIDL Seller is a subsidiary of Paliburg.

As the highest applicable percentage ratio for Paliburg in respect of the CIDL Disposal is more than 5% but is less than 25%, the CIDL Disposal constitutes a discloseable transaction for Paliburg and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

AMTD II ACQUISITION

AMTD II Acquisition is a notifiable transaction for Paliburg under Chapter 14 of the Listing Rules since the AMTD II Purchaser is a subsidiary of Paliburg.

As the highest applicable percentage ratio for Paliburg in respect of the AMTD II Acquisition is more than 5% but is less than 25%, the AMTD II Acquisition constitutes a discloseable transaction for Paliburg which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

C. THE HOTEL RELATED TRANSACTIONS

HOTEL INTERESTS DISPOSAL

The Hotel Interests Disposal (including the Hotel Call Option but excluding the Hotel Put Option) is a notifiable transaction for Paliburg under Chapter 14 of the Listing Rules since P&R is a subsidiary of Paliburg.

As the highest applicable percentage ratio for Paliburg in respect of the Hotel Interests Disposal (including the Hotel Call Option but excluding the Hotel Put Option) is more than 5% but is less than 25%, the Hotel Interests Disposal constitutes a discloseable transaction for Paliburg and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

HOTEL FINANCIAL ASSISTANCE

The provision of Hotel Financial Assistance is a notifiable transaction for Paliburg under Chapter 14 of the Listing Rules since P&R as the lender of the Top Up Loan is a subsidiary of Paliburg, and Paliburg and Regal, a subsidiary of Paliburg, are guarantors in the provision of the Guarantees.

As the highest applicable percentage ratio for Paliburg in respect of the Hotel Financial Assistance is more than 5% but is less than 25%, the Hotel Financial Assistance constitutes a discloseable transaction for Paliburg and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

D. THE AMTD III SHARE SWAP

THE SECOND COSMO SHARES TRANSFER

The Second Cosmo Shares Transfer is a notifiable transaction for Paliburg under Chapter 14 of the Listing Rules since the Second Cosmo Shares Vendor is a subsidiary of Paliburg.

As the highest applicable percentage ratio for Paliburg in respect of the Second Cosmo Shares Transfer is more than 5% but is less than 25%, the Second Cosmo Shares Transfer constitutes a discloseable transaction for Paliburg and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

AMTD III ACQUISITION

The AMTD III Acquisition is a notifiable transaction for Paliburg under Chapter 14 of the Listing Rules since P&R Finance is a subsidiary of Paliburg.

As the highest applicable percentage ratio in respect of the AMTD III Acquisition is more than 25% but is less than 100% for Paliburg, the transaction contemplated under the AMTD III Acquisition constitutes a major transaction for Paliburg and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

E. AGGREGATION

As disclosed in the First Joint Announcement, when the Shares Related Transactions, the CIDL Related Transactions and the Hotel Related Transactions are taken as a whole for the purpose of calculating the applicable percentage ratios, the highest applicable percentage ratio for Paliburg in respect of (a) the AMTD I Acquisition, the AMTD II Acquisition and the Hotel Financial Assistance in aggregate is more than 25% but is less than 100%; and (b) the First Cosmo Shares Transfer, the CIDL Disposal and the Hotel Interests Disposal in aggregate is more than 25% but is less than 75%. Accordingly, the Shares Related Transactions, the CIDL Related Transactions and the Hotel Related Transactions constitute major transactions for Paliburg and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As disclosed in the Second Joint Announcement, when the Transactions are taken as a whole for the purpose of calculating the applicable percentage ratios, the highest applicable percentage ratio for Paliburg in respect of (a) the AMTD Shares Acquisition and the Hotel Financial Assistance in aggregate is more than 25% but is less than 100%; and (b) the First Cosmo Shares Transfer, the Second Cosmo Shares Transfer and the Hotel Interests Disposal in aggregate is more than 25% but is less than 75%. Accordingly, the AMTD III Share Swap constitutes major transactions for Paliburg and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

VI. GENERAL

Paliburg has obtained written approval for the Shares Related Transactions, the CIDL Related Transactions and the Hotel Related Transactions on 31 December 2019 from its closely allied group of Paliburg Shareholders who in aggregate held approximately 74.6% of the issued share capital of Paliburg. The closely allied group of Paliburg Shareholders comprised Mr. Lo Yuk Sui himself, who personally owned approximately 8.1% of the issued share capital of Paliburg as at 31 December 2019, and companies wholly or majority owned and controlled by Mr. Lo Yuk Sui consisting of (i) Select Wise Holdings Limited, which owned approximately 1.5% of the issued share capital of Paliburg, (ii) Splendid All Holdings Limited, which owned approximately 2.7% of the issued share capital of Paliburg, (iii) Almighty International Limited, which owned approximately 31.1% of the issued share capital of Paliburg, (iv) Century City Holdings Limited, which owned approximately 2.7% of the issued share capital of Paliburg, (v) Cleverview Investments Limited, which owned approximately 16.2% of the issued share capital of Paliburg, (vi) Gold Concorde Holdings Limited, which owned approximately 2.6% of the issued share capital of Paliburg, (vii) Meylink Limited, which owned approximately 4.4% of the issued share capital of Paliburg, (viii) Smartaccord Limited, which owned approximately 0.8% of the issued share capital of Paliburg, and (ix) Splendour Corporation, which owned approximately 4.5% of the issued share capital of Paliburg as at 31 December 2019.

Paliburg will also obtain written approval for the AMTD III Share Swap from its closely allied group of Paliburg Shareholders after AMTD III Share Swap is approved by the shareholders of Century City at the Century City SGM to be held on Friday, 24 April 2020. The closely allied group of Paliburg Shareholders, who in aggregate held approximately 74.6% of the issued share capital of Paliburg, comprised Mr. Lo Yuk Sui himself, who personally owned approximately 8.1% of the issued share capital of Paliburg as at the Latest Practicable Date, and companies wholly or majority owned and controlled by Mr. Lo Yuk Sui consisting of (i) Select Wise Holdings Limited, which owned approximately 1.5% of the issued share capital of Paliburg, (ii) Splendid All Holdings Limited, which owned approximately 2.7% of the issued share capital of Paliburg, (iii) Almighty International Limited, which owned approximately 31.1% of the issued share capital of Paliburg, (iv) Century City Holdings Limited, which owned approximately 2.7% of the issued share capital of Paliburg, (v) Cleverview Investments Limited, which owned approximately 16.2% of the issued share capital of Paliburg, (vi) Gold Concorde Holdings Limited, which owned approximately 2.6% of the issued share capital of Paliburg, (vii) Meylink Limited, which owned approximately 4.4% of the issued share capital of Paliburg, (viii) Smartaccord Limited, which owned approximately 0.8% of the issued share capital of Paliburg, and (ix) Splendour Corporation, which owned approximately 4.5% of the issued share capital of Paliburg as at the Latest Practicable Date.

Accordingly, no Paliburg Shareholders' meeting of Paliburg will be convened for the purpose of approving the Transactions. The purpose of this circular is to provide the Paliburg Shareholders with, among others, further information in relation to the Transactions.

Paliburg Shareholders and potential investors of Paliburg should be aware that the CIDL Disposal is pending completion and the AMTD II Acquisition and the AMTD III Share Swap comprising the Second Cosmo Shares Transfer and the AMTD III Acquisition are subject to certain conditions being satisfied and accordingly, they may or may not proceed. Paliburg Shareholders and potential investors of Paliburg are advised to exercise caution when dealing in the securities of the shares of Paliburg.

VII. WAIVERS FROM COMPLIANCE WITH RULE 14.67(6)(a)(i) and RULE 14.67(7) OF THE LISTING RULES

Pursuant to Rules 14.67(6)(a)(i) of the Listing Rules, Paliburg is required to include in its circular an accountants' report on the business, company or companies being acquired for each of the three financial years immediately preceding the issue of the circular in accordance with the requirements under the relevant Listing Rules.

Pursuant to Rules 14.67(7) of the Listing Rules, Paliburg is required to include in its circular a discussion and analysis of, among others, results of the business, company or companies being acquired in accordance with the requirements under the relevant Listing Rules.

The Directors consider that it would be impracticable for Paliburg to strictly comply with the abovementioned requirements in respect of an accountants' report and a discussion and analysis of AMTD in accordance with the requirements under under the relevant Listing Rules for the following reasons:

(a) Paliburg will not have control or significant influence over AMTD and its subsidiaries and AMTD will not become a subsidiary of Paliburg upon completion of the AMTD Shares Acquisition;

(b) AMTD is a public company with its ADSs listed on the New York Stock Exchange and any dissemination of information by AMTD is governed by, among others, the rules and regulations of the New York Stock Exchange; and

(c) AMTD is not a party to the AMTD Shares Acquisition and it has no contractual obligation to assist Paliburg to comply with the requirements under the Listing Rules.

Despite the impracticability as abovementioned, in order to provide relevant information for the Paliburg Shareholders to make a properly informed assessment on the Transactions, Paliburg reproduced in this circular the following information (collectively, the "**Relevant Financial Information**"), which was published on the website of the Securities and Exchange Commission in the United States by AMTD, as alternative disclosure to those required under the relevant Listing Rules:

(a) the audited financial statements of AMTD prepared in accordance with IFRS for the two financial years ended 31 December 2018 as disclosed in the AMTD Prospectus;

(b) the discussion and analysis by the management of AMTD on its financial results for the two financial years ended 31 December 2018 as disclosed in the AMTD Prospectus;

(c) the unaudited condensed financial statements of AMTD for the nine months ended 30 September 2019, being the latest published financial information of AMTD; and

(d) the discussion and analysis by the management of AMTD on its financial results for the nine months ended 30 September 2019.

The Directors consider that the Relevant Financial Information will provide the Paliburg Shareholders with sufficient information necessary for assessing the financial performance and standing of AMTD and such information shall be broadly commensurate with the disclosure that would otherwise have been provided if separate accountants' report on AMTD was produced in accordance with the requirements under the relevant Listing Rules.

Accordingly, Paliburg applied to the Stock Exchange for, and the Stock Exchange granted, a waiver from strict compliance with Rules 14.67(6)(a)(i) and 14.67(7) of the Listing Rules such that Paliburg is not required to include an accountants' report on and a discussion and analysis of AMTD in this circular.

VIII. ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Paliburg Holdings Limited
Lo Yuk Sui
Chairman

1. FINANCIAL INFORMATION

The financial information of the Paliburg Group for the year ended 31 December 2017 and 31 December 2018 and 31 December 2019 was disclosed in the annual reports of Paliburg for the two years ended 31 December 2017 and 31 December 2018 and the final results announcement of Paliburg for the year ended 31 December 2019, respectively. The aforementioned financial information of the Paliburg Group has been published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of Paliburg (http://www.paliburg.com.hk). Please refer to the hyperlinks as stated below:

(i) Annual report of Paliburg for the year ended 31 December 2017 (pages 53 to 174): https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271935.pdf

(ii) Annual report of Paliburg for the year ended 31 December 2018 (pages 52 to 190): https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292035.pdf

(iii) Final results announcement of Paliburg for the year ended 31 December 2019 (pages 28 to 50): https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0326/2020032601801.pdf

2. INDEBTEDNESS

As at the close of business on 29 February 2020, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding borrowings of approximately HK$20,760.4 million which represented (i) bank loans of approximately HK$17,981.2 million secured and guaranteed by certain of the Paliburg Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances, with an aggregate net book value of approximately HK$34,193.9 million as at 31 December 2019 and (ii) unsecured notes of US$350.0 million (approximately HK$2,728.4 million) issued under a US$1,000 million medium term note programme of Regal, and (iii) lease liabilities of HK$50.8 million.

All of the above outstanding borrowings except lease liabilities of the Paliburg Group were guaranteed by Paliburg or certain of Paliburg's subsidiaries.

As at 29 February 2020, the Paliburg Group had contingent liabilities for corporate guarantee provided in respect of a banking facility granted to an associate in the amount of HK$357.2 million which was fully utilised. In addition, guarantees were given to certain banks by the Paliburg Group for demand and performance bonds issued by the banks in relation to certain property development projects amounting to HK$22.9 million as at 29 February 2020.

Moreover, the Cosmopolitan Group also provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB360.2 million (HK$402.3 million) as at 29 February 2020.

Save as disclosed above and apart from intra-group liabilities, the Paliburg Group did not have, at the close of business on 29 February 2020, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance leases commitments, or any guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, upon completion of the Transactions and taking into account the internal resources and the present banking facilities available to the Paliburg Group, the Paliburg Group has sufficient working capital to satisfy its present requirements, that is for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, up to and including the Latest Practicable Date, the Directors have not been aware of any material adverse change in the financial or trading position of the Paliburg Group since 31 December 2018, being the date to which the latest published audited financial statements of the Paliburg Group were made up to.

5. FINANCIAL AND TRADING PROSPECTS OF THE PALIBURG GROUP

The Paliburg Group

The real estate market in Hong Kong in the recent few months as a whole has been relatively quiet due to the measures taken to suppress the spread of the coronavirus, though the primary sale of new residential units still received favourable response. Market activities should gradually revive when the pandemic is over and the investor confidence is restored. Having regard to the anticipated continuing shortage in the supply of private housing development lands and the strong underlying demand, the outlook for the residential property market in Hong Kong remains positive. Despite the increased volatility in the global markets recently, the Paliburg Group is confident that the various development projects currently undertaken in Hong Kong and the PRC will be able to contribute significant profits and cash flows in the coming few years, thus assuring continuing prospects for the Paliburg Group amid a difficult and challenging environment.

The Regal Group

The outbreak of the novel coronavirus in recent months is causing severe disruption to overall business activities, consumer spending as well as the global supply chains. The economic growth in China is expected to further moderate, due to the slowdown in its labour productivity growth and external headwinds. In the wake of added uncertainties, the central government of China has devised and implemented many supportive measures to bolster its economy, including cutting taxes, lowering interest rates and increasing public investment spending.

In Hong Kong, the businesses in the consumer and tourism related sectors during the first few months of this year remained hard hit by the economic downturn and the coronavirus pandemic, with rising unemployment rates being recorded for these market sectors. Apart from the internal social problems yet to be resolved, the spread of the coronavirus and the potential trade tensions between China and the United States could well continue to affect the global economy and financial markets and adversely impact Hong Kong's economic performance. With a view to easing the economic slowdown and rising unemployment, the Hong Kong government has proposed a number of initiatives to assist businesses and to boost consumer spending.

With the recent outbreak of the coronavirus pandemic in over one hundred countries worldwide, the social and business activities around the world as well as cross-border traffic have been drastically affected, the Regal Group has taken prompt measures to streamline its operating structure and to cut down its operating costs. Unless the further spread of the coronavirus can be promptly contained, business outlook for 2020 would not be optimistic.

Looking into the longer term, as a key business services and logistics hub in the Asian Pacific region, Hong Kong is still well placed to benefit from the tremendous business opportunities available under the "Belt and Road" initiative, the RMB internationalisation and the development of the Guangdong-Hong Kong-Macao Greater Bay Area. When the coronavirus pandemic is over and the social unrest in Hong Kong gradually subsides, the economy of Hong Kong should be resilient enough to rebound and to regain its growth momentum. The Regal Group will continue to prudently manage its resources, so as to well-position itself to sail through the present challenges and to benefit from business opportunities that might become available when the economy revives.

The Cosmopolitan Group

The outbreak of the novel coronavirus in recent months is causing severe disruption to overall business activities, consumer spending as well as the global supply chains. The economic growth in China is expected to further moderate, due to the slowdown in its labour productivity growth and external headwinds. In the wake of added uncertainties, the central government of China has devised and implemented many supportive measures to bolster its economy, including cutting taxes, lowering interest rates and increasing public investment spending. The real estate market in China practically came to a halt during the last few months due to the various measures taken to restrain the spread of the coronavirus, but it is expected that market activities should gradually revive from the second quarter of this year when the virus spread is under control.

Up to the Latest Practicable Date, the aggregate sale prices under the contracted presales of the residential units in the third stage of the Regal Cosmopolitan City development project in Chengdu totalled approximately RMB1,229 million (HK$1,337 million), of which approximately RMB937 million (HK$1,019 million) has already been paid to the Cosmopolitan Group as deposits under the presale contracts. While the presale of the unsold units in the first seven residential towers in the third stage of the Regal Cosmopolitan City in Chengdu is continuing, the presale programmes for the remaining three residential towers as well as the units in one of the office towers in this same development will follow to be launched later this year. Before the end of this year, the presale of the units in one of the office towers in the Regal Renaissance in Tianjin is also planned to be commenced. When these projects are gradually completed and the units handed over to the purchasers, substantial profits and cash flows will be contributed to the Cosmopolitan Group over the course of the next few years.

General

As set out in the final results announcement of Paliburg for the year ended 31 December 2019, despite the increased volatility in the global market recently, the Paliburg Group is confident that the various development projects currently undertaken in Hong Kong and the PRC will be able to contribute significant profits and cash flows in the coming few years, thus assuring continuing prospects for the Paliburg Group amid a difficult and challenging environment.

1. PUBLISHED FINANCIAL INFORMATION OF AMTD FOR EACH OF THE YEAR ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2018 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2019

For the purpose of this section only, terms used below shall have the same meanings set forth in the AMTD Prospectus or the interim financial results of AMTD for the nine months ended 30 September 2019 dated 31 December 2019, as the case may be.

1. The following is an extract of the audited financial statements of AMTD for the year ended 31 December 2017 and 2018, which were prepared in accordance with IFRS, from the AMTD Prospectus.

AMTD INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018

	Notes	**2017**	**2018**
		HK$	*HK$*
REVENUE			
Fee and commission income		278,976,203	367,538,115
Dividend and gain related to disposed investment		69,508,298	99,227,724
		348,484,501	466,765,839
Net fair value changes on financial assets at fair value through profit or loss		684,679,252	256,460,295
	5	1,033,163,753	723,226,134
Other income	5	17,914,166	15,392,775
Operating expenses, net	6	(111,563,188)	(52,582,107)
Staff costs	7	(102,204,502)	(68,024,513)
Finance costs	8	(28,724,758)	(9,047,063)
PROFIT BEFORE TAX		808,585,471	608,965,226
Income tax expense	9	(135,213,625)	(83,839,597)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		673,371,846	525,125,629

	Notes	2017	2018
		HK$	*HK$*
Attributable to:			
Owners of the parent		568,266,428	468,061,079
Non-controlling interests		105,105,418	57,064,550
		673,371,846	525,125,629
EARNINGS PER SHARE ATTRIBUTABLE TO CLASS B ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted, profit for the year attributable to Class B ordinary equity holders of the parent	10	2.84	2.34

The accompanying notes are an integral part of the consolidated financial statements.

AMTD INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JANUARY 1, 2017, DECEMBER 31, 2017 AND 2018

	Notes	**January 1, 2017** *HK$*	**December 31, 2017** *HK$*	**December 31, 2018** *HK$*
Assets				
Current assets				
Accounts receivable	11	93,003,365	93,172,716	161,093,054
Prepayments, other receivables and other assets	12	19,434,228	23,203,443	33,343,859
Due from a related company	23(b)(iii)	1,988,101	4,092,519	4,085,019
Due from immediate holding company	23(b)(i)	25,933,563	—	66,141,756
Due from fellow subsidiaries	23(b)(i)	1,256,262,495	2,458,702,841	2,596,118,859
Financial assets at fair value through profit or loss	13	989,728,800	745,629,400	1,953,078,309
Stock loan	13	—	2,203,140,000	1,535,679,600
Tax recoverable		—	8,146,249	—
Cash and bank balances — general accounts	14	69,509,827	86,415,282	126,855,518
Bank balances — segregated accounts	14	363,109,017	403,491,699	615,491,200
Total current assets		2,818,969,396	6,025,994,149	7,091,887,174
Non-current assets				
Property, plant and equipment	15	692,261	451,833	131,206
Intangible assets	16	15,171,170	15,171,170	15,171,170
Total non-current assets		15,863,431	15,623,003	15,302,376
Total assets		2,834,832,827	6,041,617,152	7,107,189,550

	Notes	**January 1, 2017** *HK$*	**December 31, 2017** *HK$*	**December 31, 2018** *HK$*
Equity and liabilities				
Current liabilities				
Clients' monies held on trust		339,791,599	383,304,389	586,891,255
Accounts payable	17	2,413,353	7,128,142	15,310,871
Margin loans payable	18	638,350,783	351,609,630	321,999,549
Other payables and accruals	19	9,579,790	6,516,678	80,123,688
Due to fellow subsidiaries	23(b)(i)	95,368,418	853,123,095	574,202,907
Due to immediate holding company	23(b)(i)	1,381,888,789	1,640,450,071	2,145,792,209
Tax payable		14,195,803	—	25,109,794
Total current liabilities		2,481,588,535	3,242,132,005	3,749,430,273
Non-current liabilities				
Deferred tax liabilities	20	17,239,669	130,208,677	163,357,177
Total liabilities		2,498,828,204	3,372,340,682	3,912,787,450
Equity				
Share capital	21	156,998	156,998	156,998
Capital reserve	21	33,333,003	1,312,802,675	1,312,802,676
Retained profits		302,514,622	870,781,050	1,338,842,129
Total ordinary shareholders' equity		336,004,623	2,183,740,723	2,651,801,803
Non-controlling interests		—	485,535,747	542,600,297
Total equity		336,004,623	2,669,276,470	3,194,402,100
Total liabilities and equity		2,834,832,827	6,041,617,152	7,107,189,550

The accompanying notes are an integral part of the consolidated financial statements.

AMTD INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018

	Attributable to owners of the parent					
	Share capital	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At January 1, 2017	156,998	33,333,003	302,514,622	336,004,623	—	336,004,623
Capital injection to a subsidiary	—	1	—	1	—	1
Deemed contributions	—	1,279,469,671	—	1,279,469,671	380,430,329	1,659,900,000
Profit for the year and total comprehensive income for the year	—	—	568,266,428	568,266,428	105,105,418	673,371,846
At December 31, 2017	156,998	1,312,802,675	870,781,050	2,183,740,723	485,535,747	2,669,276,470
At January 1, 2018	156,998	1,312,802,675	870,781,050	2,183,740,723	485,535,747	2,669,276,470
Capital injection to a subsidiary	—	1	—	1	—	1
Profit for the year and total comprehensive income for the year	—	—	468,061,079	468,061,079	57,064,550	525,125,629
At December 31, 2018	156,998	1,312,802,676	1,338,842,129	2,651,801,803	542,600,297	3,194,402,100

The accompanying notes are an integral part of the consolidated financial statements.

AMTD INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018

	Notes	**2017**	**2018**
		HK$	*HK$*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		808,585,471	608,965,226
Adjustments for:			
Interest income	5	(158,863)	(7,681)
Finance costs	8	28,724,758	9,047,063
Depreciation	6	379,132	334,841
Dividend income	5	(22,564,600)	(99,227,724)
Gain related to disposed investment	5	(46,943,698)	—
Net fair value changes on financial assets at fair value through profit or loss	5	(684,679,252)	(256,460,295)
		83,342,948	262,651,430
Increase in accounts receivable		(169,351)	(67,920,338)
Increase in prepayments, other receivables and other assets		(3,769,215)	(10,140,416)
(Increase)/decrease in due from a related company		(2,104,418)	7,500
Decrease in accounts and other payables and accruals		1,651,677	81,789,739
Increase/(decrease) in clients' monies held on trust		3,130,108	(8,412,635)
Increase in amount with immediate holding company		284,494,845	439,200,382
Decrease in amount with fellow subsidiaries		(460,296,468)	(699,864,420)
Decrease in financial assets at fair value through profit or loss		199,909,698	—
Cash from/(used in) operations		106,189,824	(2,688,758)
Profits tax paid		(44,586,669)	(17,435,053)
Dividend received		22,564,600	99,227,724
Interest received		158,863	7,681
Net cash flows from operating activities		84,326,618	79,111,594
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	15	(138,704)	(14,214)
Net cash flows used in investing activities		(138,704)	(14,214)

	Notes	2017	2018
		HK$	HK$
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of margin loan		(38,557,701)	(29,610,081)
Finance costs paid		(28,724,758)	(9,047,063)
Net cash flows used in financing activities		(67,282,459)	(38,657,144)
NET INCREASE IN CASH AND CASH EQUIVALENTS		16,905,455	40,440,236
Cash and cash equivalents at beginning of year		69,509,827	86,415,282
CASH AND CASH EQUIVALENTS AT END OF YEAR		86,415,282	126,855,518
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		86,415,282	126,855,518

The accompanying notes are an integral part of the consolidated financial statements.

AMTD INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018

1.1 CORPORATE INFORMATION

AMTD International Inc. (the "Company") (formerly known as AMTD Inc.) is a limited liability company incorporated in the Cayman Islands on February 4, 2019.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is involved in the investment banking, provision of investment advisory services, assets management and strategic investments.

As at December 31, 2018, the Company's immediate holding company was AMTD Group Company Limited ("AMTD Group"), a private company incorporated in the British Virgin Islands ("BVI"). The directors consider that the Company's ultimate holding company was L.R. Capital Management Company (Cayman) Limited, a private company incorporated in the Cayman Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation	Issued and registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
AMTD International Holding Group Limited (formerly known as AMTD Financial Planning Limited) ("AMTD IHG")	Hong Kong ("HK")	HK$500,000	100%	—	Investment holding
AMTD Securities Limited	HK	HK$1	—	100%	Investment holding
AMTD Global Markets Limited (formerly known as AMTD Asset Management Limited) ("AMTD GM")	HK	HK$1,561,610,980	—	100%	Provision of fund raising, financial advisory and asset management services
Asia Alternative Asset Partners Limited ("AMTD AAAPL")	HK	HK$5,000,000	—	100%	Provision of investment advisory services
AMTD Strategic Investment Limited ("AMTD SI")	HK	HK$1	—	79.13%	Investment holding
AMTD Investment Solutions Group Limited ("AMTD ISG")	HK	HK$1	—	79.13%	Investment holding

Name	Place of incorporation	Issued and registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
AMTD Overseas Limited (formerly known as AMTD Europe Holdings Limited) ("AMTD Overseas")	HK	HK$1	—	100%	Investment holding
AMTD Fintech Investment Limited ("AMTD FI")	HK	HK$1	—	100%	Investment holding
AMTD Investment Inc. ("AMTD Investment")	Cayman Islands	US$1	100%	—	Investment holding
AMTD Strategic Investment (BVI) Limited	BVI	US$1	—	100%	Investment holding
AMTD Investment Solutions Group (BVI) Limited	BVI	US$1	—	100%	Investment holding
AMTD Overseas (BVI) Limited	BVI	US$1	—	100%	Investment holding
AMTD Fintech Investment (BVI) Limited	BVI	US$1	—	100%	Investment holding

1.2 REORGANIZATION

In order to facilitate the Company's initial public offering, AMTD Group completed a series of reorganization transactions (the "Reorganization") whereby, each of the operating and holding entities under AMTD Group's common control, were ultimately contributed to the Company:

- On February 8, 2019, AMTD Investment was incorporated in Cayman Islands and directly held by the Company;

- From March 12 to 14, 2019, four wholly-owned subsidiaries were incorporated in the BVI and were held indirectly by the Company through AMTD Investment;

- On March 18, 2019, the Company entered into sale and purchase agreements with AMTD Group and its subsidiaries which held the shares of AMTD ISG, AMTD SI, AMTD Overseas and AMTD FI (collectively referred to as the "transferred entities"), pursuant to which AMTD Group and its subsidiaries agreed to contribute 100% of the share capital of the transferred entities to the Company for a total of 199,990,000 newly issued Class B ordinary shares of the Company. For AMTD ISG and AMTD SI with non-controlling interests, all shareholders had passed a resolution to provide consent to enter the sale and purchase agreements that involved the two entities and agreed that shareholders other than AMTD Group would not receive any consideration from the disposal of the two entities. The Company issued 199,990,000 Class B ordinary shares and holds the equity interests of AMTD ISG, AMTD SI, AMTD Overseas and AMTD FI indirectly through the four newly set up BVI entities mentioned above.

- On April 11, 2019, the Securities and Futures Commission ("SFC") approved the shareholder change of AMTD IHG, which holds two licensed subsidiaries (AMTD GM and AMTD AAAPL) governed by the SFC in Hong Kong, from AMTD Group to the Company. The sale and purchase agreement with respect to the transfer of AMTD IHG became effective automatically upon the approval from the SFC. AMTD Group transferred 100% of share capital of AMTD IHG to the Company. In return, the Company issued one Class B ordinary share to AMTD Group.

The Reorganization was completed on April 11, 2019. Through the Reorganization, the Company became the holding company of the companies now comprising the Group. Accordingly, for the purpose of preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years ended December 31, 2017 and 2018 with a transition date of January 1, 2017.

2.1 BASIS OF PRESENTATION

Basis of preparation and transition to IFRS

Through the Reorganization, the Company became the holding company of the contributed businesses now comprising the Group, which were under the common control of the controlling shareholder before and after the Reorganization. Accordingly, the financial statements were prepared on a consolidated basis by applying the principles of the pooling of interest method as if the Reorganization had been completed at the beginning of the reporting period.

The consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the relevant periods included the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, whenever the period is shorter.

The consolidated statements of financial position of the Group as at January 1, 2017, December 31, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or to recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholder, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity applying the principles of the pooling of interest method.

All intra-group transactions and balances have been eliminated on consolidation.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Group has applied IFRS for the first time to the consolidated financial statements for the years ended December 31, 2017 and 2018. All IFRSs issued by the IASB, effective at the time of preparing these consolidated financial statements have been applied. As the Group neither prepared nor reported a complete set of financial statements in the past, the reconciliations from previous GAAP to IFRS were not disclosed.

The Group prepared the consolidated financial statements that comply with IFRS applicable as at December 31, 2018, together with the comparative period data for the year ended December 31, 2017, as described in the summary of significant accounting policies. In preparing the consolidated financial statements, the Group's opening consolidated statements of financial position was prepared as at January 1, 2017, the Group's date of transition to IFRS. The Group did not use any optional exemptions to full retrospective application of IFRS set out within IFRS 1.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss. The consolidated financial statements are presented in Hong Kong Dollars ("HK$") unless otherwise stated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the years ended December 31, 2017 and 2018. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss is attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

New standards early adopted by the Group

Amendments to IFRS 3 *Definition of a Business*

In October 2018, IASB issued the amendment to IFRS 3, *Definition of a Business*, which is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has early adopted the amendments. The Company acquired the intangible assets included in the consolidated financial statements through the acquisition of a subsidiary in 2015. The acquisition was determined to be and accounted for as an asset acquisition as the intangible assets met the fair value concentration test.

New and revised IFRS not yet adopted by the Group

Amendments to IAS 1 and IAS 8

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from January 1, 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. The Group will apply the Interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis. The adoption of the Interpretation will not have any material impact on the Company's consolidated financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its debt and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, (only if there are revalued assets in the consolidated financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the year in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	20%
Computer equipment	33⅓%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination or asset acquisition is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Licenses

Purchased licenses are stated at cost less any impairment losses and have indefinite useful life.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as revenue in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 60-120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

Subsequent measurement of interest-bearing loans and payables

After initial recognition, interest-bearing loans and payables are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

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

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation, the increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The primary components of fee and commission income are investment banking fee and income and asset management fee.

(a) Investment banking fee and income

Investment banking service income is composed of underwriting commission, brokerage fee and financial advisory fee. Underwriting commission earned from underwriting equity and debt securities is recognized at the point in time when the Group's performance under the terms of a contractual arrangement is completed, which is typically at the closing of a transaction if there is no uncertainty or contingency related to the amount to be paid. The normal credit term is 60 to 120 days upon the completion of performance.

Brokerage fee earned from sales of equity and debt securities from underwriting is recognized at the point in time when the associated service is fulfilled, generally on the trade execution date.

Financial advisory fee is recognized as advice is provided to the customer, based on the estimated progress of work and when revenue is not probable of a significant reversal. The majority of the contracts have a duration of 60 to 120 days.

For investment banking service, each contract contains only one performance obligation.

(b) Asset management fee

Asset management fee primarily includes fees associated with asset management, performance-based incentive fee, brokerage and handling fee. Substantially all of the management fee and the performance-based incentive fee are subject to variable consideration based on the underlying assets under management, i.e. AUM of a customer's account. Management fee is recognized when services are performed and the fee becomes known. Performance-based incentive fee is recognized when the performance target is met and the revenue is not probable of a significant reversal. For the years ended December 31, 2017 and 2018, the Company did not have any revenue related to such variable consideration and recognized from performance obligations satisfied in previous periods.

Brokerage and handling fees are recognized at the point in time when the associated service is fulfilled, generally on the trade execution date.

For asset management services, when a single contract contains two performance obligations, the stand-alone selling prices of each of the distinct services underlying the performance obligations (i.e. management fee and performance-based incentive fee for asset management service and brokerage and handling fee for transaction processing service) are stated separately in the contract. These are the observable prices of services when the Company sells each of them separately.

Revenue from other sources

Fair value changes on financial assets at fair value through profit or loss is recognized in the period in which they arise. Gain/loss recognized for the financial assets at fair value through profit or loss disposed during the current period is defined as gain/loss related to disposed investment, whereas gain/loss recognized for those financial assets at fair value through profit or loss in the statement of financial position held at the end of the reporting period is defined as net fair value changes on financial assets at fair value through profit or loss.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

From 2018, for certain customers of asset management service, the Company requires upfront payment of management fee and recorded such upfront fee as contract liabilities in other payables and accruals. Upfront fee is recognized as revenue based on the time elapsed for the service period. Asset management contracts normally cover periods of one to three years.

Employee benefits

Retirement benefit cost

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Income tax

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

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

Provision for expected credit losses on accounts receivable

The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and reference rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., market risk and price risk) are expected to deteriorate over the next year which can lead to an increased number of defaults in the capital markets sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's accounts receivable is disclosed in note 11 to the consolidated financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the recent transactions with similar risk characteristics as detailed in note 13 to the consolidated financial statements. The valuation requires the Group to estimate the expected business risk, and hence they are subject to uncertainty. The Group classifies the fair value of these investments as Level 3.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) The investment banking segment assists customers in raising funds through equity and debt financing, providing underwriting for initial public offerings ("IPOs"), private placements and debt issuances and providing financial advisory services (including but not limited to domestic and cross border advisory services for merger and acquisitions).

(b) The asset management segment provides a wide range of asset management products and services, including in relation to listed equity, fixed income securities, hedge funds, structured products, foreign exchange, private equities, alternative investments, discretionary account services, investment advisory services and external asset management services.

(c) The strategic investment segment engages in proprietary investments and management of investment portfolio mainly focuses on financial services and asset classes in Hong Kong and China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit/loss before tax from operations. The adjusted result before tax from operations is measured after allocation of controllable costs of specialized staff, commission paid to asset management segment and finance costs to strategic investment segment consistently with the Group's profit before tax from operations. Other corporate income and expenses such as staff costs not directly attributable to segment, office rental and administrative expenses are excluded from such measurement.

Segment assets exclude property, plant and equipment, tax recoverable, amounts due from fellow subsidiaries and immediate holding company, prepayments, other receivables and other assets, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude amounts due to fellow subsidiaries and immediate holding company, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Segment revenue and results

Year ended December 31, 2017

	Investment banking *HK$*	Asset management *HK$*	Strategic investment *HK$*	Total *HK$*
Segment revenue *(note 5)*				
Revenue				
— from external customers	208,162,829	70,813,374	—	278,976,203
— others	—	—	754,187,550	754,187,550
				1,033,163,753
Segment results	197,333,389	48,059,488	739,674,246	985,067,123
Other income				17,674,605
Unallocated finance costs				(15,285,311)
Corporate and other unallocated expenses				(178,870,946)
Profit before tax				808,585,471
Other segment information				
Depreciation				379,132
Capital expenditure*				138,704

* Capital expenditure consists of additions to property, plant and equipment.

Year ended December 31, 2018

	Investment banking	Asset management	Strategic investment	Total
	HK$	*HK$*	*HK$*	*HK$*
Segment revenue *(note 5)*				
Revenue				
— from external customers	288,591,129	78,946,986	—	367,538,115
— others	—	—	355,688,019	355,688,019
Intersegment	—	172,809	—	172,809
	288,591,129	79,119,795	355,688,019	723,398,943
Reconciliation				
Intersegment				(172,809)
				723,226,134
Segment results	254,901,096	57,385,943	350,306,996	662,594,035
Other income				15,372,350
Unallocated finance costs				(3,666,040)
Corporate and other unallocated expenses				(65,335,119)
Profit before tax				608,965,226
Other segment information				
Depreciation				334,841
Capital expenditure*				14,214

* Capital expenditure consists of additions of property, plant and equipment.

Segment assets and liabilities

	January 1, 2017 HK$	December 31, 2017 HK$	December 31, 2018 HK$
Segment assets			
Investment banking	62,034,192	69,555,369	134,855,898
Asset management	410,507,448	443,470,928	712,011,344
Strategic investment	993,009,926	2,948,769,400	3,494,527,773
Total segment assets	1,465,551,566	3,461,795,697	4,341,395,015
Unallocated corporate assets	1,369,281,261	2,579,821,455	2,765,794,535
Total assets	2,834,832,827	6,041,617,152	7,107,189,550
Segment liabilities			
Investment banking	—	—	15,000,000
Asset management	345,939,069	393,269,077	663,698,964
Strategic investment	638,350,783	351,609,630	321,999,549
Total segment liabilities	984,289,852	744,878,707	1,000,698,513
Unallocated corporate liabilities	1,514,538,352	2,627,461,975	2,912,088,937
Total liabilities	2,498,828,204	3,372,340,682	3,912,787,450

The unallocated segment assets and liabilities mainly consist of amounts due from and due to related companies, respectively, which are not directly attributable to individual segments.

Geographical information

The following table sets forth the Group's revenue from external customers by geographical areas based on the location of the customers:

Year ended December 31, 2017

	Investment banking	Asset management	Total
	HK$	*HK$*	*HK$*
Hong Kong	70,332,752	11,352,777	81,685,529
Mainland China	137,830,077	53,184,060	191,014,137
Others	—	6,276,537	6,276,537
	208,162,829	70,813,374	278,976,203

Year ended December 31, 2018

	Investment banking	Asset management	Total
	HK$	*HK$*	*HK$*
Hong Kong	128,880,466	39,451,207	168,331,673
Mainland China	158,780,244	36,615,872	195,396,116
Others	930,419	2,879,907	3,810,326
	288,591,129	78,946,986	367,538,115

The Group's revenue is derived solely from its operations in Hong Kong based on the location in which contracts were executed and services were rendered.

As at January 1, 2017 and December 31, 2017 and 2018, non-current assets, for the purpose of geographical information, consisting of property, plant and equipment and intangible assets, were all located in Hong Kong.

Information about a major customer

During the years ended December 31, 2017 and 2018, no revenue derived from a single external customer accounted for 10% or more of the total revenue of the Group.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2017	2018
	HK$	*HK$*
Revenue from contracts with customers		
Investment banking		
Investment banking fee and income	208,162,829	288,591,129
Asset management		
Management fee and performance-based incentive fee	47,774,685	43,465,186
Brokerage and handling fees	16,270,055	31,393,570
Others	6,768,634	4,088,230
	70,813,374	78,946,986
	278,976,203	367,538,115
Revenue from other sources		
Strategic investment		
Dividend income	22,564,600	99,227,724
Gain related to disposed investment	46,943,698	—
	69,508,298	99,227,724
Net fair value changes on financial assets at fair value through profit or loss		
— from listed equity shares, at quoted price	684,660,652	202,304,000
— from unlisted debt securities	—	86,000
— from unlisted equity shares	18,600	54,070,295
Total net fair value changes on financial assets at fair value through profit or loss	684,679,252	256,460,295
	1,033,163,753	723,226,134

Revenue from contracts with customers

(i) Disaggregated revenue information

The Company assesses revenues based upon the nature or type of goods or services it provides and the operating segments of the related businesses. For more information on the operating segments, see Note 4, "Operating Segment Information". The following tables present disaggregated revenue information:

Segments	Investment banking	Asset management	Strategic investment	Total
	HK$	*HK$*	*HK$*	*HK$*
Year ended December 31, 2017				
Investment banking				
Underwriting commission and brokerage fee	150,649,829	—	—	150,649,829
Financial advisory fee	57,513,000	—	—	57,513,000
Asset management				
Management fee and performance-based incentive fee	—	47,774,685	—	47,774,685
Brokerage and handling fee	—	16,270,055	—	16,270,055
Strategic investment				
Net fair value changes on financial assets at fair value through profit or loss	—	—	684,679,252	684,679,252
Gain related to disposed investment	—	—	46,943,698	46,943,698
Dividend income	—	—	22,564,600	22,564,600
Others	—	6,768,634	—	6,768,634
Total	208,162,829	70,813,374	754,187,550	1,033,163,753
Year ended December 31, 2018				
Investment banking				
Underwriting commission and brokerage fee	217,002,789	—	—	217,002,789
Financial advisory fee	71,588,340	—	—	71,588,340
Asset management				
Management fee and performance-based incentive fee	—	43,465,186	—	43,465,186
Brokerage and handling fee	—	31,393,570	—	31,393,570
Strategic investment				
Net fair value changes on financial assets at fair value through profit or loss	—	—	256,460,295	256,460,295
Dividend income	—	—	99,227,724	99,227,724
Others	—	4,088,230	—	4,088,230
Total	288,591,129	78,946,986	355,688,019	723,226,134

(ii) Performance obligations

The Company started to receive advances from its customers of asset management in 2018. The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	2018
	HK$
Within one year	37,165,868
More than one year	17,945,950
	55,111,818

The remaining performance obligations expected to be recognized in more than one year relate to upfront fee that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognized within one year.

Other income

	2017	**2018**
	HK$	*HK$*
Bank interest income	158,863	7,681
Other income from a fellow subsidiary (Note 23(b)(iv))	15,285,311	3,666,040
Management fee income from a fellow subsidiary	2,231,559	—
Others	238,433	11,719,054
	17,914,166	15,392,775

6. OPERATING EXPENSES/(INCOME), NET

Operating expenses and foreign exchange differences included in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2017	2018
	HK$	*HK$*
Operating expenses		
Marketing and brand promotional expenses	26,207,524	11,864,097
Premises costs and office utilities		
— Premises costs	18,361,737	9,465,094
— Office utilities	7,421,124	6,117,640
	25,782,861	15,582,734
Traveling and business development expenses	18,460,191	10,860,318
Commissions and bank charges	7,978,311	5,197,984
Office renovation and maintenance expenses	15,880,216	1,603,484
Legal and professional fees		
— Auditor's remuneration	503,240	789,000
— Other legal and professional fees	5,268,795	1,650,070
	5,772,035	2,439,070
Staff welfare and staff recruitment expenses	7,637,277	3,659,523
Others		
— Depreciation	379,132	334,841
— Foreign exchange differences, net	(206,072)	382,757
— Other expenses	3,671,713	657,299
	3,844,773	1,374,897
	111,563,188	52,582,107

7. STAFF COSTS

	2017	2018
	HK$	*HK$*
Salaries and bonuses	101,092,455	67,187,493
Pension scheme contributions (defined contribution schemes)	1,112,047	837,020
	102,204,502	68,024,513

8. FINANCE COSTS

An analysis of finance costs from operations is as follows:

	2017	2018
	HK$	*HK$*
Interests on margin loans payable	28,724,758	9,047,063

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong:

	Note	2017	2018
		HK$	*HK$*
Hong Kong profits tax			
Charge for the year		19,988,157	43,127,820
Overprovision in prior year		—	(2,359,495)
Deferred tax	20	112,969,008	33,148,500
The People's Republic of China withholding tax			
Charge for the year		2,256,460	9,922,772
		135,213,625	83,839,597

A reconciliation of tax expense and profit before tax at the Hong Kong statutory tax rate in which the Group's major operating subsidiaries are domiciled is as follows:

	2017	2018
	HK$	*HK$*
Profit before tax	808,585,471	608,965,226
Tax at statutory tax rate of 16.5% (2017: 16.5%)	133,416,603	100,479,262
Tax effect of non-taxable income	(3,834,400)	(25,554,680)
Tax effect of non-deductible expenses	3,308,966	1,355,050
Tax effect of unrecognized temporary difference	13,522	16,553
Tax effect of tax loss not recognized	64,264	10,797
Overprovision in prior year	—	(2,359,495)
Utilization of tax losses previously not recognized	(11,790)	(30,662)
Withholding tax on the dividend income	2,256,460	9,922,772
Income tax expense	135,213,625	83,839,597

10. EARNINGS PER SHARE ATTRIBUTABLE TO CLASS B ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share is calculated by dividing the profit for the year attributable to Class B ordinary equity holders of the parent by the number of Class B ordinary shares after the Reorganization as mentioned in note 1.2.

	2017	2018
Profit attributable to Class B ordinary equity holders of the parent (HK$)	568,266,428	468,061,079
Weighted average number of Class B ordinary shares	200,000,001	200,000,001
Earnings per Class B ordinary share — Basic (HK$ per Class B ordinary share)	2.84	2.34

In addition to the transactions detailed elsewhere in the consolidated financial statements, there have been no other transactions involving Class A and Class B ordinary shares or potential Class A and Class B ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

For the years ended December 2017 and 2018, there were no potential Class B ordinary shares in issue, thus no diluted earnings per share is presented.

11. ACCOUNTS RECEIVABLE

	Notes	January 1, 2017	December 31, 2017	December 31, 2018
		HK$	HK$	HK$
Clients' receivables	(i)	21,651,015	15,747,620	12,848,608
Margin loan receivable	(ii)	—	—	2,575,051
Receivable from brokers and clearing house	(i)	9,318,158	7,869,727	10,813,497
Receivable from investment banking services	(iii)	62,034,192	69,555,369	134,855,898
		93,003,365	93,172,716	161,093,054

Notes:

(i) The normal settlement terms of clients' receivables and receivable from brokers and clearing house arising from asset management services are 2 days after trade date or at specific terms agreed with brokers and clearing houses. Overdue client's receivable is interest-bearing.

(ii) As at December 31, 2018, the Group received collateral of listed shares with fair value amounted to HK$3,808,116 in margin financing business. Margin loan receivable is interest-bearing.

(iii) The normal settlement terms of receivables from investment banking services are ranging from 60 to 120 days mutually agreed between the contracting parties. Receivable from investment banking services is non-interest bearing.

As at January 1, 2017 and December 31, 2018 the Group's receivables from investment banking service of HK$31,020,400 and HK$70,875,980 are due from fellow subsidiaries, which are repayable on similar credit terms to those offered to the major customers of the Group (Note 23(b)(ii)).

The Group seeks to maintain strict control over its outstanding receivables and has a credit control team to minimise credit risk. Overdue balances are reviewed regularly by senior management. Except the margin loan receivable, the Group does not hold any collateral over its accounts receivable.

An aging analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of loss allowance is as follows:

	January 1, 2017	December 31, 2017	December 31, 2018
	HK$	*HK$*	*HK$*
Not yet due	78,429,715	49,453,064	95,469,641
Past due			
Within 1 month	9,461,222	41,552,582	732,497
1 to 3 months	3,486,632	1,700,642	840,942
Over 3 months	1,625,796	466,428	64,049,974
	93,003,365	93,172,716	161,093,054

As at January 1, 2017 and December 31, 2017 and 2018, accounts receivable were due from a number of reputable corporate clients, brokers and individual clients.

Margin loan receivable are assessed for impairment under stage 1 of general approach. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at December 31, 2018 was considered to be minimal and no loss allowance for margin loan receivable was provided.

An impairment analysis of clients' receivables, receivable from brokers and clearing house receivable from investment banking services is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various segments with similar loss patterns (i.e., by customer type and reference rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
As at January 1, 2017					
Expected credit loss rate	0.07%	0.08%	0.08%	0.13%	0.07%
Gross carrying amount (HK$'000)	78,430	9,461	3,486	1,626	93,003

	Current	Past due Less than 1 month	Past due 1 to 3 months	Past due Over 3 months	Total
As at December 31, 2017					
Expected credit loss rate	0.06%	0.08%	0.08%	0.06%	0.07%
Gross carrying amount (HK$'000)	49,453	41,553	1,701	466	93,173

	Current	Past due Less than 1 month	Past due 1 to 3 months	Past due Over 3 months	Total
As at December 31, 2018					
Expected credit loss rate	0.13%	—	0.10%	0.22%	0.17%
Gross carrying amount (HK$'000)	95,470	719	828	61,501	158,518

The expected credit losses as at January 1, 2017 and December 31, 2017 and 2018 were immaterial and no loss allowance for accounts receivable was provided.

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	January 1, 2017 *HK$*	December 31, 2017 *HK$*	December 31, 2018 *HK$*
Prepayments	15,886,638	21,371,334	27,301,254
Deposits	1,016,133	456,150	451,759
Other receivables	2,531,457	1,375,959	5,590,846
	19,434,228	23,203,443	33,343,859

Deposits and other receivables mainly represent rental deposits and deposits with event organisers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings.

As at January 1, 2017, December 31, 2017 and 2018, the probability of default applied ranged from 0.05% to 0.60% and the loss given default was estimated to be 45%. The recoverability was assessed with reference to the credit status of the debtors, and the expected credit loss as at January 1, 2017 and December 31, 2017 and 2018 is considered to be minimal.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND STOCK LOAN

	January 1, 2017	December 31, 2017	December 31, 2018
	HK$	*HK$*	*HK$*
Financial assets at fair value through profit or loss	989,728,800	745,629,400	1,953,078,309
Stock loan	—	2,203,140,000	1,535,679,600
	989,728,800	2,948,769,400	3,488,757,909
Listed equity shares, at quoted price			
—Investment A	404,728,800	—	—
—Investment B	585,000,000	2,933,140,000	3,134,040,000
—Investment C	—	—	73,476,000
Total listed equity shares, at quoted price	989,728,800	2,933,140,000	3,207,516,000
Unlisted debt securities			
—Investment D	—	—	78,316,000
Unlisted equity shares			
—Investment E	—	15,629,400	47,417,581
—Investment F	—	—	155,508,328
Total unlisted equity shares	—	15,629,400	202,925,909
	989,728,800	2,948,769,400	3,488,757,909

The above unlisted investments at December 31, 2017 and 2018 were debt securities and equity shares issued by enterprises. The Group has not elected to recognize the fair value gain or loss through other comprehensive income. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Financial assets at fair value through profit or loss are categorised into levels 1 and 3.

As at January 1, 2017 and December 31, 2017 and 2018, the Group's listed equity investment with carrying amounts of HK$989,728,800, HK$730,000,000 and HK$1,598,360,400, respectively, were pledged against its margin loans payable (note 18).

On September 17, 2017, the Group entered into a stock borrowing and lending agreement ("stock loan") with the intermediate holding company, pursuant to which the Group lent certain listed equity investment in Bank of Qingdao Co., Ltd. to the intermediate holding company. The stock loan is repayable on demand and interest free.

The intermediate holding company pledged the listed equity shares to a third party as collateral with maturity in 2022. In October 2018, the Group demanded and recalled 104,918,000 shares of listed equity investment with carrying amounts of HK$660,983,400.

As at December 31, 2017 and 2018, the fair value of the listed equity shares under the stock loan were HK$2,203,140,000 and HK$1,535,679,600, respectively. And the net unrealized gain on the stock loan were HK$539,660,652 and HK$98,441,000 for the years ended December 31, 2017 and 2018, respectively.

14. CASH AND BANK BALANCES

	January 1, 2017	**December 31, 2017**	**December 31, 2018**
	HK$	*HK$*	*HK$*
Cash and cash equivalents:			
Cash on hand	31,031	31,031	31,031
General bank accounts	69,478,796	86,384,251	126,824,487
Total cash and cash equivalents	69,509,827	86,415,282	126,855,518
Segregated clients' bank accounts balances:			
Insurance brokerage business and others	12,924,508	20,568,024	29,395,158
Asset management business	350,184,509	382,923,675	586,096,042
Total segregated clients' bank accounts balances	363,109,017	403,491,699	615,491,200
Total cash and bank balances	432,618,844	489,906,981	742,346,718

Cash at banks earns interest at floating rates based on daily bank deposit rates for both years. The bank balances are deposited with creditworthy banks with no recent history of default.

The Group maintains segregated bank accounts with corporate banks to hold clients' monies on trust under custody arising from its asset management and other business. The Group has classified the clients' monies as bank balances-segregated accounts under the assets section of the consolidated statement of financial position and recognized the corresponding amounts as clients' monies held on trust to respective clients on the basis that it is legally liable for any possible loss or misappropriation of the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Computer equipment	Total
	HK$	*HK$*	*HK$*
Cost:			
At January 1, 2017	11,090	3,907,006	3,918,096
Additions	—	138,704	138,704
At December 31, 2017 and January 1, 2018	11,090	4,045,710	4,056,800
Additions	—	14,214	14,214
At December 31, 2018	11,090	4,059,924	4,071,014
Accumulated depreciation:			
At January 1, 2017	1,842	3,223,993	3,225,835
Charge for the year	2,218	376,914	379,132
At December 31, 2017 and January 1, 2018	4,060	3,600,907	3,604,967
Charge for the year	2,218	332,623	334,841
At December 31, 2018	6,278	3,933,530	3,939,808
Carrying amount:			
At December 31, 2018	4,812	126,394	131,206
At December 31, 2017	7,030	444,803	451,833
At January 1, 2017	9,248	683,013	692,261

16. INTANGIBLE ASSETS

	HK$
Net carrying amount as at January 1, 2017, December 31, 2017 and 2018	15,171,170

The intangible assets represented securities trading licenses and trading right with indefinite useful lives because they are expected to contribute to the net cash flows of the Group indefinitely and therefore, are not amortized. The recoverable amount of the intangible assets is determined by reference to the market evidence of recent transaction prices for similar licensed corporations.

17. ACCOUNTS PAYABLE

	Note	**January 1, 2017**	**December 31, 2017**	**December 31, 2018**
		HK$	*HK$*	*HK$*
Payables to clearing house and brokers	(i)	372,000	2,857,658	3,153,820
Clients' payables	(i)	2,041,353	4,270,484	12,157,051
		2,413,353	7,128,142	15,310,871

Note:

(i) As at January 1, 2017, December 31, 2017 and 2018, payable to clearing house and brokers and clients' payable arising from assets management business are repayable 2 days after trade date or at pre-agreed-specific terms.

An aging analysis of the accounts payable as at the end of the reporting period is as follows:

	January 1, 2017	**December 31, 2017**	**December 31, 2018**
	HK$	*HK$*	*HK$*
Within 1 month/repayable on demand	2,413,353	7,128,142	15,310,871

The balances of accounts payable are unsecured and non-interest bearing.

18. MARGIN LOANS PAYABLE

As at January 1, 2017, December 31, 2017 and 2018, the balances are interest-bearing at a rate of 3.00% to 5.25% per annum ("p.a."), 5.25% p.a. and 6.75% p.a., respectively, and secured by the Group's financial assets at fair value through profit or loss of HK$989,728,800, HK$730,000,000 and HK$1,598,360,400, respectively (note 13).

19. OTHER PAYABLES AND ACCRUALS

	Note	**January 1, 2017** *HK$*	**December 31, 2017** *HK$*	**December 31, 2018** *HK$*
Accruals and other payables		9,579,790	6,516,678	25,011,870
Contract liabilities	(i)	—	—	55,111,818
		9,579,790	6,516,678	80,123,688

Note:

(i) Contract liabilities include upfront fees received to deliver asset management services. The Company started to receive advances from its customers of asset management services in 2018.

Movements in contract liabilities during the years ended December 31, 2017 and 2018 are as follows:

	HK$
At January 1, 2017, December 31, 2017 and January 1, 2018	—
Deferred revenue received during the year	58,344,702
Revenue recognized during the year	(3,232,884)
At December 31, 2018	55,111,818

20. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the years are as follows:

	Unrealized gain on investment
	HK$
At January 1, 2017	17,239,669
Deferred tax charged to profit or loss during the year (note 9)	112,969,008
At December 31, 2017 and January 1, 2018	130,208,677
Deferred tax charged to profit or loss during the year (note 9)	33,148,500
At December 31, 2018	163,357,177

As at January 1, 2017, December 31, 2017 and 2018 and the Group had estimated tax losses arising in Hong Kong of HK$878,358, HK$1,196,380 and HK$1,041,831 subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized in respect of the remaining tax losses arising in Hong Kong as it is not considered probable that taxable profits would be available against which the tax losses can be utilized.

21. SHARE CAPITAL AND CAPITAL RESERVE

Share Capital	
Authorized	
Class A ordinary shares	8,000,000,000
Class B ordinary shares	2,000,000,000
Issued and fully paid:	
Class B ordinary shares	200,000,001

As described in note 1.2, the issued capital of the Company is presented as if the shares after completion of the Reorganization were issued since inception. The carrying amount of the issued capital of HK$156,998 (equivalent to US$20,000) represents nominal amount of the 200,000,001 Class B ordinary shares at US$0.0001 per share issued by the Company.

All issued shares to the contributing shareholder of AMTD IHG, AMTD ISG, AMTD SI, AMTD Overseas and AMTD FI during the Reorganization are Class B ordinary shares.

Each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to vote at general meetings of the Company, and each Class B ordinary share shall entitle the holder thereof to twenty votes on all matters subject to vote at general meetings of the Company. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Except for the voting rights and the conversion rights, the Class A ordinary shares and the Class B ordinary shares shall rank pari passu with one another and shall have the same rights, preferences, privileges and restrictions.

Capital reserve

	Notes	*HK$*
As at January 1, 2017	(i)	33,333,003
Share capital of incorporated of subsidiary		1
Deemed contributions	(ii)	1,279,469,671
As at December 31, 2017		1,312,802,675
Share capital of incorporated of subsidiary		1
As at December 31, 2018		1,312,802,676

Notes:

(i) In prior year, when the immediate holding company restructured its organization, the equity interest of AMTD GM was transferred between two companies within its group. The amount of consideration in excess of the net asset value of AMTD GM on the transaction date was recorded in capital reserve.

(ii) For the year ended December 31, 2017, the intermediate holding company of AMTD ISG and AMTD SI issued new shares representing equity interest of 20.87% to independent investors. It was accounted for as an equity transaction with the non-controlling interests and a decrease in equity attributable to owners of the Company, and recorded in capital reserve, based on the proportionate share of the subsidiaries net assets of HK$34,009,199 upon issuance of new shares.

Besides, a balance of HK$1,313,478,870 due to the former holding company of a subsidiary was waived and recorded as deemed contribution.

22. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended December 31, 2017 and 2018, the Group purchased financial assets at fair value through profit or loss of HK$1,675,510,800 and HK$203,607,914, respectively, by way of current accounts with fellow subsidiaries.

During the year ended December 31, 2017, the repayment of margin loans payable of HK$248,183,452 was directly settled by sales proceeds upon the disposal of financial assets at fair value through profit or loss.

(b) Changes in liabilities arising from financing activities

	Margin loans payable
	HK$
At January 1, 2017	638,350,783
Changes from financing activities	(38,557,701)
Released from disposal of financial assets at fair value through profit or loss	(248,183,452)
Interest expenses	28,724,758
Interest paid	(28,724,758)
At December 31, 2017	351,609,630
Changes from financing activities	(29,610,081)
Interest expenses	9,047,063
Interest paid	(9,047,063)
At December 31, 2018	321,999,549

(c) Changes in the movement of balances with related parties

	2017		
	Related company	**Fellow subsidiaries**	**Immediate holding company**
	HK$	*HK$*	*HK$*
Operating activities	(2,104,418)	(663,904,382)	284,494,845
Financing activities	—	203,607,914	—
Net cash inflow/(outflow)	(2,104,418)	(460,296,468)	284,494,845

	2018		
	Related company	**Fellow subsidiaries**	**Immediate holding company**
	HK$	*HK$*	*HK$*
Operating activities	7,500	(2,375,375,220)	439,200,382
Financing activities	—	1,675,510,800	—
Net cash inflow/(outflow)	7,500	(699,864,420)	439,200,382

23. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the years:

	Note	**2017** *HK$*	**2018** *HK$*
Underwriting services rendered to immediate holding company	(i)	31,221,600	—
Underwriting services rendered to fellow subsidiaries	(i)	—	70,988,340
Management fee income from a fellow subsidiary	(i)	2,231,559	—
Investment advisory fee paid to a fellow subsidiary	(i)	15,000	180,000
Insurance commission paid to a fellow subsidiary	(i)	81,606	57,063
Asset management services rendered to a fellow subsidiary	(i)	—	5,784,775
Acquisition of investment from a fellow subsidiary	(ii)	—	72,072,000
Recharge from/(to) immediate holding company			
— Staff costs		66,163,850	11,678,050
— Premises cost		17,910,916	9,329,432
— Office renovation		14,118,570	1,250,906
— Other operating expenses/(income), net		10,512,120	(1,753,759)
	(iii)	108,705,456	20,504,629

Notes:

(i) The terms of these services were comparable to the fee and conditions offered to the major customers of the Group.

(ii) The transaction represented the transfer of 234,000 ordinary shares of a listed equity investment from its fellow subsidiary at the market price as of December 12, 2018.

(iii) During the years ended December 31, 2017 and 2018, staff costs, office renovation and other operating expenses (e.g. advertisement and promotional expense) were recharged by the immediate holding company based on the proportion of the Company's revenue to the consolidated revenue of the immediate holding company, net of expenses incurred by the Group. Premises cost was recharged based on the actual usage.

(iv) As at June 30, 2018, the Group transferred the retail insurance brokerage business to fellow subsidiaries at net asset value of HK$775,955, including accounts and other receivables of HK$1,366,402 and accounts and other payables of HK$590,447 through current accounts. The fellow subsidiaries were disposed by the immediate holding company to a third party on the same date.

(b) Outstanding balances with related parties:

(i) As at January 1, 2017, the Group had an outstanding balance due from a fellow subsidiary of HK$130,000,000 which was unsecured, bears interest of 2.5% per annum and repayable on demand. Interest receivable at January 1, 2017 amounted to HK$3,223,360 was included in due from fellow subsidiaries. During the year ended December 31, 2017, the outstanding balance of HK$130,000,000 became interest free. As at December 31, 2017, the outstanding balance of HK$130,000,000 and interest receivable of HK$3,223,360 were unsecured, interest free and repayable on demand and were included in amounts due from fellow subsidiaries. During the year ended December 31, 2018, the balances due from the fellow subsidiary were fully settled.

During the year ended December 31, 2017, the Group advanced HK$70,332,300 (equivalent to US$9,000,000), which was unsecured, interest free and repayable on demand, to the fellow subsidiary. At December 31, 2017, the outstanding balance of HK$70,332,300 was included in amounts due from fellow subsidiaries. During the year ended December 31, 2018, such balance was fully settled.

As at January 1, 2017 and December 31, 2017 and 2018, the Group's outstanding balances due from its fellow subsidiaries and immediate holding company arising from intercompany advances were unsecured, interest free and repayable on demand, except for the balances described above. As at January 1, 2017, December 31, 2017 and 2018, there was no provision of credit loss on amounts due from fellow subsidiaries and immediate holding company.

As at January 1, 2017 and December 31, 2017 and 2018, the Group's outstanding balances due to its fellow subsidiaries and immediate holding company arising from intercompany advances were unsecured, interest free and repayable on demand.

(ii) As at January 1, 2017 and December 31, 2018, the Group had an outstanding accounts receivable balance due from its fellow subsidiaries of HK$31,020,400 and HK$70,875,980, respectively. The balances was arising from the provision of investment banking services were non-interest bearing with settlement terms mutually agreed by both parties.

(iii) As at January 1, 2017, December 31, 2017 and 2018, the Group had an outstanding balance due from its related company, a company associated with the major shareholder of HK$1,988,101, HK$4,092,519 and HK$4,085,019, respectively. This balance is unsecured, interest free and repayable on demand. As at January 1, 2017, December 31, 2017 and 2018, there was no provision of credit loss on amount due from a related company.

(iv) As at January 1, 2017 and December 31, 2017, the Group held listed equity shares with fair value of HK$1,152,000,000 and HK$489,600,000, respectively, through a share custody entrustment agreement with a fellow subsidiary. The fellow subsidiary was the beneficiary owner of the shares and therefore the fellow subsidiary recorded the listed equity shares as its financial assets. The listed equity shares were used to secure part of the Group's margin loan payable as at January 1, 2017 and December 31, 2017, respectively. The fellow subsidiary shall bear all costs and expenses in connection with custody, acquisition and disposal of the listed equity shares. The Group recorded other income from a fellow subsidiary of HK$15,285,311 and HK$3,666,040 for the years ended December 31, 2017 and 2018, respectively, in connection with the reimbursement of interest expenses of the related margin loan payable. As at December 31, 2018, the Group did not hold any listed equity shares through a share custody entrustment agreement.

(c) Compensation of key management personnel of the Group:

	2017	**2018**
	HK$	*HK$*
Short-term employee benefits	8,745,651	19,473,470
Post-employment benefit	—	—
Other long-term benefit	53,624	61,428
	8,799,275	19,534,898

24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at January 1, 2017

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily required to be measured at fair value	**Financial assets at amortized cost**	**Total**
	HK$	*HK$*	*HK$*
Accounts receivable	—	93,003,365	93,003,365
Financial assets included in prepayments, other receivables and other assets	—	3,547,590	3,547,590
Due from a related company	—	1,988,101	1,988,101
Due from immediate holding company	—	25,933,563	25,933,563
Due from fellow subsidiaries	—	1,256,262,495	1,256,262,495
Financial assets at fair value through profit or loss	989,728,800	—	989,728,800
Cash and bank balances — general accounts	—	69,509,827	69,509,827
Bank balances — segregated accounts	—	363,109,017	363,109,017
	989,728,800	1,813,353,958	2,803,082,758

Financial liabilities

	Financial liabilities at amortized cost
	HK$
Clients' monies held on trust	339,791,599
Accounts payable	2,413,353
Margin loans payable	638,350,783
Other payables and accruals	9,579,790
Due to fellow subsidiaries	95,368,418
Due to immediate holding company	1,381,888,789
	2,467,392,732

As at December 31, 2017

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily required to be measured at fair value	Financial assets at amortized cost	Total
	HK$	*HK$*	*HK$*
Accounts receivable	—	93,172,716	93,172,716
Financial assets included in prepayments, other receivables and other assets	—	1,832,109	1,832,109
Due from a related company	—	4,092,519	4,092,519
Due from fellow subsidiaries	—	2,458,702,841	2,458,702,841
Financial assets at fair value through profit or loss	745,629,400	—	745,629,400
Stock loan	2,203,140,000	—	2,203,140,000
Cash and bank balances — general accounts	—	86,415,282	86,415,282
Bank balances — segregated accounts	—	403,491,699	403,491,699
	2,948,769,400	3,047,707,166	5,996,476,566

Financial liabilities

	Financial liabilities at amortized cost
	HK$
Clients' monies held on trust	383,304,389
Accounts payable	7,128,142
Margin loans payable	351,609,630
Other payables and accruals	6,516,678
Due to fellow subsidiaries	853,123,095
Due to immediate holding company	1,640,450,071
	3,242,132,005

As at December 31, 2018

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily required to be measured at fair value	Financial assets at amortized cost	Total
	HK$	*HK$*	*HK$*
Accounts receivable	—	161,093,054	161,093,054
Financial assets included in prepayment, other receivables and other assets	—	6,042,605	6,042,605
Due from a related company	—	4,085,019	4,085,019
Due from immediate holding company	—	66,141,756	66,141,756
Due from fellow subsidiaries	—	2,596,118,859	2,596,118,859
Financial assets at fair value through profit or loss	1,953,078,309	—	1,953,078,309
Stock loan	1,535,679,600	—	1,535,679,600
Cash and bank balances — general accounts	—	126,855,518	126,855,518
Bank balances — segregated accounts	—	615,491,200	615,491,200
	3,488,757,909	3,575,828,011	7,064,585,920

Financial liabilities

	Financial liabilities at amortized cost
	HK$
Clients' monies held on trust	586,891,255
Accounts payable	15,310,871
Margin loans payable	321,999,549
Other payables and accruals	25,011,870
Due to fellow subsidiaries	574,202,907
Due to immediate holding company	2,145,792,209
	3,669,208,661

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			**Fair values**		
	January 1, 2017	**December 31, 2017**	**December 31, 2018**	**January 1, 2017**	**December 31, 2017**	**December 31, 2018**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Financial assets						
Financial assets at fair value through profit or loss	989,728,800	745,629,400	1,953,078,309	989,728,800	745,629,400	1,953,078,309
Stock loan	—	2,203,140,000	1,535,679,600	—	2,203,140,000	1,535,679,600
	989,728,800	2,948,769,400	3,488,757,909	989,728,800	2,948,769,400	3,488,757,909

Management has assessed that the fair values of cash and cash balances, accounts receivable, financial assets included in prepayments, other receivables and other assets, accounts payable, other payables and accruals, clients' monies held on trust, margin loans payable, and balances with a related company, fellow subsidiaries and immediate holding company, approximate to their carrying amounts largely due to the short-term maturities of these instruments or repayable on demand.

The Group's finance department headed by the finance director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance director reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The valuation procedures applied include consideration of recent transactions in the same security or financial instrument, recent financing of the investee companies, economic and market conditions, current and projected financial performance of the investee companies, and the investee companies' management team as well as potential future strategies to realize the investments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

As at December 31, 2018, the fair values of unlisted debt securities- investment D and unlisted equity investment- investment F were based on the prices of recent transactions of the same instruments with the same rights of the same issuers that occurred within 12 months.

As at December 31, 2017, the fair value of unlisted equity investment- investment E was based on the prices of recent transactions occured within 12 months without adjustment. The fair value of unlisted equity investment- investment E has been estimated using a equity value allocation valuation technique based on assumptions that are supported by observable recent transactions with similar risk characteristics. The valuation requires management to estimate the expected equity volatility and hence they are subject to uncertainty. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting periods.

Below is a summary of significant unobservable inputs to valuation of financial instruments together with a quantitative sensitivity analysis as at December 31, 2018:

	Valuation Technique	**Significant unobservable input**	**Input**	**Sensitivity of value to the input**
Unlisted equity investment	Equity value allocation	Equity volatility	56.72%	5% increase/decrease in volatity result in increase/decrease in fair value by 0.27%/0.15%

Fair Value Hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
As at January 1, 2017				
Financial assets at fair value through profit or loss	989,728,800	—	—	989,728,800
As at December 31, 2017				
Financial assets at fair value through profit or loss	730,000,000	—	15,629,400	745,629,400
Stock loan	2,203,140,000	—	—	2,203,140,000
	2,933,140,000	—	15,629,400	2,948,769,400
As at December 31, 2018				
Financial assets at fair value through profit or loss	1,671,836,400	—	281,241,909	1,953,078,309
Stock loan	1,535,679,600	—	—	1,535,679,600
	3,207,516,000	—	281,241,909	3,488,757,909

During the years ended December 31, 2017 and 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The movements in fair value measurements within Level 3 during the years are as follow:

	2017	2018
	HK$	*HK$*
Unlisted debt securities and unlisted equity shares at fair value through profit or loss		
At January 1	—	15,629,400
Total unrealized gain recognized in profit or loss	18,600	54,156,295
Purchase	15,610,800	211,456,214
At December 31	15,629,400	281,241,909

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial assets and liabilities such as financial assets at fair value through profit or loss, stock loan, accounts receivable, accounts payable, financial assets included in prepayments, other receivables and other assets, other payables and accruals, clients' monies held on trust, margin loans payable, amounts with related company, fellow subsidiaries and immediate holding company which primarily arise directly from its operations.

The main risks arising from the Group's financial instruments are price risk, foreign currency risk, credit risk and liquidity risk. Management manages and monitors these risks to ensure appropriate measures are implemented on a timely and effective manner.

Price risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual securities.

The Group is exposed to equity securities price risk because certain investments held by the Group are classified in the consolidated statements of financial position as financial assets at fair value through profit or loss. Result for the year would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through profit or loss. At December 31, 2017 and 2018, if there had been a 5% increase/decrease in the market value of financial assets at fair value through profit or loss with all other variables held constant, the Group's profit before tax would have been approximately HK$146,657,000 and HK160,375,800 higher/lower.

The Group has not entered into derivative to manage such exposure.

The Group had concentration risk in its strategic investment segment as 59%, 25% and 46% of financial assets at fair value through profit or loss and stock loan at January 1, 2017, December 31, 2017 and 2018, respectively, and 100% of stock loan at December 31, 2017 and 2018 were investment in listed equity shares of Bank of Qingdao Co., Ltd.

Foreign currency risk

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the Group, i.e. HK$, and therefore the Group is exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise. As HK$ is currently pegged to United States dollars ("US$"), management considers that there is no significant foreign currency risk arising from the Group's monetary assets denominated in US$.

The Group's key currency risk exposure primarily arises from accounts receivable and bank balances denominated in Australian Dollar ("AUD"), Euro ("EUR"), RMB and Taiwan New Dollar ("TWD"). As at December 31, 2017 and 2018, the carrying amounts of the Group's major foreign currency denominated monetary assets are as follows:

Foreign currency sensitivity

If AUD had appreciated/depreciated by 5% with all other variables held constant, the impact on the Group's profit before tax for the year would be HK$84,996 and HK$3,536 for the years ended December 31, 2017 and 2018, respectively.

If EUR had appreciated/depreciated by 5% with all other variables held constant, the impact on the Group's profit before tax for the year would be HK$4,903 for the year ended December 31, 2017.

If RMB had appreciated/depreciated by 5% with all other variables held constant, the impact on the Group's profit before tax for the year would be HK$13,163 and HK$12,405 for the years ended December 31, 2017 and 2018, respectively.

If TWD had appreciated/depreciated by 5% with all other variables held constant, the impact on the Group's profit before tax for the year would be HK$277,654 and HK$74,959 for the years ended December 31, 2017 and 2018, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year-end exposure does not reflect the exposure during the years ended December 31, 2017 and 2018.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a mean of mitigating the risk of financial loss from defaults. The Group's exposure of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management and credit control team periodically.

The Group has concentration of credit risk as 50%, 41% and 45% of accounts receivables was due from the largest counterparty within investment banking segment at January 1, 2017, December 31, 2017 and 2018, respectively.

The carrying amount of financial assets recorded in the consolidated financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

The credit risk on liquid funds is limited because the counterparties are mainly banks and financial institutions with sound credit.

Maximum exposure and year-end staging as at January 1, 2017, December 31, 2017 and 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and the year-end staging classification as at January 1, 2017, December 31, 2017 and 2018. The amounts presented are gross carrying amounts for financial assets at amortized cost.

As at January 1, 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Accounts receivable*	—	—	—	93,003,365	93,003,365
Financial assets included in prepayments, other receivables and other assets					
— Normal**	3,547,590	—	—	—	3,547,590
— Doubtful**	—	—	—	—	—
Due from a related company					
— Normal**	1,988,101	—	—	—	1,988,101
— Doubtful**	—	—	—	—	—
Due from immediate holding company					
— Normal**	25,933,563	—	—	—	25,933,563
— Doubtful**	—	—	—	—	—
Due from fellow subsidiaries					
— Normal**	1,256,262,495	—	—	—	1,256,262,495
— Doubtful**	—	—	—	—	—
Bank balances-segregated accounts					
— Not yet past due	363,109,017	—	—	—	363,109,017
Cash and bank balances-general accounts					
— Not yet past due	69,509,827	—	—	—	69,509,827
	1,720,350,593	—	—	93,003,365	1,813,353,958

* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 11 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at December 31, 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Accounts receivable*	—	—	—	93,172,716	93,172,716
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,832,109	—	—	—	1,832,109
— Doubtful**	—	—	—	—	—
Due from a related company					
— Normal**	4,092,519	—	—	—	4,092,519
— Doubtful**	—	—	—	—	—
Due from fellow subsidiaries					
— Normal**	2,458,702,841	—	—	—	2,458,702,841
— Doubtful**	—	—	—	—	—
Bank balances-segregated accounts					
— Not yet past due	403,491,699	—	—	—	403,491,699
Cash and bank balances-general accounts					
— Not yet past due	86,415,282	—	—	—	86,415,282
	2,954,534,450	—	—	93,172,716	3,047,707,166

* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 11 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at December 31, 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Accounts receivable*	—	—	—	158,518,003	158,518,003
Accounts receivable					
— Normal**	2,575,051	—	—	—	2,575,051
— Doubtful**	—	—	—	—	—
Financial assets included in prepayments, other receivables and other assets					
— Normal**	6,042,605	—	—	—	6,042,605
— Doubtful**	—	—	—	—	—
Due from a related company					
— Normal**	4,085,019	—	—	—	4,085,019
— Doubtful**	—	—	—	—	—
Due from immediate holding company					
— Normal**	66,141,756	—	—	—	66,141,756
— Doubtful**	—	—	—	—	—
Due from fellow subsidiaries					
— Normal**	2,596,118,859	—	—	—	2,596,118,859
— Doubtful**	—	—	—	—	—
Bank balances-segregated accounts					
— Not yet past due	615,491,200	—	—	—	615,491,200
Cash and bank balances-general accounts					
— Not yet past due	126,855,518	—	—	—	126,855,518
	3,417,310,008	—	—	158,518,003	3,575,828,011

* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 11 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group aims to maintain cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and loans.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	January 1, 2017				
	Weighted average interest rate	**On demand or less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
	%	*HK$*	*HK$*	*HK$*	*HK$*
Accounts payable	N/A	2,413,353	—	—	2,413,353
Margin loans payable	3.00% - 5.25%	638,350,783	—	—	638,350,783
Clients' monies held on trust	N/A	339,791,599	—	—	339,791,599
Other payables and accruals	N/A	9,579,790	—	—	9,579,790
Due to fellow subsidiaries	N/A	95,368,418	—	—	95,368,418
Due to immediate holding company	N/A	1,381,888,789	—	—	1,381,888,789
		2,467,392,732	—	—	2,467,392,732

	December 31, 2017				
	Weighted average interest rate	**On demand or less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
	%	*HK$*	*HK$*	*HK$*	*HK$*
Accounts payable	N/A	7,128,142	—	—	7,128,142
Margin loans payable	5.25%	351,609,630	—	—	351,609,630
Clients' monies held on trust	N/A	383,304,389	—	—	383,304,389
Other payables and accruals	N/A	6,516,678	—	—	6,516,678
Due to fellow subsidiaries	N/A	853,123,095	—	—	853,123,095
Due to immediate holding company	N/A	1,640,450,071	—	—	1,640,450,071
		3,242,132,005	—	—	3,242,132,005

	Weighted average interest rate	December 31, 2018 On demand or less than 3 months	3 months to 1 year	1 to 5 years	Total
	%	HK$	HK$	HK$	HK$
Accounts payable	N/A	15,310,871	—	—	15,310,871
Margin loans payable	6.75%	321,999,549	—	—	321,999,549
Clients' monies held on trust	N/A	586,891,255	—	—	586,891,255
Other payables and accruals	N/A	25,011,870	—	—	25,011,870
Due to fellow subsidiaries	N/A	574,202,907	—	—	574,202,907
Due to immediate holding company	N/A	2,145,792,209	—	—	2,145,792,209
		3,669,208,661	—	—	3,669,208,661

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt which includes amounts due to immediate holding company, equity attributable to equity holders of the Group, comprising issued share capital, retained profits and reserves, as disclosed in consolidated statements of changes in equity.

As AMTD GM and AMTD AAAPL are licensed corporation under the Hong Kong Securities and Futures Ordinances, the Group is subject to statutory capital requirement and is required to maintain adequate financial resources to support its business. The Securities and Futures (Financial Resources) Rules require a licensed corporation to maintain liquid capital which is not less than its required liquid capital.

In addition, AMTD GM is a member of the Hong Kong Confederation of Insurance Brokers, which is required to maintain a minimum capital and net assets value of not less than HK$100,000.

There were no changes on the Group's approach to capital risk management during the years ended December 31, 2017 and 2018.

27. SUBSEQUENT EVENT

In preparing the consolidated financial statements, the Group has evaluated events and transactions for potential recognition and disclosure through June 20, 2019, the date of the audited consolidated financial statements were available to be issued.

On March 6, 2019, the Company entered into a repurchase and subscription agreement with AMTD Group and a holder of AMTD Group's medium term notes holder pursuant to which the notes holder agreed to subscribe the Company's warrant at a consideration of US$2 million on March 8, 2019. Pursuant to the same agreement, AMTD Group would settle the accrued and unpaid interest of US$1,413,701 with respect to the notes to the notes holder against the US$2 million warrant consideration. On March 8, 2019, the remaining warrant consideration was fully received by AMTD Group on behalf of the Company. The warrant subscriber is entitled to exercise, in full or in part, the warrants to purchase the Company's Class A ordinary shares during the period from March 8, 2019 until and including the date falling 10 days before the Group publicly files for a U.S. initial public offering. If the Group is not publicly listed within 18 months from March 8, 2019, or other mutually agreed day, the Group shall redeem the entire outstanding face value of the warrants from the subscriber up to US$3.68 million.

The warrant subscription price, net of the accrued and unpaid interest of AMTD Group was fully received by AMTD Group on behalf of the Company on March 8, 2019. The Company recorded US$2 million as amount due from immediate holding company. On April 10, 2019 the warrant holder exercised the warrants in full and paid an additional amount of US$10 million for 1,666,666 Class A ordinary shares.

Between April 26, 2019 and June 19, 2019 the Company issued 8,236,838 Class A ordinary shares to third parties for an aggregate consideration of US$53.5 million.

In June 2019, the Group adopted a share incentive plan (the "2019 Plan") for grants of share options, restricted shares, restricted share units or other types of award of the Company's ordinary shares to directors, employees and consultants of the Company and its subsidiaries. The 2019 Plan will expire on the tenth anniversary of the effective date. The maximum aggregate number of ordinary shares that may be issued pursuant to all awards under the 2019 Plan shall initially be 20,000,000 and on January 1 of each year after the effective date, automatically increase to the number of ordinary shares that is equal to 10% of the total issued and outstanding share capital of the Company as of December 31 of the preceding year. The maximum term to exercise of an option shall not exceed ten years from the date of the grant. However, for share options granted to any individual who owns more than 10% of the total combined voting power of all classes of shares of the Company or any parent or subsidiary of the Company, such options may not be exercisable for more than five years from the date of grant. As of the date of the consolidated financial statements were issued, the Group's board of directors has not approved any grants of share options, restricted shares or restricted share units to its directors, employees and consultants.

28. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on May 28, 2019, except for Note 27, as to which the date is June 20, 2019.

2. The following is an extract of the unaudited condensed financial statements of AMTD for the nine ended 30 September 2018 and 2019 from the interim financial results of AMTD for the nine months ended 30 September 2019 dated 31 December 2019.

AMTD INTERNATIONAL INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2019

	Nine months ended September 30,	
	2018	**2019**
	HK$	*HK$*
REVENUE		
Fee and commission income	246,622,869	422,052,516
Dividend and gain related to disposed investment	99,227,724	100,551,728
	345,850,593	522,604,244
Net fair value changes on financial assets at fair value through profit or loss	(488,890,720)	519,403,870
	(143,040,127)	1,042,008,114
Other income	15,387,129	7,466,148
Operating expenses, net	(47,045,850)	(74,136,643)
Staff costs	(60,973,034)	(78,102,347)
Finance costs	(6,546,500)	(16,162,042)
(LOSS) / PROFIT BEFORE TAX	(242,218,382)	881,073,230
Income tax credit / (expense)	51,594,722	(139,730,587)
(LOSS) / PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(190,623,660)	741,342,643
Attributable to:		
Owners of the parent	(116,643,176)	848,711,074
Non-controlling interests	(73,980,484)	(107,368,431)
	(190,623,660)	741,342,643

	Nine months ended September 30, 2018	2019
	HK$	HK$
(LOSS) / EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Class A ordinary shares:		
Basic, (loss) / profit for period attributable to ordinary equity holders of the parent	—	4.04
Diluted, (loss) / profit for period attributable to ordinary equity holders of the parent	—	4.04
Class B ordinary shares:		
Basic, (loss) / profit for period attributable to ordinary equity holders of the parent	(0.58)	4.04
Diluted, (loss) / profit for period attributable to ordinary equity holders of the parent	(0.58)	4.04

AMTD INTERNATIONAL INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 AND SEPTEMBER 30, 2019

	December 31, 2018	September 30, 2019
	HK$	*HK$*
Assets		
Current assets		
Accounts receivable	161,093,054	170,601,380
Prepayments, other receivables and other assets	33,343,859	53,511,853
Due from a related company	4,085,019	4,085,019
Due from the immediate holding company	66,141,756	1,951,534,980
Due from fellow subsidiaries	2,596,118,859	—
Financial assets at fair value through profit or loss	1,953,078,309	1,750,862,599
Stock loans	1,535,679,600	1,376,205,180
Derivative financial instruments	—	807,618,000
Cash and bank balances — general accounts	126,855,518	669,130,849
Bank balances — segregated accounts	615,491,200	287,968,500
Total current assets	7,091,887,174	7,071,518,360
Non-current assets		
Property, plant and equipment	131,206	45,437
Intangible assets	15,171,170	15,171,170
Total non-current assets	15,302,376	15,216,607
Total assets	7,107,189,550	7,086,734,967
Equity and liabilities		
Current liabilities		
Clients' monies held on trust	586,891,255	300,429,276
Accounts payable	15,310,871	6,725,012
Margin loans payable	321,999,549	321,775,552
Other payables and accruals	80,123,688	182,275,576
Due to fellow subsidiaries	574,202,907	—
Due to the immediate holding company	2,145,792,209	—
Tax payable	25,109,794	76,076,332
Total current liabilities	3,749,430,273	887,281,748
Non-current liabilities		
Deferred tax liabilities	163,357,177	242,913,577
Total liabilities	3,912,787,450	1,130,195,325

	December 31, 2018 *HK$*	September 30, 2019 *HK$*
Equity		
Share capital		
Class A ordinary shares (par value of US$0.0001 per share as at December 31, 2018 and September 30, 2019; nil and 8,000,000,000 shares authorized as at December 31, 2018 and September 30, 2019; nil and 33,777,159 shares issued and outstanding as at December 31, 2018 and September 30, 2019, respectively)	—	26,440
Class B ordinary shares (par value of US$0.0001 per share as at December 31, 2018 and September 30, 2019; 2,000,000,000 shares authorized as at December 31, 2018 and September 30, 2019; 200,000,001 shares issued and outstanding as at December 31, 2018 and September 30, 2019, respectively)	156,998	156,998
Capital reserves	1,312,802,676	3,768,803,001
Retained profits	1,338,842,129	2,187,553,203
Total ordinary shareholders' equity	2,651,801,803	5,956,539,642
Non-controlling interests	542,600,297	—
Total equity	3,194,402,100	5,956,539,642
Total liabilities and equity	7,107,189,550	7,086,734,967

2. MANAGEMENT DISCUSSION AND ANALYSIS OF AMTD FOR EACH OF THE YEAR ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2018 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2019

For the purpose of this section only, unless the context requires otherwise, references to the "Company", "we", "us" and "our" refer to AMTD. Terms used below shall have the same meanings set forth in the AMTD Prospectus or the interim financial results of AMTD (form 6-K) dated 31 December 2019, as the case may be.

1. The following is an extract of the management discussion and analysis of the results of AMTD for the year ended 31 December 2017 and 2018 from the AMTD Prospectus. The management discussion and analysis of the results of AMTD for the three months ended 31 March 2018 and 2019 is included for information purpose only.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the sections entitled "Risk Factors," "Prospectus Summary—Summary Consolidated Financial Data," "Selected Consolidated Financial Data," and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described under "Risk Factors" and elsewhere in this prospectus. See "Special Note Regarding Forward-Looking Statements." Our consolidated financial statements have been prepared in accordance with IFRS.

Overview

We are a leading Hong Kong-headquartered comprehensive financial institution. According to the CIC Report, we are the No. 1 independent investment banking firm in Asia as measured by both the number and the aggregate offering size of Hong Kong and U.S. IPOs completed in each of 2018 and the first quarter of 2019, and the largest independent asset management firm in Asia in serving both PRC regional banks and new economy companies as measured by AUM as of March 31, 2019.

We operate a full-service platform encompassing three business lines: investment banking, asset management, and strategic investment.

- ***Leading Investment Banking Business.*** We offer a broad range of investment banking services, including equity underwriting, debt underwriting, advisory (on credit rating, financing, and mergers and acquisitions transactions), securities brokerage, institutional sales and distribution, and research, among others. According to the CIC Report, we ranked first among all independent investment banking firms in Asia as measured by both the number and the aggregate offering size of Hong Kong and U.S. IPOs completed in each of 2018 and the first quarter of 2019, and ranked ninth and third as a bookrunner among all investment banking firms as measured by the number of Hong Kong IPOs priced in 2018 and in the first quarter of 2019, respectively. We also ranked in the top ten among all global investment banking firms operating in Asia (excluding China-headquartered investment banking firms) as measured by the aggregate number of high-yield bond offerings by China-based companies and AT1 capital preferred share offerings by PRC regional banks in 2018 and the first quarter of 2019.

- ***Top-tier Asset Management Services.*** We provide professional investment management and advisory services primarily to corporate and other institutional clients. According to the CIC Report, we are one of the five largest HKSFC-licensed asset management firms headquartered in Hong Kong, and also the largest independent asset management firm in Asia in serving both PRC regional banks and new economy companies, in each case as measured by AUM as of March 31, 2019. Our AUM was HK$20.8 billion (US$2.6 billion) as of March 31, 2019, of which 24% is attributable to PRC regional banks and 71% is attributable to new economy companies.

- ***Proven Strategic Investment Platform.*** We make long-term strategic investments focusing on Asia's financial and new economy sectors. Through investing in market leaders and technological innovators, we gain access to unique opportunities and resources that complement our other businesses and augment our "AMTD SpiderNet" ecosystem. In 2018, we recorded dividend and gain related to disposed investment of HK$99.2 million (US$12.6 million). For the three months ended March 31, 2019, we did not record dividend and gain related to disposed investment as our investee companies typically do not distribute dividend in the first quarter of each year. For the year ended December 31, 2018 and the three months ended March 31, 2019, we recorded net fair value changes on financial assets at fair value through profit or loss of HK$256.5 million (US$32.7 million) and HK$124.2 million (US$15.8 million), respectively, both from our strategic investment business.

General Factors Affecting Our Results of Operations

Our business and results of operations are affected by a number of general factors affecting the financial services industry in Hong Kong, including:

- the overall economic environment in Hong Kong and China;

- the conditions and trends of capital markets; and

- government policies and initiatives affecting the financial services industry in Hong Kong and China.

Unfavorable changes in any of these general conditions could adversely affect demand for our services and materially and adversely affect our results of operations. However, the Hong Kong and PRC governments' development plans and policies, including those relating to the development of the Greater Bay Area, are expected to boost the future development of the financial services industry in Hong Kong.

Specific Factors Affecting Our Results of Operations

Our business lines and revenue mix

Our businesses have different future growth prospects and, as a result, any material changes in the contribution mix of our business lines, whether due to changes in our growth strategies, market conditions, client demand, or other reasons, may affect our results of operations. The results of our investment banking and strategic investment businesses may fluctuate, sometimes significantly, due to market conditions. Positive market conditions may generally result in larger average transaction size of public equity and debt offerings and higher valuation of private companies, which in turn may strengthen the results of our investment banking and strategic investment businesses. On the other hand, these businesses may be affected by negative market conditions and report results below expectation. Our historical results of operations were significantly affected by the revenue contribution of our investment banking and strategic investment businesses. For the years ended December 31, 2017 and 2018 and the three months ended March 31, 2019, fee and commission income from our investment banking business and asset management business accounted for 27.0%, 50.8%, and 59.4% of our total revenue, respectively; dividend and gain related to disposed investment from our strategic investment business accounted for 6.7%, 13.7%, and nil of our total revenue, respectively; and net fair value changes on financial assets at fair value through profit or loss from our strategic investment business accounted for 66.3%, 35.5%, and 40.6% of our total revenue, respectively.

We seek to optimize our revenue mix by increasing the revenue contribution from our asset management business, which is generally perceived to have steady growth potential. We also seek to further expand our investment banking business as we strengthen our brand image in the capital markets. Our future results of operations could be materially affected by our ability to develop and bring new services to market, to deal with new clients and counterparties, to manage new asset classes, and to engage in new markets.

Our ability to expand our investment banking business

The investment banking business is the largest driver for our fee and commission income. Due to the nature of public and private capital raising transactions, transaction value is a principal factor affecting the prospects and results of operations of our investment banking business. The transaction value in turn could be affected by various factors, such as the macroeconomic environment, market conditions, competition, our brand and reputation, and our performance in delivering satisfactory results to clients. Any change in these factors could materially affect our results of operations. For our investment banking business, we charge fees and commissions by a percentage of the underlying transaction value and record them as fee and commission income. Although market practices allow micro-adjustments of fee percentages upward or downward for transactions of smaller or larger sizes, respectively, such micro-adjustments do not negate the significant impact of transaction value on our results of operations. A significant increase or decrease in the aggregate value of underlying transactions during a reporting period could result in a significant increase or decrease in our fee and commission income, which in turn could affect our results of operations. In addition, the results of operations of our investment banking business is also affected by the rate of fees and commissions that we collect in capital raising transactions, which in turn could be affected by our role in the capital raising transactions. As we continue to accumulate investment banking transaction experience and strengthen our brand image, we expect to further increase our exposure to larger, more complex transactions and our contribution to the underwriting syndicate, which may further improve our results of operations.

Our ability to make sound investment decisions

We derive a significant portion of our revenue from our strategic investment business, where we make principal investments using entirely our own capital. For the years ended December 31, 2017 and 2018 and the three months ended March 31, 2019, dividend and gain related to disposed investment from our strategic investment business accounted for 6.7%, 13.7%, and nil of our total revenue, respectively, and net fair value changes on financial assets at fair value through profit or loss from our strategic investment business accounted for 66.3%, 35.5%, and 40.6% of our total revenue, respectively. The fair value of our investment holdings may fluctuate due to market volatility, performance, or other reasons, and the growth of our strategic investment business depends, in part, on our ability to make sound investment decisions. Making a sound investment decision requires us to carefully identify and select a target company based on its business, financial condition, operations, and the industry in which it operates, and could significantly improve our results of operations.

Our ability to attract, retain, and motivate people

It is essential for us to attract, retain, and motivate talent because our businesses are human capital intensive. We believe that it is necessary and customary to invest in people, arguably our most important assets, with attractive compensation packages, as we compete to attract, retain, and motivate qualified employees. Our staff costs for the years ended December 31, 2017 and 2018 and the three months ended March 31, 2019, were HK$102.2 million, HK$68.0 million (US$8.7 million), and HK$19.8 million (US$2.5 million), respectively, representing 9.9%, 9.4%, and 6.5% of our total revenue for the corresponding periods. Our staff costs have historically been comprised of entirely cash-based compensation and benefits, although we may establish employee equity incentive plans to further invest in our people, for which we may incur share-based compensation expenses that could adversely affect our results of operations. Nevertheless, highly incentivized professionals and other talent could potentially enable us to achieve great business prospects and results of operations.

Our ability to comply with regulatory requirements

Our investment banking and asset management businesses are subject to various regulatory regimes in Hong Kong. Compliance with regulatory requirements will result in higher operating expenses. Two of our subsidiaries, AMTD Global Markets Limited and Asia Alternative Asset Partners Limited, are HKSFC-licensed companies subject to various requirements of minimum paid-up capital and minimum liquidity under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. The relevant capital requirements may be changed over time or subject to different interpretations by relevant governmental authorities, all of which are out of our control. Any increase of the relevant capital requirements or stricter enforcement or interpretation of the same may affect our business activities and liquidity.

Key Components of Results of Operations

Revenue

Our revenue consists of (i) fee and commission income, (ii) dividend and gain related to disposed investment, and (iii) net fair value changes on financial assets at fair value through profit or loss. The following table sets forth a breakdown of our revenue in absolute amount and as a percentage of total revenue for the periods presented.

	For the Year Ended December 31,					For the Three Months Ended March 31,				
	2017		2018			2018		2019		
	HK$	*%*	*HK$*	*US$*	*%*	*HK$*	*%*	*HK$*	*US$*	*%*
	(in thousands, except for percentages)									
Revenue										
Fee and commission income	278,976	27.0	367,538	46,821	50.8	22,792	(12.3)	181,523	23,125	59.4
Dividend and gain related to disposed investment	69,509	6.7	99,228	12,641	13.7	—	—	—	—	—
Net fair value changes on financial assets at fair value through profit or loss	684,679	66.3	256,460	32,671	35.5	(208,571)	112.3	124,156	15,816	40.6
Total	1,033,164	100.0	723,226	92,133	100.0	(185,779)	100.0	305,679	38,941	100.0

Fee and commission income

The following table sets forth a breakdown of our fee and commission income in absolute amount and as a percentage of total fee and commission income for the periods presented.

	For the Year Ended December 31,					For the Three Months Ended March 31,				
	2017		2018			2018		2019		
	HK$	*%*	*HK$*	*US$*	*%*	*HK$*	*%*	*HK$*	*US$*	*%*
	(in thousands, except for percentages)									
Fee and Commission Income										
Investment banking fees and commissions	208,163	74.6	288,591	36,764	78.5	9,806	43.0	149,763	19,079	82.5
Asset management fees and other income	70,813	25.4	78,947	10,057	21.5	12,986	57.0	31,760	4,046	17.5
Total	278,976	100.0	367,538	46,821	100.0	22,792	100.0	181,523	23,125	100.0

We derive fee and commission income from two business lines: investment banking and asset management. Investment banking business represents the primary source of our fee and commission income, which we earn primarily from underwriting IPOs and bond offerings and advising on private financing and mergers and acquisitions transactions. We also derive asset management fees and other income from asset management business.

We charge asset management fees on a client-by-client basis with reference to the size of AUM and do not distinguish among product types when determining asset management fee rates. The following table sets forth the rollforward of our AUM for the periods presented.

	For the Year Ended December 31,			For the Three Months Ended March 31,		
	2017	2018		2018	2019	
	HK$	*HK$*	*US$*	*HK$*	*HK$*	*US$*
			(in thousands)			
AUM						
Balance at the beginning of the period	8,294,221	14,822,265	1,888,235	14,822,265	18,263,267	2,326,591
Gross inflow[1]	23,570,034	26,873,309	3,423,439	2,572,268	13,516,511	1,721,892
Gross outflow[2]	(17,690,026)	(22,819,606)	(2,907,030)	(1,379,917)	(11,304,596)	(1,440,113)
Appreciation/ (Depreciation) of clients' portfolio[3]	648,036	(612,701)	(78,053)	(77,919)	280,445	35,726
Balance at the end of the period	14,822,265	18,263,267	2,326,591	15,936,697	20,755,627	2,644,096

Notes:

(1) Gross inflow represents cash and stock deposits.

(2) Gross outflow represents cash and stock withdrawals.

(3) Appreciation/(Depreciation) of clients' portfolio represents net balance of dividend and coupon received, fee charges, and fair value change of clients' portfolio.

The following table sets forth the weighted average asset management fee rates for the periods presented.

	For the Year Ended December 31,		For the Three Months Ended March 31,	
	2017	**2018**	**2018**	**2019**
Weighted Average Asset Management Fee Rate[1]	0.55%	0.45%	0.08%	0.16%

Note:

(1) Calculated by dividing total asset management fee income for the period by average AUM for the corresponding period, which is in turn calculated by dividing the sum of AUM at the beginning and end of the relevant period by two.

The weighted average asset management fee rate decreased from 0.55% in 2017 to 0.45% in 2018, primarily due to significant additional AUM attributable to a PRC bank client subject to below-average asset management fee rate and reduced performance fee income due to challenging global market conditions in 2018. The weighted average asset management fee rate increased from 0.08% for the three months ended March 31, 2018 to 0.16% for the three months ended March 31, 2019, primarily due to additional AUM attributable to new economy company clients subject to above-average asset management fee rate since the fourth quarter of 2018. On an annualized basis, the annualized weighted average asset management fee rate for the three months ended March 31, 2019 would have been higher than the weighted average asset management fee rate in 2018.

Dividend and gain related to disposed investment

We make equity investments with our own capital in companies of our strategic choice, and we intend to hold our strategic investments on a long-term basis. Our dividend and gain related to disposed investment in 2017 primarily consist of a gain of HK$46.9 million attributable to the disposal of our investments in 2017. Our dividend and gain related to disposed investment in 2018 solely consisted of dividend income attributable to our equity holdings in Bank of Qingdao.

Net fair value changes on financial assets at fair value through profit or loss

We record net fair value changes on financial assets at fair value through profit or loss with respect to our strategic investments, which primarily include equity investments in Bank of Qingdao and three private companies. For a discussion of fair value measurement of our financial assets, see "—Significant Accounting Policies—Fair Value Measurement" and "—Significant Accounting Policies—Investments and Other Financial Assets." For a discussion of our investment portfolio, see "Business—Our Services—Strategic Investment—Investment Portfolio."

Other income

Other income consists of (i) bank interest income, (ii) income attributable to the reimbursement of interest expenses paid on behalf of a Controlling Shareholder's subsidiary, and (iii) other non-recurring miscellaneous income.

Operating expenses

Our operating expenses consist of (i) marketing and brand promotional expenses relating to brand building and promotion, (ii) premises costs and office utilities, (iii) traveling expenses for domestic and international travel and business development, (iv) commissions paid to asset management sales personnel and bank charges, (v) office renovation and maintenance expenses, (vi) legal and professional fees for business development, (vii) staff welfare and recruitment expenses, (viii) stamp duty paid in connection with our restructuring, and (ix) other miscellaneous expenses.

The following table sets forth a breakdown of our operating expenses in absolute amount and as a percentage of total operating expenses for the periods presented.

	For the Year Ended December 31,					For the Three Months Ended March 31,				
	2017		2018			2018		2019		
	HK$	*%*	*HK$*	*US$*	*%*	*HK$*	*%*	*HK$*	*US$*	*%*
	(in thousands, except for percentages)									
Operating Expenses										
Marketing and brand promotional expenses	26,208	23.5	11,864	1,512	22.6	4,484	32.7	4,401	561	17.7
Premises costs and office utilities	25,783	23.1	15,583	1,985	29.6	3,869	28.2	5,990	763	24.1
Traveling and business development expenses	18,460	16.5	10,860	1,384	20.7	2,526	18.4	3,251	414	13.1
Commissions and bank charges	7,978	7.2	5,198	662	9.9	953	6.9	2,364	301	9.5
Office renovation and maintenance expenses	15,880	14.2	1,603	204	3.0	468	3.4	597	76	2.4
Legal and professional fees	5,772	5.2	2,439	311	4.6	283	2.1	5,384	686	21.6
Staff welfare and staff recruitment expenses	7,637	6.9	3,660	466	7.0	904	6.6	625	80	2.5
Stamp duty	—	—	—	—	—	—	—	2,116	270	8.5
Others	3,845	3.4	1,375	175	2.6	238	1.7	145	18	0.6
Total	111,563	100.0	52,582	6,699	100.0	13,725	100.0	24,873	3,169	100.0

Staff costs

Staff costs consist of employee salaries, bonuses, and pension scheme contributions. The following table sets forth a breakdown of our staff costs for the periods presented.

	For the Year Ended December 31,			For the Three Months Ended March 31,		
	2017	2018		2018	2019	
	HK$	*HK$*	*US$*	*HK$*	*HK$*	*US$*
	(in thousands)					
Staff Costs						
Salaries	43,066	39,298	5,006	11,438	13,911	1,772
Bonuses	58,027	27,890	3,553	7,073	5,598	713
Pension scheme contributions	1,112	837	107	267	305	39
Total	102,205	68,025	8,666	18,778	19,814	2,524

Finance costs

Finance costs represent our interest expenses payable on our margin loans.

Taxation

We had income tax expenses of HK$135.2 million, HK$83.8 million (US$10.7 million), and HK$42.2 million (US$5.4 million) for the years ended December 31, 2017 and 2018 and the three months ended March 31, 2019, respectively. The following summarizes our applicable tax rates in the Cayman Islands and Hong Kong.

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties, which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Our Hong Kong subsidiaries are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. Under the Hong Kong tax laws, our Hong Kong subsidiaries are exempted from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our Hong Kong subsidiaries to us are not subject to any Hong Kong withholding tax.

Results of Operations

The following table sets forth a summary of our consolidated results of operations in absolute amount and as a percentage of our total revenue for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,					For the Three Months Ended March 31,				
	2017		2018			2018		2019		
	HK$	*%*	*HK$*	*US$*	*%*	*HK$*	*%*	*HK$*	*US$*	*%*
	(in thousands, except for percentages)									
Revenue										
Fee and commission income	278,976	27.0	367,538	46,821	50.8	22,792	(12.3)	181,523	23,125	59.4
Dividend and gain related to disposed investment	69,509	6.7	99,228	12,641	13.7	—	—	—	—	—
Sub-total	348,485	33.7	466,766	59,462	64.5	22,792	(12.3)	181,523	23,125	59.4
Net fair value changes on financial assets at fair value through profit or loss	684,679	66.3	256,460	32,671	35.5	(208,571)	112.3	124,156	15,816	40.6
Total revenue	1,033,164	100.0	723,226	92,133	100.0	(185,779)	100.0	305,679	38,941	100.0
Other income	17,915	1.7	15,393	1,961	2.1	14,264	(7.7)	808	103	0.3
Operating expenses	(111,563)	(10.8)	(52,582)	(6,699)	(7.2)	(13,725)	7.4	(24,873)	(3,169)	(8.1)
Staff costs	(102,205)	(9.9)	(68,025)	(8,666)	(9.4)	(18,778)	10.1	(19,814)	(2,524)	(6.5)
Finance costs	(28,725)	(2.8)	(9,047)	(1,152)	(1.3)	(4,532)	2.4	(5,359)	(683)	(1.8)
Profit/(Loss) before tax	808,586	78.2	608,965	77,577	84.2	(208,550)	112.2	256,441	32,668	83.9
Income tax (expense) / credit	(135,214)	(13.1)	(83,840)	(10,680)	(11.6)	34,159	(18.4)	(42,232)	(5,380)	(13.8)
Profit/(Loss) and total comprehensive income/ (loss) for the period	673,372	65.1	525,125	66,897	72.6	(174,391)	93.8	214,209	27,288	70.1

Segment Information

We report our results of operations in three reportable segments: investment banking, asset management, and strategic investment, which correspond to our business lines. The following table sets forth certain financial information of our reportable segments for the periods presented.

	For the Year Ended December 31,			For the Three Months Ended March 31,		
	2017	**2018**		**2018**	**2019**	
	HK$	*HK$*	*US$*	*HK$*	*HK$*	*US$*
			(in thousands)			
Investment Banking						
Segment revenue	208,163	288,591	36,764	9,806	149,763	19,079
Segment results(1)	197,333	254,901	32,472	2,144	142,444	18,146
Asset Management						
Segment revenue	70,813	79,120	10,079	12,986	31,760	4,046
Segment results(1)	48,059	57,386	7,311	6,909	28,057	3,574
Strategic Investment						
Segment revenue	754,188	355,688	45,312	(208,571)	124,156	15,816
Segment results(1)	739,674	350,307	44,626	(210,565)	118,797	15,134
Total segment results	985,066	662,594	84,409	(201,512)	289,298	36,854

Note:

(1) The segment results represent segment revenue that excludes (i) staff costs for the applicable segment, (ii) finance costs for our strategic investment business, and (iii) commissions payable to employees under our asset management business.

For reconciliation of segment revenue to consolidated revenue and reconciliation of segment results to consolidated profit before tax, see note 4 to our consolidated financial statements for the years ended December 31, 2017 and 2018 and note 3 to our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2018 and 2019 included elsewhere in this prospectus.

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

Revenue

Our revenue was HK$305.7 million (US$38.9 million) for the three months ended March 31, 2019, compared to a negative amount of HK$185.8 million for the three months ended March 31, 2018. This is primarily due to a significant fluctuation in our net fair value changes on financial assets at fair value through profit or loss under our strategic investment business from negative position to positive position and a significant increase in our fee and commission income under our investment banking and asset management businesses.

Fee and commission income. Our fee and commission income increased significantly from HK$22.8 million for the three months ended March 31, 2018 to HK$181.5 million (US$23.1 million) for the three months ended March 31, 2019, primarily due to the robust growth of our investment banking business in terms of the number and size of deals.

- *Investment banking segment.* Our fee and commission income from the investment banking segment increased significantly from HK$9.8 million for the three months ended March 31, 2018 to HK$149.8 million (US$19.1 million) for the three months ended March 31, 2019, primarily due to an increase in our fees and commissions for equity offerings from HK$0.5 million to HK$99.7 million (US$12.7 million) for the corresponding periods, which in turn was primarily attributable to increase in the aggregate transaction value of equity offerings from HK$0.6 billion to HK$8.1 billion (US$1.0 billion) and the number of equity offerings from 1 to 9 for the corresponding periods, as well as an increase in our fees and commissions for debt offerings from HK$9.3 million to HK$50.1 million (US$6.4 million) for the corresponding periods, which in turn was primarily attributable to an increase in the revenue per debt offering from HK$1.3 million to HK$5.6 million (US$0.7 million) and the number of debt offerings from 7 to 9 for the corresponding periods.

- *Asset management segment.* Our fee and commission income from the asset management segment increased by 144.6% from HK$13.0 million for the three months ended March 31, 2018 to HK$31.8 million (US$4.0 million) for the three months ended March 31, 2019, primarily due to an increase in our AUM from HK$15.9 billion as of March 31, 2018 to HK$20.8 billion (US$2.6 billion) as of March 31, 2019 and an increase in average asset management fee rates, which in turn was primarily attributable to an increase in new asset management clients with higher asset management fee rates in the fourth quarter of 2018.

Net fair value changes on financial assets at fair value through profit or loss. Our net fair value changes on financial assets at fair value through profit or loss was HK$124.2 million (US$15.8 million) for the three months ended March 31, 2019, compared to a negative position of HK$208.6 million for the three months ended March 31, 2018, primarily due to change in fair value of our investment portfolio in the corresponding periods, which in turn was primarily attributable to the different price movements of the underlying listed securities in our portfolio during the respective periods.

Other income

Our other income decreased by 94.3% from HK$14.3 million for the three months ended March 31, 2018 to HK$0.8 million (US$0.1 million) for the three months ended March 31, 2019, primarily due to one-off early termination compensation received from a former employee in 2018.

Operating expenses

Our operating expenses increased by 81.2% from HK$13.7 million for the three months ended March 31, 2018 to HK$24.9 million (US$3.2 million) for the three months ended March 31, 2019, primarily due to (i) an increase in premises costs and office utilities from HK$3.9 million to HK$6.0 million (US$0.8 million) for the corresponding periods, which in turn was primarily attributable to the procurement and upgrade of our information and corporate systems, (ii) an increase in commissions and bank charges from HK$1.0 million to HK$2.4 million (US$0.3 million) for the corresponding periods, which in turn was primarily attributable to fees charged in obtaining new margin loans, (iii) an increase in professional fees from HK$283 thousand to HK$5.4 million (US$0.7 million) for the corresponding periods, which in turn was primarily attributable to the professional fees related to this offering, (iv) an increase in stamp duty from nil to HK$2.1 million (US$0.3 million) for the corresponding periods, which in turn was primarily attributable to stamp duty paid in connection with our restructuring.

Staff costs

Our staff costs remained steady at HK$18.8 million for the three months ended March 31, 2018 and HK$19.8 million (US$2.5 million) for the three months ended March 31, 2019.

Finance costs

Our finance costs increased by 18.3% from HK$4.5 million for the three months ended March 31, 2018 to HK$5.4 million (US$0.7 million) for the three months ended March 31, 2019, primarily due to increase in interest rates on our loans.

Income tax credit / (expense)

Our income tax expense was HK$42.2 million (US$5.4 million) for the three months ended March 31, 2019, compared to income tax credit of HK$34.2 million for the three months ended March 31, 2018, resulting from reversal of deferred tax liabilities from accumulated unrealized gain on our investment portfolios.

Profit / (Loss) and total comprehensive income / (loss) for the period

As a result of the foregoing, we had profit and total comprehensive income of HK$214.2 million (US$27.3 million) for the three months ended March 31, 2019, compared to loss and total comprehensive loss of HK$174.4 million for the three months ended March 31, 2018.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue decreased by 30.0% from HK$1.0 billion in 2017 to HK$723.2 million (US$92.1 million) in 2018, primarily due to a significant decrease in net fair value changes on financial assets at fair value through profit or loss under our strategic investment business, partially offset by an increase in our fee and commission income.

Fee and commission income. Our fee and commission income increased by 31.7% from HK$279.0 million in 2017 to HK$367.5 million (US$46.8 million) in 2018, primarily due to the robust growth of our investment banking business.

- *Investment banking segment.* Our fee and commission income from the investment banking segment increased by 38.6% from HK$208.2 million in 2017 to HK$288.6 million (US$36.8 million) in 2018, primarily due to an increase in our fees and commissions for equity offerings from HK$79.0 million in 2017 to HK$182.4 million (US$23.2 million) in 2018, which in turn was primarily attributable to an increase in aggregate transaction value of equity offerings from HK$18.7 billion in 2017 to HK$97.6 billion (US$12.4 billion) in 2018 and an increase in the number of equity offerings from 2 in 2017 to 18 in 2018, partially offset by a decrease in our fees and commissions for debt offerings from HK$101.9 million in 2017 to HK$34.6 million (US$4.4 million) in 2018, which in turn was primarily attributable to a decrease in aggregate transaction value of debt offerings from HK$151.5 billion in 2017 to HK$55.9 billion (US$7.1 billion) in 2018 and a decrease in the number of debt offerings from 37 in 2017 to 23 in 2018.

- *Asset management segment.* Our fee and commission income from the asset management segment increased by 11.5% from HK$70.8 million in 2017 to HK$78.9 million (US$10.1 million) in 2018, primarily due to an increase in our AUM from HK$14.8 billion as of December 31, 2017 to HK$18.3 billion (US$2.3 billion) as of December 31, 2018, which in turn was primarily attributable to an increase in new asset management clients in 2018.

Dividend and gain related to disposed investment. Our dividend and gain related to disposed investment increased by 42.8% from HK$69.5 million in 2017 to HK$99.2 million (US$12.6 million) in 2018, primarily due to an increase in dividend received from Bank of Qingdao from HK$22.6 million in 2017 to HK$99.2 million (US$12.6 million) in 2018, which in turn was primarily attributable to an increase in our shareholding in Bank of Qingdao in late 2017.

Net fair value changes on financial assets at fair value through profit or loss. Our net fair value changes on financial assets at fair value through profit or loss decreased by 62.5% from HK$684.7 million in 2017 to HK$256.5 million (US$32.7 million) in 2018, primarily due to slower increase in the fair value of our holdings in 2018 compared to 2017.

Other income

Our other income decreased by 14.1% from HK$17.9 million in 2017 to HK$15.4 million (US$2.0 million) in 2018.

Operating expenses

Our operating expenses decreased by 52.9% from HK$111.6 million in 2017 to HK$52.6 million (US$6.7 million) in 2018, primarily due to (i) a decrease in marketing and brand promotional expenses from HK$26.2 million in 2017 to HK$11.9 million (US$1.5 million) in 2018 and a decrease in traveling and business development expenses from HK$18.5 million in 2017 to HK$10.9 million (US$1.4 million) in 2018, primarily attributable to a more stringent cost control policy in 2018 compared to 2017, (ii) a decrease in premises costs and office utilities from HK$25.8 million in 2017 to HK$15.6 million (US$2.0 million) in 2018 following the introduction of new business initiatives of our Controlling Shareholder in 2018, resulting in the decrease in our share of the office space; (iii) a decrease in office renovation and maintenance expenses from HK$15.9 million in 2017 to HK$1.6 million (US$0.2 million) in 2018, primarily attributable to an one-off significant write-down of HK$14.1 million (US$1.8 million) for renovation demolished, which was recharged by our Controlling Shareholder in 2017.

Staff costs

Our staff costs decreased by 33.4% from HK$102.2 million in 2017 to HK$68.0 million (US$8.7 million) in 2018, primarily due to the decrease in the staff bonuses in 2018.

Finance costs

Our finance costs decreased by 68.5% from HK$28.7 million in 2017 to HK$9.0 million (US$1.2 million) in 2018, primarily due to a HK$351.6 million (US$44.8 million) repayment in 2018 of our margin loans brought forward from 2017.

Income tax expense

We incurred income tax expense of HK$135.2 million and HK$83.8 million (US$10.7 million) in 2017 and 2018, respectively. The decrease in our income tax expense resulted from the lower net assessable profit position of certain operating entities in Hong Kong in 2018.

Profit and total comprehensive income for the period

As a result of the foregoing, our profit and total comprehensive income decreased by 22.0% from HK$673.4 million in 2017 to HK$525.1 million (US$66.9 million) in 2018.

Discussion of Certain Key Items on the Consolidated Statements of Financial Position

The following table sets forth certain key information from our consolidated statements of financial position as of the dates indicated. This information should be read together with our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of December 31,			As of March 31,	
	2017	2018		2019	
	HK$	*HK$*	*US$*	*HK$*	*US$*
			(in thousands)		
Assets:					
Accounts receivable	93,173	161,093	20,522	155,892	19,859
Due from immediate holding company	—	66,142	8,426	81,808	10,422
Due from fellow subsidiaries	2,458,703	2,596,119	330,724	2,804,718	357,298
Financial assets at fair value through profit or loss	745,629	1,953,078	248,806	2,022,107	257,600
Stock loan	2,203,140	1,535,680	195,633	1,590,807	202,656
Bank balances — segregated accounts	403,492	615,491	78,409	1,104,712	140,731
Total assets	6,041,617	7,107,189	905,397	7,954,009	1,013,276
Liabilities and Equity:					
Clients' monies held on trust	383,304	586,891	74,765	1,080,514	137,649
Margin loans payable	351,610	321,999	41,020	323,845	41,255
Due to immediate holding company	1,640,450	2,145,792	273,356	2,145,315	273,296
Due to fellow subsidiaries	853,123	574,203	73,149	574,434	73,178
Total liabilities	3,372,341	3,912,787	498,457	4,545,398	579,047
Total equity	2,669,276	3,194,402	406,940	3,408,611	434,229
Total liabilities and equity	6,041,617	7,107,189	905,397	7,954,009	1,013,276

Accounts receivable

Our accounts receivable consist of (i) receivable from investment banking services, (ii) clients' receivable relating to asset management services, (iii) receivable from brokers and clearing house relating to asset management services, and (iv) margin loan receivable from customers relating to securities traded.

The following table sets forth a breakdown of our accounts receivable as of the dates indicated.

	As of December 31,			As of March 31,	
	2017	2018		2019	
	HK$	*HK$*	*US$*	*HK$*	*US$*
			(in thousands)		
Accounts Receivable					
Receivable from investment banking services	69,555	134,856	17,180	60,693	7,731
Clients' receivable	15,748	12,849	1,637	22,105	2,816
Receivable from brokers and clearing house	7,870	10,813	1,377	73,094	9,312
Margin loan receivable	—	2,575	328	—	—
Total	93,173	161,093	20,522	155,892	19,859

Our accounts receivable decreased slightly from HK$161.1 million as of December 31, 2018 to HK$155.9 million (US$19.9 million) as of March 31, 2019.

Our accounts receivable increased by 72.9% from HK$93.2 million as of December 31, 2017 to HK$161.1 million (US$20.5 million) as of December 31, 2018, primarily due to an increase in receivable from investment banking services from HK$69.6 million as of December 31, 2017 to HK$134.9 million (US$17.2 million) as of December 31, 2018, which was primarily attributable to certain unsettled balances of investment banking projects completed near the end of 2018.

The settlement terms of our accounts receivable vary depending on the type of accounts receivable. The normal settlement terms of receivable from investment banking services are specifically agreed between the contracting parties. Receivable from investment banking services does not bear interest. The normal settlement terms of clients' receivable and receivable from brokers and clearing house relating to asset management services are either two days after the trade date or specifically agreed upon with brokers and clearing houses. Overdue clients' receivable is interest bearing.

The following table sets forth an aging analysis of accounts receivable as of the dates indicated.

	As of December 31,			As of March 31,	
	2017	2018		2019	
	HK$	*HK$*	*US$*	*HK$*	*US$*
			(in thousands)		
Not yet due	49,453	95,470	12,163	142,637	18,170
Past due					
— Within 1 month	41,553	732	93	9,786	1,247
— 1 to 3 months	1,701	841	107	1,106	141
— Over 3 months	466	64,050	8,159	2,363	301
Total	93,173	161,093	20,522	155,892	19,859

The accounts receivable past due for over three months increased significantly from HK$0.5 million as of December 31, 2017 to HK$64.1 million (US$8.2 million) as of December 31, 2018 and decreased significantly to HK$2.4 million (US$0.3 million) as of March 31, 2019, primarily due to the outstanding balance of receivable from investment banking services of HK$60.3 million (US$7.7 million) in 2018 that was fully settled in the first quarter of 2019.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss consists of (i) listed equity securities at quoted prices, primarily including our investment in Bank of Qingdao, (ii) unlisted equity securities, and (iii) unlisted debt securities, all of which relate to our strategic investment business.

The following table sets forth a breakdown of our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,			As of March 31,	
	2017	2018		2019	
	HK$	*HK$*	*US$*	*HK$*	*US$*
			(in thousands)		
Financial Assets at Fair Value Through Profit or Loss					
Listed equity securities, at quoted prices	730,000	1,671,836	212,978	1,740,212	221,689
Unlisted equity securities	15,629	202,926	25,851	203,397	25,911
Unlisted debt securities	—	78,316	9,977	78,498	10,000
Total	745,629	1,953,078	248,806	2,022,107	257,600

Our financial assets at fair value through profit or loss increased significantly from HK$745.6 million as of December 31, 2017 to HK$2.0 billion (US$248.8 million) as of December 31, 2018, primarily due to an increase in the carrying amount of listed equity securities from HK$730.0 million as of December 31, 2017 to HK$1.7 billion (US$213.0 million) as of December 31, 2018, which in turn was attributable to (i) repayment of certain loaned stock of HK$661.0 million (US$84.2 million) from a shareholder of our Controlling Shareholder during 2018, (ii) appreciation in value of our strategic investment in Bank of Qingdao of HK$207.4 million (US$26.4 million), and (iii) additional investments of HK$72.1 million (US$9.2 million) made in 2018. As of March 31, 2019, our financial assets at fair value through profit or loss was HK$2.0 billion (US$257.6 million).

Stock loan

Our stock loan represents certain listed equity securities that we lent to a shareholder of our Controlling Shareholder, in September 2017 in connection with a stock borrowing and lending arrangement.

The fair value of our stock loan increased by 3.6% from HK$1.5 billion as of December 31, 2018 to HK$1.6 billion (US$202.7 million) as of March 31, 2019, primarily due to appreciation in value of the loaned stock.

The fair value of our stock loan decreased by 30.3% from HK$2.2 billion as of December 31, 2017 to HK$1.5 billion (US$195.6 million) as of December 31, 2018, primarily due to repayment of certain loaned stock of HK$661.0 million (US$84.2 million) from a shareholder of our Controlling Shareholder during 2018.

Bank balances — segregated accounts

Bank balances—segregated accounts represents clients' monies held on trust under custody relating to our asset management and other businesses, and cannot be used to settle our own obligations. Our bank balances—segregated accounts increased by 52.5% from HK$403.5 million as of December 31, 2017 to HK$615.5 million (US$78.4 million) as of December 31, 2018, and further increased by 79.5% to HK$1.1 billion (US$140.7 million) as of March 31, 2019, primarily due to an increase in cash components of our asset management business.

Clients' monies held on trust

Clients' monies held on trust represents the balance payable to clients with respective monies held in segregated bank accounts under custody relating to our asset management and other businesses. The clients' monies held on trust increased by 53.1% from HK$383.3 million as of December 31, 2017 to HK$586.9 million (US$74.8 million) as of December 31, 2018, and further increased by 84.1% to HK$1.1 billion (US$137.6 million) as of March 31, 2019, primarily due to an increase in cash components of our asset management business.

Margin loans payable

Margin loans payable represents our funding arrangement to acquire certain listed equity securities for trade settlement purposes.

Our margin loans payable decreased by 8.4% from HK$351.6 million as of December 31, 2017 to HK$322.0 million (US$41.0 million) as of December 31, 2018, primarily due to repayment of existing margin loans and incurrence of new margin loans in 2018. As of March 31, 2019, our margin loans payable was HK$323.8 million (US$41.3 million).

Due from/(to) immediate holding company and fellow subsidiaries

Due from/(to) immediate holding company and fellow subsidiaries represents intercompany balances between our Controlling Shareholder and certain subsidiaries of our Controlling Shareholder, and the changes in balance were a result of the intercompany fund allocation arrangement of our Controlling Shareholder and its subsidiaries.

Liquidity and Capital Resources

Cash Flows

The following table sets forth a summary of our cash flows for the periods presented.

	For the Year Ended December 31,			For the Three Months Ended March 31,		
	2017	2018		2018	2019	
	HK$	*HK$*	*US$*	*HK$*	*HK$*	*US$*
	(in thousands)					
Summary Consolidated Cash Flow Data						
Net cash generated from operating activities	84,327	79,112	10,078	8,969	5,784	737
Net cash used in investing activities	(139)	(14)	(2)	—	(14)	(2)
Net cash used in financing activities	(67,283)	(38,657)	(4,925)	(4,569)	(3,513)	(448)
Net increase in cash and cash equivalents	16,905	40,441	5,151	4,400	2,257	287
Cash and cash equivalents at the beginning of year	69,510	86,415	11,009	86,415	126,856	16,160
Cash and cash equivalents at the end of year	86,415	126,856	16,160	90,815	129,113	16,447

Operating activities

Net cash generated from operating activities for the three months ended March 31, 2019 was HK$5.8 million (US$0.7 million), which consists of our profit before tax of HK$256.4 million (US$32.7 million) as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustments for non-cash items primarily included HK$124.2 million (US$15.8 million) of net fair value changes on financial assets at fair value through profit or loss in connection with our strategic investment business, partially offset by HK$5.4 million (US$0.7 million) of finance costs relating to our margin loans. The principal items accounting for the changes in operating assets and liabilities were HK$208.4 million (US$26.5 million) of decrease in amount with subsidiaries of our Controlling Shareholder attributable to intra-group treasury fund allocation, partially offset by HK$79.5 million (US$10.1 million) of increase in accounts and other payables and accruals primarily attributable to increase in pending trade payables of HK$54.8 million (US$7.0 million).

Net cash generated from operating activities in 2018 was HK$79.1 million (US$10.1 million), which consists of our profit before tax of HK$609.0 million (US$77.6 million) as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustments for non-cash items primarily included HK$256.5 million (US$32.7 million) of fair value gain on financial assets at fair value through profit or loss in connection with our strategic investment business, partially offset by HK$9.0 million (US$1.2 million) of finance costs relating to our margin loans. The principal items accounting for the changes in operating assets and liabilities were (i) HK$699.9 million (US$89.2 million) of decrease in amount with subsidiaries of our Controlling Shareholder attributable to intra-group treasury fund allocation and (ii) HK$67.9 million (US$8.7 million) of increase in accounts receivable relating to the operations of our investment banking business, partially offset by (i) HK$439.2 million (US$56.0 million) of increase in amount with our Controlling Shareholder attributable to intra-group treasury fund allocation and (ii) HK$81.8 million (US$10.4 million) of increase in accounts and other payables and accruals primarily attributable to HK$55.1 million (US$7.0 million) of asset management fee received in advance.

Net cash generated from operating activities in 2017 was HK$84.3 million, which consists of our profit before tax of HK$808.6 million as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustments for non-cash items primarily included HK$684.7 million of fair value gain on financial assets at fair value through profit or loss in connection with our strategic investment business, partially offset by HK$28.7 million of finance costs relating to our margin loans. The principal item accounting for the changes in operating assets and liabilities was (i) HK$284.5 million of increase in amount with our Controlling Shareholder attributable to allocation of costs and expenses by our Controlling Shareholder and (ii) HK$199.9 million of decrease in financial assets at fair value through profit or loss in connection with our strategic investment business, partially offset by HK$460.3 million of decrease in amount with subsidiaries of our Controlling Shareholder attributable to allocation of costs and expenses by our Controlling Shareholder.

Investing activities

Net cash used in investing activities for the three months ended March 31, 2019 was HK$14 thousand (US$2 thousand), which was attributable to the purchase of computer equipment.

Net cash used in investing activities in 2018 was HK$14 thousand (US$2 thousand), which was attributable to the purchase of office equipment.

Net cash used in investing activities in 2017 was HK$138.7 thousand, which was attributable to the purchase of office equipment.

Financing activities

Net cash used in financing activities for the three months ended March 31, 2019 was HK$3.5 million (US$0.4 million), which was due to settlement of finance costs relating to the margin loan.

Net cash used in financing activities in 2018 was HK$38.7 million (US$4.9 million), which was due to repayment of margin loan payable of HK$29.6 million (US$3.8 million) and HK$9.0 million (US$1.2 million) of repayment of finance costs relating to the margin loan.

Net cash used in financing activities in 2017 was HK$67.3 million, which was due to repayment of margin loan payable of HK$38.6 million and HK$28.7 million of repayment of finance costs relating to the margin loan.

Prior to this offering, our principal sources of liquidity to finance our operating and investing activities have been net cash provided by operating activities. As of March 31, 2019, we had HK$129.1 million (US$16.4 million) in cash and cash equivalents, out of which HK$51.7 million (US$6.6 million) was held in U.S. dollars, HK$77.2 million (US$9.8 million) was held in Hong Kong dollars, and the rest was held in other currencies. Our cash and cash equivalents primarily consist of cash on hand and general bank balances excluding segregated clients' bank account balances, which are unrestricted for withdrawal or use.

We believe that our current cash and cash equivalents, proceeds from this offering, and our anticipated cash flows from operations will be sufficient to meet our anticipated working capital requirements, capital expenditures, and debt repayment obligations for at least the next 12 months. After this offering, we may decide to enhance our liquidity position or increase our cash reserve for future operations and investments through additional financing. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increasing fixed obligations and could result in operating covenants that would restrict our operations.

Regulatory Capital Requirements

Subject to certain exemptions specified under the Securities and Futures (Financial Resources) Rules of Hong Kong, or the HK Financial Resources Rules, two of our Hong Kong subsidiaries, AMTD Global Markets Limited and Asia Alternative Asset Partners Limited, are securities dealers registered with the HKSFC and thus are required to maintain minimum paid-up share capital in accordance with the HK Financial Resources Rules. The following table sets forth a summary of the key requirements on minimum paid-up share capital under the HK Financial Resources Rules that are applicable to AMTD Global Markets Limited and Asia Alternative Asset Partners Limited.

	Regulated Activities	**Minimum Amount of Paid-up Share**
AMTD Global Markets Limited	A company licensed for Type 1, Type 2, Type 4, Type 6, and Type 9 regulated activities	HK$10,000,000
Asia Alternative Asset Partners Limited	A company licensed for Type 1, Type 4, and Type 9 regulated activities	HK$10,000,000

In addition, the HK Financial Resources Rules also require a licensed company to maintain minimum liquid capital. The minimum liquid capital requirements under the HK Financial Resources Rules that are applicable to AMTD Global Markets Limited and Asia Alternative Asset Partners Limited are the higher of the amount of (i) and (ii) below:

(i) the amount of:

	Regulated Activities	**Minimum Amount of Liquid Capital**
AMTD Global Markets Limited	A company licensed for Type 1, Type 2, Type 4, Type 6, and Type 9 regulated activities	HK$3,000,000
Asia Alternative Asset Partners Limited	A company licensed for Type 1, Type 4, and Type 9 regulated activities	HK$3,000,000

(ii) in the case of a company licensed for any regulated activities other than Type 3 regulated activities, its variable required liquid capital, which means 5% of the aggregate of (a) its adjusted liabilities, (b) the aggregate of the initial margin requirements in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, and (c) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, to the extent that such contracts are not subject to the requirement of payment of initial margin requirements.

Regulatory capital requirements could restrict AMTD Global Markets Limited and Asia Alternative Asset Partners Limited from expanding their businesses and declaring dividends if their net capital do not meet regulatory requirements. As of December 31, 2017 and 2018 and March 31, 2019, aggregate excess regulatory liquid capital was HK$126.2 million, HK$126.7 million (US$16.1 million), and HK$106.0 million (US$13.5 million) for AMTD Global Markets Limited, and HK$0.7 million, HK$0.9 million (US$0.1 million), and HK$1.0 million (US$0.1 million) for Asia Alternative Asset Partners Limited, respectively. As of the date of this prospectus, AMTD Global Markets Limited and Asia Alternative Asset Partners Limited are in compliance with its regulatory capital requirements.

Capital Expenditures

Our capital expenditures were HK$0.1 million in 2017, HK$14 thousand (US$2 thousand) in 2018, and HK$14 thousand (US$2 thousand) for the three months ended March 31, 2019. In these periods, our capital expenditures were primarily used for purchases of office equipment. We will continue to make capital expenditures to meet the expected growth of our business. We intend to fund our future capital expenditures with our existing cash balance and proceeds from this offering.

Contractual Obligations

We did not have any significant capital and other commitments, long-term obligations or guarantees as of March 31, 2019.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, except for the warrant we issued to Value Partners in March 2019, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. For further details on the warrant, see "Capitalization." Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity, or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging, or product development services with us.

Significant Accounting Policies

We prepare our financial statements in accordance with IFRS issued by the IASB, which requires us to make judgments, estimates, and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience, and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of significant accounting policies, judgments, and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus. When reviewing our financial statements, you should consider (i) our selection of significant accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Fair Value Measurement

We measure our debt and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming the market participants act in their best economic interest.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs, and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—based on quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2—based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

- Level 3—based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments and Other Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "—Revenue Recognition" below.

Our business model for managing financial assets refers to how we manage our financial assets in order to generate cash flows. Our business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes equity investments that we had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as revenue in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to us, and the amount of the dividend can be measured reliably.

Impairment of Financial Assets

We recognize an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General Approach

Expected credit losses are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit losses). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit loss).

At each reporting date, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

We consider a financial asset in default when contractual payments are 60-120 days past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of expected credit losses except for trade receivables and contract assets, which apply the simplified approach as detailed below.

- Stage 1—Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month expected credit losses.

- Stage 2—Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime expected credit losses.

- Stage 3—Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime expected credit losses.

Simplified Approach

For accounts receivable that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating expected credit losses. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime expected credit losses at each reporting date. We have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component, we choose as our accounting policy to adopt the simplified approach in calculating expected credit losses with policies as described above.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The primary components of revenue are investment banking fee and income and asset management fee.

(i) Investment banking fee and income

Investment banking service income is composed of underwriting commission, brokerage fee and financial advisory fee. Underwriting commission earned from underwriting equity and debt securities is recognized at the point in time when our performance under the terms of a contractual arrangement is completed, which is typically at the closing of a transaction if there is no uncertainty or contingency related to the amount to be paid. The normal credit term is 60 to 120 days upon the completion of performance.

Brokerage fee earned from sales of equity and debt securities from underwriting is recognized at the point in time when the associated service is fulfilled, generally on the trade execution date.

Financial advisory fee is recognized as advice is provided to the customer, based on the estimated progress of work and when revenue is not probable of a significant reversal. The majority of the contracts have a duration of 60 to 120 days.

(ii) Asset management fee

Asset management fee primarily includes fees associated with asset management, performance-based incentive fee, brokerage and handling fee. Substantially all of the management fee and the performance-based incentive fee are subject to variable consideration based on the underlying AUM of a customer's account. Management fee is recognized when services are performed and the fee becomes known. Performance-based incentive fee is recognized when the performance target is met and the revenue is not probable of a significant reversal. For the years ended December 31, 2017 and 2018, no revenue was related to such variable consideration and recognized from performance obligations satisfied in previous periods.

Brokerage and handling fees are recognized at the point in time when the associated service is fulfilled, generally on the trade execution date.

Revenue from Other Sources

Net fair value changes on financial assets at fair value through profit or loss and those held for trading, including realized gains or losses which are recognized on the transaction dates when the relevant debt and equity securities are disposed and unrealized fair value changes which are recognized in the period in which they arise.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which we had received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before we transfer goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when we perform under the contract.

Since 2018, for certain customers of our asset management service, we require upfront payment of management fee and recorded such upfront fee as contract liabilities in other payables and accruals. Upfront fee is recognized as revenue based on the time elapsed for the service period. Asset management contracts normally cover periods of one to three years.

Related Parties

A party is considered to be related to us if:

(i) the party is a person or a close member of that person's family and that person

(a) has control or joint control over us;

(b) has significant influence over us; or

(c) is a member of our key management personnel or of our parent; or

(ii) the party is an entity where any of the following conditions applies:

(a) we and the entity are members of a same group;

(b) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary, or fellow subsidiary of the other entity);

(c) we and the entity are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of either our employees or employees of an entity related to us, and the sponsoring employers of the post-employment benefit plan;

(f) the entity is controlled or jointly controlled by a person identified in (i);

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(h) the entity, or any member of a group of which it is a part, provides key management personnel services to us or to our parent.

Internal Control Over Financial Reporting

Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal control. Our management has not completed an assessment of the effectiveness of our internal control and procedures over financial reporting and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In the course of auditing our consolidated financial statements as of January 1, 2017 and December 31, 2017 and 2018 and for each of the two years in the period ended December 31, 2018, we and our independent registered public accounting firm identified three material weaknesses in our internal control over financial reporting as of December 31, 2018. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified relate to (i) the lack of sufficient competent financial reporting and accounting personnel with appropriate understanding of IFRS and SEC rules and regulations to address complex technical accounting issues and SEC reporting requirements, (ii) insufficient dedicated resources and experienced personnel involved in designing and reviewing internal control over financial reporting, and (iii) failure to establish effective process over the identification, evaluation, and disclosure of related parted parties and related party transactions. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in our internal control over financial reporting. We and they are required to do so only after we become a public company. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

To remediate our identified material weaknesses subsequent to December 31, 2018, we plan to adopt measures to improve our internal control over financial reporting, including, among others: (i) forming our financial reporting and accounting team with personnel who have appropriate knowledge and experience of SEC reporting requirements, (ii) establishing an internal audit department with sufficient resources and experienced personnel to design, review and monitor internal control over financial reporting, (iii) upgrading our financial system to enhance its effectiveness and enhance control of financial reporting, (iv) organizing regular training for our accounting staff, especially training related to complex accounting standards and updates on IFRS and SEC reporting requirements, (v) enhancing documentation procedures to be followed by the accounting personnel, and (vi) adding resources to establish effective oversight and implement reporting requirements for related parties and related party transactions to ensure related accounting treatment and disclosure are accurate, complete and in compliance with IFRS.

However, we cannot assure you that all these measures will be sufficient to remediate our material weakness in time, or at all. See "Risk Factors—Risks Relating to Our Business and Industry — We have identified three material weaknesses in our internal control over financial reporting as of December 31, 2018, and if we fail to implement and maintain an effective system of internal control to remediate our material weaknesses over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations, or prevent fraud."

As a company with less than US$1.07 billion in revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company's internal control over financial reporting.

Holding Company Structure

AMTD International Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our Hong Kong subsidiaries. As a result, our ability to pay dividends depends upon dividends paid by our Hong Kong subsidiaries. If our existing Hong Kong subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

Inflation

To date, inflation in Hong Kong has not materially affected our results of operations. According to the Census and Statistics Department of Hong Kong, the year-over-year percent changes in the consumer price index for December 2017 and 2018 were increases of 1.7% and 2.5%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if Hong Kong experiences higher rates of inflation in the future.

Quantitative and Qualitative Disclosures about Market Risk

Price risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual securities.

We are exposed to equity securities price risk because certain investments held by us are classified in the consolidated statements of financial position as financial assets at fair value through profit or loss. Results for the year would increase or decrease as a result of gains or losses on equity securities classified as financial assets at fair value through profit or loss.

We have not entered into derivatives to manage such exposure.

As of March 31, 2019, our strategic investment portfolio reached an aggregate fair value of HK$3.6 billion (US$0.5 billion), of which our investment in Bank of Qingdao accounted for 89.9%. Given our significant stake in, and affiliation with, Bank of Qingdao, our investment in Bank of Qingdao is subject to liquidity and concentration risk.

Foreign exchange risk

Most of our revenues and expenses are denominated in Hong Kong dollar or U.S. dollar. Certain of our transactions are denominated in foreign currencies and therefore we are exposed to foreign currency risk. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and Hong Kong dollar because the value of our business is mainly denominated in Hong Kong dollar, while our ADSs will be traded in U.S. dollars.

In addition, foreign exchange risk also arises from the possibility that fluctuations in foreign exchange rates can impact the value of financial instruments. We are exposed to minimal foreign exchange risk since Hong Kong dollars are pegged against U.S. dollars. The impact of foreign exchange fluctuations in our earnings is included in foreign exchange differences, net in the consolidated statements of cash flows.

To the extent we need to convert U.S. dollars into Hong Kong dollars for our operations, appreciation of Hong Kong dollar against the U.S. dollar would reduce the amount in Hong Kong dollars we receive from the conversion. Conversely, if we decide to convert Hong Kong dollars into U.S. dollars for the purpose of making payments for dividends on our Class A ordinary shares or ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the Hong Kong dollar would reduce the U.S. dollar amounts available to us.

Interest rate risk

Our exposure to interest rate risk primarily relates to the bank balances and loans receivable. We have not been exposed to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, our future interest income may fall short of expectations due to changes in market interest rates.

Credit risk

We have adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Our exposure to our counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Our credit exposure is controlled by counterparty limits that are reviewed and approved by our senior management periodically.

We do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are mainly banks with sound credit. The credit risk on our debt instruments is not significant.

Recently Issued Accounting Pronouncements

A list of recently issued accounting pronouncements that are relevant to us is included in note 2.2 to our consolidated financial statements included elsewhere in this prospectus.

2. The following is an extract of the management discussion and analysis of the results of AMTD for the nine ended 30 September 2018 and 2019 from the interim financial results of AMTD for the nine months ended 30 September 2019 dated 31 December 2019.

Financial Results for the Nine Months Ended September 30, 2019

Revenue

Total revenue for the nine months ended September 30, 2019 was HK$1.0 billion (US$132.9 million), compared to a negative amount of HK$143.0 million (US$18.2 million) for the nine months ended September 30, 2018. This is primarily due to a significant increase in our fee and commission income under our investment banking and asset management businesses and a shift in our net fair value change on financial assets at fair value through profit or loss under our strategic investment business from a negative position to a positive position.

- ***Fee and commission income***

  for the nine months ended September 30, 2019 increased by 71.1% as compared to the same period in prior year to HK$422.1 million (US$53.8 million), primarily due to an increase in core revenues from the investment banking segment. Fee and commission income from the investment banking segment increased by 81.3% as compared to the same period in prior year to HK$330.6 million (US$42.2 million), primarily due to a significant increase in our fees and commissions for (i) equity offerings and financial advisory services from HK$161.6 million (US$20.6 million) to HK$276.0 million (US$35.2 million) for the respective periods, and (ii) debt capital market deals from HK$20.8 million (US$2.6 million) to HK$54.6 million (US$7.0 million) for the respective periods. Fee and commission income from the asset management segment increased by 42.2% as compared to the same period in prior year to HK$91.4 million (US$11.7 million), primarily due to an increase in fee income attributable to new clients.

- ***Dividend and gain related to disposed investment***

  for the nine months ended September 30, 2019 were HK$100.6 million (US$12.8 million), which remained an important contributor to revenue compared to the prior year period.

- ***Net fair value change on financial assets at fair value through profit or loss***

  for the nine months ended September 30, 2019 was HK$519.4 million (US$66.2 million), compared to a negative amount of HK$488.9 million (US$62.4 million) for the prior year period, primarily due to the positive fair values change in the underlying listed securities of the Company’s portfolio during the respective periods.

Operating Expenses

Operating expenses for the nine months ended September 30, 2019 increased by 57.6% as compared to the same period in prior year to HK$74.1 million (US$9.5 million), primarily due to (i) an increase in annual audit and regular professional fees from HK$1.6 million (US$206 thousand) to HK$13.1 million (US$1.7 million) for the respective periods attributable to the Company's initial public offering, (ii) an increase in an administrative support service fee of HK$6.0 million (US$765 thousand) charged by the Company's immediate holding company in accordance with the transitional services agreement entered duly between the two parties as previously disclosed publicly, and (iii) an increase in stamp duty from nil to HK$2.1 million (US$270 thousand) for the respective periods, which in turn was primarily attributable to stamp duty paid in connection with the Company's restructuring prior to the initial public offering.

Staff Costs

Staff costs for the nine months ended September 30, 2019 increased by 28.1% as compared to the same period in prior year to HK$78.1 million (US$10.0 million), primarily due to an increase in staff bonuses including a special bonus for the successful NYSE listing of the Company and new talents recruitment and related costs.

Finance Costs

Finance costs for the nine months ended September 30, 2019 increased by 146.9% as compared to the same period in prior year to HK$16.2 million (US$2.1 million), primarily due to an increase in average loan balance along the period to support and fuel the ongoing developments and accelerated international expansion of the Company.

Profit and Total Comprehensive Income

Profit and total comprehensive income for nine months ended September 30, 2019 was HK$741.3 million (US$94.6 million), compared to a negative amount of HK$190.6 million (US$24.3 million) in the prior year period.

Profit and Total Comprehensive Income Per Share Attributable to Ordinary Shareholders

Basic and diluted profit and total comprehensive income per share attributable to ordinary shareholders for the nine months ended September 30, 2019 was HK$4.04 (US$0.52).

Exchange Rate

The Company's business is mainly conducted in Hong Kong and most of its revenues generated are denominated in Hong Kong dollars. This announcement contains translations of Hong Kong dollars into U.S. dollars solely for the convenience of the reader. Unless otherwise noted, all translations from Hong Kong dollars to U.S. dollars are made at a rate of HK$7.8401 to US$1.00, the exchange rate in effect as of September 30, 2019 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. No representation is made that the Hong Kong dollar amounts could have been, or could be, converted, realized, or settled into U.S. dollars at that rate on September 30, 2019, or at any other rate.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PALIBURG GROUP

BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Paliburg Group (the "Unaudited Pro Forma Financial Information"), which has been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the completion of the Transactions on the financial position of the Paliburg Group.

The Unaudited Pro Forma Financial Information of the Paliburg Group, which is prepared based on the consolidated statement of financial position of the Paliburg Group as at 31 December 2019 after giving the effect to the pro forma adjustments as explained in the notes set out below that are directly attributable to the Transactions, for the purpose of illustrating the effect of the Transactions on the financial position of the Paliburg Group as if the Transactions had taken place on 31 December 2019, and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information has been compiled by the Directors for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Paliburg Group had the Transactions been completed as of 31 December 2019 or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Paliburg Group as set out in its published final results announcement for the year ended 31 December 2019, and other financial information included elsewhere in this Circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE PALIBURG GROUP AS AT 31 DECEMBER 2019

	The Paliburg Group as at 31 December 2019	First Cosmo Shares Transfer and AMTD I Acquisition	CIDL Disposal and AMTD II Acquisition	Second Cosmo Shares Transfer and AMTD III Acquisition	Unaudited pro forma statement of assets and liabilities of the Paliburg Group
	(Note 1)	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
NON-CURRENT ASSETS					
Property, plant and equipment	8,680.1	—	—	—	8,680.1
Investment properties	3,577.6	—	—	—	3,577.6
Right-of-use assets	14,376.6	—	—	—	14,376.6
Properties under development	1,772.1	—	—	—	1,772.1
Investments in associates	580.7	—	—	—	580.7
Financial assets designated at fair value through other comprehensive income	—	374.0	400.0 *(d)*	626.1	1,400.1
Financial assets at fair value through profit or loss	836.6	—	—	—	836.6
Loans receivable	228.6	—	—	—	228.6
Deposits and prepayments	322.4	—	—	—	322.4
Deferred tax assets	47.5	—	—	—	47.5
Goodwill	261.0	—	—	—	261.0
Trademark	610.2	—	—	—	610.2
Other intangible asset	2.0	—	—	—	2.0
Total non-current assets	31,295.4	374.0	400.0	626.1	32,695.5
CURRENT ASSETS					
Properties under development	3,682.4	—	—	—	3,682.4
Properties held for sale	5,904.4	—	—	—	5,904.4
Inventories	74.2	—	—	—	74.2
Loans receivable	477.7	—	(167.3) *(b)*	—	310.4
Debtors, deposits and prepayments	692.7	—	(267.2) *(b)*	—	440.1
			14.6 *(a)*		
Financial assets at fair value through profit or loss	1,588.8	—	—	—	1,588.8
Derivative financial instruments	3.1	—	—	—	3.1
Tax recoverable	9.5	—	—	—	9.5
Restricted cash	439.2	—	—	—	439.2
Pledged time deposits and bank balances	357.5	—	—	—	357.5
Time deposits	701.1	—	—	—	701.1
Cash and bank balances	1,240.6	—	(0.4) *(b)*	—	1,230.2
			(10.0) *(c)*		
Total current assets	15,171.2	—	(430.3)	—	14,740.9

	The Paliburg Group as at 31 December 2019	First Cosmo Shares Transfer and AMTD I Acquisition	CIDL Disposal and AMTD II Acquisition	Second Cosmo Shares Transfer and AMTD III Acquisition	Unaudited pro forma statement of assets and liabilities of the Paliburg Group
	(Note 1)	*(Note 3)*	*(Note 4)*	*(Note 5)*	
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
CURRENT LIABILITIES					
Creditors and accruals	(905.6)	—	0.5 *(b)*	—	(905.1)
Contract liabilities	(1,252.7)	—	—	—	(1,252.7)
Lease liabilities	(17.5)	—	—	—	(17.5)
Deposits received	(83.6)	—	10.0 *(c)*	—	(73.6)
Interest bearing bank borrowings	(2,482.5)	—	—	—	(2,482.5)
Tax payable	(190.1)	—	19.2 *(b)*	—	(170.9)
Total current liabilities	(4,932.0)	—	29.7	—	(4,902.3)
NET CURRENT ASSETS	10,239.2	—	(400.6)	—	9,838.6
TOTAL ASSETS LESS CURRENT LIABILITIES	41,534.6	374.0	(0.6)	626.1	42,534.1
NON-CURRENT LIABILITIES					
Creditors and deposits received	(87.8)	—	—	—	(87.8)
Lease liabilities	(36.9)	—	—	—	(36.9)
Interest bearing bank borrowings	(15,365.2)	—	—	—	(15,365.2)
Other borrowings	(2,716.7)	—	—	—	(2,716.7)
Deferred tax liabilities	(1,913.1)	—	—	—	(1,913.1)
Total non-current liabilities	(20,119.7)	—	—	—	(20,119.7)
Net assets	21,414.9	374.0	(0.6)	626.1	22,414.4

Notes:

(1) The balances have been extracted from the consolidated statement of financial position of the Paliburg Group as at 31 December 2019 as set out in the final results announcement of the Paliburg Group for the year ended 31 December 2019.

(2) The balances have reflected the financial effects in respect of the Hotel Interests Disposal as it was completed on 31 December 2019.

(3) The adjustment represents the recognition of AMTD I Shares as financial assets at fair value through other comprehensive income, which are acquired with proceeds from the sale of First Cosmo Shares. For the purpose of this Unaudited Pro Forma Financial Information, the fair value of the First Cosmo Shares is assumed to be HK$374.0 million, which approximated to the fair value of AMTD I Shares on 31 December 2019. In the opinion of the Directors, since the AMTD I Acquisition and First Cosmo Shares Transfer were part of the Shares Related Transactions, it is appropriate to account for the AMTD I Acquisition and the First Cosmo Shares Transfer as if they were one single transaction.

(4) The following represents the adjustments relating to CIDL Disposal (assuming Beijing Fuli to be included in the CIDL Group) and AMTD II Acquisition, assuming they were completed on 31 December 2019:

(a) the reversal of provision for impairment made during the year ended 31 December 2019 in respect of other receivable from Yuanchang Logistics;

(b) the derecognition of assets and liabilities of CIDL Group upon completion of CIDL Disposal;

(c) the derecognition of the deposit received from CIDL Purchaser under the CIDL Disposal Agreement as at 31 December 2019 and used as settlement of partial consideration for the acquisition of AMTD II Shares; and

(d) the recognition of AMTD II Shares as financial assets at fair value through other comprehensive income acquired with CIDL Consideration.

In the opinion of the Directors, since the CIDL Disposal and AMTD II Acquisition are part of the CIDL Related Transactions, it is appropriate to account for the AMTD II Acquisition and CIDL Disposal as if they were one single transaction.

(5) The adjustment represents the recognition of AMTD III Shares as financial assets at fair value through other comprehensive income acquired with Second Cosmo Shares. For the purpose of this Unaudited Pro Forma Financial Information, the fair value of the AMTD III Shares is assumed to be HK$626.1 million, which approximated to the fair value of the Second Cosmo Shares on 31 December 2019.

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the Paliburg Group's pro forma financial information for the purpose in this circular.

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

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Paliburg Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Paliburg Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2019, and related notes as set out on pages IV-1 to IV-4 of the circular dated 31 March 2020 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-4 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of (i) the sale of 220,000,000 existing ordinary shares of Cosmopolitan International Holdings Limited ("Cosmopolitan"); (ii) the acquisition of 5,674,000 Class A ordinary shares of AMTD International Inc. ("AMTD"); (iii) the disposal of entire equity interests of Cosmopolitan International Development Limited; (iv) the acquisition of 6,069,000 Class A ordinary shares of AMTD; (v) disposal of 50% equity interest in Dense Globe Investment Limited; (vi) the sale of 368,320,000 existing ordinary shares of Cosmopolitan; and (vii) the acquisition of 9,500,000 Class A ordinary shares of AMTD (collectively referred to as the "Transactions") on the Group's financial position as at 31 December 2019 as if the Transactions had taken place on 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2019 as set out in the final results announcement dated 26 March 2020.

Directors' responsibility for the Unaudited Pro Forma Financial Information

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

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional 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*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

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

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

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Transactions on unadjusted financial information of the Group as if the Transactions 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 Transactions 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 Transactions, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

Opinion

In our opinion:

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

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

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

Yours faithfully

Ernst & Young
Certified Public Accountants
Hong Kong

31 March 2020

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with their valuation as at 31 December 2019 of the Property.

Knight Frank Petty Limited
4th Floor, Shui On Centre
Nos 6-8 Harbour Road
Wan Chai, Hong Kong

31 March 2020

The Board of Directors
Paliburg Holdings Limited
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

Dear Sirs

Valuation of a hotel development at Nos 5-7 Bonham Strand West and Nos 169-171 Wing Lok Street, Sheung Wan, Hong Kong (the "Property")

In accordance with the instructions from Paliburg Holdings Limited (hereinafter referred to as the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") to value the Property, we confirm that we have made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as if completed and ready for hotel operation as at 31 December 2019 (the "**Valuation Date**") for public disclosure purposes. Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer and is prepared in unbiased and professional manner.

Basis of Valuation

In arriving at our opinion of market value, we followed "The HKIS Valuation Standards 2017" issued by The Hong Kong Institute of Surveyors ("**HKIS**") and "The RICS Valuation — Global Standards 2017" issued by The Royal Institution of Chartered Surveyors ("**RICS**"). Under the said standards, market value is defined as:

> "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Market value is also the best price reasonably obtainable in the market on the Valuation Date by the seller and the most advantageous price reasonably obtainable in the market on the Valuation Date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in "The HKIS Valuation Standards 2017" issued by HKIS, "The RICS Valuation — Global Standards 2017" issued by RICS and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our valuation is based on 100% of the leasehold interest of the Property.

Valuation Methodology

In our valuation, we have valued the Property by Market Approach with reference to comparable market transactions. We have also cross-checked the valuation by capitalisation of estimated net operating profits. Portions of our valuation of the Property are attributable to transferrable goodwill, fixtures, fittings, furniture, furnishings and equipment. In considering the valuation of the Property, we have taken into account the estimated room sales, food and beverage revenues, other revenues, outgoings, operating costs, gross operating profits, rents, rates, insurance and other relevant information. Allowances have been made for the periodical replacement and renovation of the hotel furnishings, fixtures and fittings.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions:-

Title Documents and Encumbrances

We have taken reasonable care to investigate the title of the Property by obtaining land search records from the Land Registry, if not available, with reference to the title documents or other documents of title as provided. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the Group. We have accepted advice given to us on such matters as planning approval, statutory notice, easement, tenure, approved building plans, floor areas, number of rooms and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct.

Inspection

We have inspected the exterior and, where possible, the accessible interior of the Property. The inspection of the Property was undertaken on 20 February 2020 by a qualified valuer, Ms Natalie Wong MRICS MHKIS RICS Registered Valuer.

Identity of the Property to be valued

We have exercised reasonable care and skill to ensure that the Property is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Site Boundary

We were not able to delineate the exact boundary of the Property nor were we able to carry out detailed site measurements to verify the correctness of the site area of the Property. Nevertheless, we have based on the site area of the Property as obtained from the Government records in preparing our valuation.

Areas and Age

In our valuations, we have relied upon areas provided to us. Otherwise, dimensions and areas would be measured from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

Structural and Services Condition

We have not undertaken any structural surveys, tested the services or arranged for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the basis that the services, including but not limited to the drain, waterway or watercourse, water main, sewer, cable, wire and pipe and other utility services, etc to the Property was approved and connected and the services functioned satisfactorily.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

The Occupation Permit of the Property has been obtained and the hotel licence for the Property is currently under application as advised by the Group. In our valuation, we assumed that the hotel licence can be obtained and the Property can be properly operated as a hotel on on-going business basis.

We have assumed that the Property was constructed, occupied and used in full compliance with, and without contravention of any ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Remarks

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the Valuation Date. While the current market is influenced by various policies and regulations, increasing complexity in social movements and international trade tensions, the recent regional health issue of outbreak of Novel Coronavirus is expected to bring additional fluctuations to the real estate market. It must be recognised that the regional health problem, changes in policy direction, mortgage requirements, social and international tensions could have immediate and sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected circumstances after the Valuation Date may affect the value of the Property.

Currency

Unless otherwise stated, all monetary figures in this valuation report will be in Hong Kong Dollars (HK$).

Area Conversion

The area conversion factors in this report are taken as follows:

1 sq m = 10.764 sq ft

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Natalie Wong
MRICS MHKIS RICS Registered Valuer
Director, Valuation & Advisory

Thomas Lam
FRICS FHKIS RPS(GP) RICS Registered Valuer
Executive Director, Head of Valuation & Advisory

Notes: Thomas Lam is a qualified valuer who has about 20 years of extensive experience in market research, valuation and consultancy in the People's Republic of China, Hong Kong, Macao and Asia Pacific region.

Natalie Wong is a qualified valuer who has about 14 years of experience in valuation of properties in Hong Kong.

VALUATION

Property held for hotel operation

Property	**Description and tenure**	**Particulars of occupancy**	**Market value as at 31 December 2019**
A hotel development at Nos 5-7 Bonham Strand West and Nos 169-171 Wing Lok Street, Sheung Wan, Hong Kong The Remaining Portion of Inland Lot No 1072, The Remaining Portion of Sub-Section 1 of Section A of Inland Lot No 1072 and The Remaining Portion of Section A of Inland Lot No 1072 ("IL 1072 RP, IL 1072 sAss1 RP and IL 1072 sA RP")	The Property is a hotel development completed in November 2019 located within a 10-minute walk from Hong Kong Macau Ferry Terminal in Sheung Wan, Hong Kong Island. The Property is situated at the northern side of Bonham Strand West and southern side of Wing Lok Street surrounded by composite commercial/residential developments, offices, hotels and aged tenement blocks. The Property is designed and built into a 32-storey hotel with a total gross floor area of approximately 56,361 sq ft (5,236.1 sq m) providing 98 guestrooms and suites (accommodatable to 162 individual room bays). As advised by the Group, the hotel is planned to be opened and operated in the 2nd quarter of 2020. IL 1072 RP, IL 1072 sAss1 RP and IL 1072 sA RP are held under a Government Lease for a term of 999 years from 26 September 1842 at an annual rent of about $74.	The occupation permit of the hotel development has been granted on 19 November 2019. The Property is completed and is currently vacant. As advised by the Group, the application of the hotel licence is in progress and the hotel licence is expected to be obtained before 30 June 2020.	HK$1,200,000,000 (Hong Kong Dollars One Billion Two Hundred Million)

Notes:

(1) According to the record obtained from the Land Registry, as at the Valuation Date, the registered owner of the Property was "Fine Cosmos Development Limited", an affiliate of the Company.

(2) As at the Valuation Date, the Property was subject to following major encumbrances:-

a. Offensive Trade Licence by District Lands Officer, Hong Kong West & South vide a memorial no 11122801660189 dated 6 July 2011 (Re IL 1072 RP, IL 1072 sAss1 and IL 1072 sA RP);

b. Debenture and Mortgage vide a memorial no 12020802240492 dated 7 February 2012 in favour of The Bank of East Asia, Limited to secure all moneys in respect of general banking facilities (including but not limited to term loan facilities in the aggregate principal amount of up to HK$285,000,000 upon and subject to the terms and conditions and for the purposes mentioned in a loan agreement dated 7 February 2012 and made between Fine Cosmos Development Limited as borrower and The Bank of East Asia, Limited as lender), interests thereon and all other moneys payable in respect thereof;

c. Supplemental to Debenture and Mortgage vide a memorial no 15061202760193 dated 29 May 2015 in favour of The Bank of East Asia, Limited to secure all moneys in respect of general banking facilities; and

d. Second Supplement to Debenture and Mortgage vide a memorial no 18102202120830 dated 10 October 2018 in favour of The Bank of East Asia, Limited to secure all moneys in respect of general banking facilities.

(3) As at the Valuation Date, the Property was situated within an area zoned for "Commercial" uses under draft Sai Ying Pun & Sheung Wan (HPA 3) Outline Zoning Plan No S/H3/33 exhibited on 9 August 2019.

(4) In the course of our valuation, we have made certain assumptions which collectively may have a material impact on our valuation and these are noted as follows:-

a. The Property is vested by the registered owner and can be fully developed, transferred, mortgaged, occupied and operated by the registered owner without any restrictions;

b. The Property is constructed as a hotel according to the development scheme;

c. All approvals, permits and consents required including planning approval, building plan approval and construction permit were obtained from the relevant Government authorities without onerous conditions and delays for the operation of the hotel development; and

d. We assumed that the hotel development is completed in a reasonable condition with appropriate furniture, fixtures and equipment and ready for proper hotel operation.

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors and chief executive of Paliburg in the shares, underlying shares and debentures of Paliburg or any associated corporation (within the meaning of Part XV of the SFO which were required to be notified to Paliburg and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of Paliburg were taken or deemed to have under such provisions of the SFO), or which were requlied to be and are recorded in the register required to be kept by Paliburg pursuant to section 352 of the SFO, or as otherwise required to be notified to Paliburg and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the shares and underlying shares of Paliburg and its associated corporations

				Number of shares held			
	Paliburg/ Name of associated corporation	**Name of Director**	**Class of shares held**	**Personal interests**	**Corporate interests**	**Family/Other interests**	**Total (Approximate percentage of the issued shares as at the Latest Practicable Date)**
1.	Paliburg	Mr. LO Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
		Mr. Donald FAN Tung	Ordinary (issued)	556	—	—	556 (0.000%)
		Miss LO Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)
		Mr. Kenneth NG Kwai Kai	Ordinary (issued)	176,200	—	—	176,200 (0.02%)
		Mr. Kenneth WONG Po Man	Ordinary (issued)	6,200	—	—	6,200 (0.001%)

	Paliburg/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
2.	Century City	Mr. LO Yuk Sui	Ordinary (issued)	110,867,396	1,769,164,691 (Note a)	380,683	1,880,412,770 (58.69%)
		Mr. Jimmy LO Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)
		Miss LO Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.004%)
		Mr. Kenneth WONG Po Man	Ordinary (issued)	200	—	—	200 (0.000%)
3.	Regal	Mr. LO Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss LO Po Man	Ordinary (issued)	300,000	—	269,169 (Note d)	569,169 (0.06%)
		Mr. Kenneth WONG Po Man	Ordinary (issued)	200	—	—	200 (0.000%)
4.	Cosmopolitan	Mr. LO Yuk Sui	Ordinary (i) (issued)	—	3,084,174,716 (Notes e & i)	—	3,084,174,716
			(ii) (unissued)	—	5,024,058,784 (Note f)	—	5,024,058,784
						Total:	8,108,233,500 (183.70%)
			Preference (issued)	—	2,345,487,356 (Note f)	—	2,345,487,356 (99.99%)
		Mr. Jimmy LO Chun To	Ordinary (issued)	2,269,101	—	—	2,269,101 (0.05%)
		Miss LO Po Man	Ordinary (issued)	1,380,000	—	—	1,380,000 (0.03%)
5.	Regal Real Estate Investment Trust (“Regal REIT”)	Mr. LO Yuk Sui	Units (issued)	—	2,443,033,102 (Note g)	—	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. LO Yuk Sui	Ordinary (issued)	—	1,000 (Note h)	—	1,000 (100%)

Notes:

(a) The interests in 1,769,164,691 issued ordinary shares of Century City were held through companies wholly owned by Mr. LO Yuk Sui ("Mr. Lo").

(b) The interests in 694,124,547 issued ordinary shares of Paliburg were held through companies wholly owned by Century City, in which Mr. Lo held 58.68% shareholding interests.

The interests in 16,271,685 issued ordinary shares of Paliburg were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of Paliburg were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

(c) The interests in 421,400 issued ordinary shares of Regal were held through companies wholly owned by Century City, in which Mr. Lo held 58.68% shareholding interests. The interests in 599,025,861 issued ordinary shares of Regal were held through companies wholly owned by Paliburg, in which Century City held 62.28% shareholding interests. The interests in the other 23,408,000 issued ordinary shares of Regal were held through a wholly-owned subsidiary of Cosmopolitan, in which P&R (which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries) held 57.82% shareholding interests. Paliburg held 69.25% shareholding interests in Regal.

(d) The interests in 269,169 issued ordinary shares of Regal were held by Miss LO Po Man as the beneficiary of a trust.

(e) The interests in 2,552,316,716 issued Cosmopolitan Shares were held through wholly-owned subsidiaries of P&R, which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries. The interests in the other 531,858,000 issued Cosmopolitan Shares were held through wholly-owned subsidiaries of Regal. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 58.68% shareholding interests in Century City.

(f) The interests in 5,024,058,784 unissued Cosmopolitan Shares were held through wholly-owned subsidiaries of P&R, which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 58.68% shareholding interests in Century City.

The interests in 2,345,487,356 unissued Cosmopolitan Shares are derivative interests held through interests in 2,345,487,356 convertible preference shares of Cosmopolitan, convertible into new Cosmopolitan Shares on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued Cosmopolitan Shares are derivative interests held through interests in the convertible bonds in the principal amount of HK$500,000,000 issued by a wholly owned subsidiary of Cosmopolitan (the "CB Issuer"). The convertible bonds are convertible into new Cosmopolitan Shares at a conversion price of HK$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued Cosmopolitan Shares are derivative interests held through interests in the convertible bonds in a principal amount of HK$500,000,000 issued by the CB Issuer. The convertible bonds are convertible into new Cosmopolitan Shares at a conversion price of HK$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

(g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly-owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly-owned subsidiaries of Regal. The interests in 732,363 issued units of Regal REIT were held through wholly-owned subsidiaries of Paliburg. The interests in 2,687,000 issued units of Regal REIT were held through wholly-owned subsidiaries of Century City. Cosmopolitan was held as to 57.82% shareholding interests by P&R, which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 58.68% shareholding interests in Century City.

(h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.68% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

(i) Completion of the sale of the Second Cosmo Shares (368,320,000 issued Cosmopolitan Shares) by the Second Cosmo Shares Vendor to the Second Cosmo Shares Purchaser is subject to the fulfilment of relevant conditions as stipulated in the Second Cosmo Shares Transfer Agreement.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors and chief executive of Paliburg had any interests or short positions in the shares, underlying shares and debentures of Paliburg or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to Paliburg and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or Short positions which they were taken or deemed to have under provisions of the SFO), or which were recorded in the register required to be kept by Paliburg under Section 352 of the SFO, or which were required, pursuant to the Model Code to be notified to Paliburg and the Stock Exchange.

Details of directorships of Paliburg's Directors in each of those companies which has an interest in the shares and underlying shares of Paliburg as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

(1) Mr. LO Yuk Sui is a director of YSL International Holdings Limited.

(2) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To and Miss LO Po Man are directors of Grand Modern Investments Limited.

(3) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To, Mr. Donald FAN Tung, Miss LO Po Man, Mr. Kenneth NG Kwai Kai, Ms. Winnie NG and Mr. WONG Chi Keung are directors of Century City.

(4) Mr. LO Yuk Sui, Mr. Jimmy LO Chun To, Mr. Donald FAN Tung, Miss LO Po Man and Mr. Kenneth NG Kwai Kai are directors of Century City BVI Holdings Limited, Almighty International Limited and Cleverview Investments Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and the chief executive of Paliburg, no other Director was a director or employee of a company which had an interest or short position in the shares and underlying shares of Paliburg which would fall to be disclosed to Paliburg under provisions of Division 2 and 3 of Part XV of the SFO.

3. OTHER INTERESTS OF DIRECTORS

As at the Latest Practicable Date,

(a) Interests in service contracts

none of the Directors had entered, or proposed to enter, into a service contract with any member of the Paliburg Group, excluding contracts expiring or determinable by the Paliburg Group within one year without payment of compensation (other than statutory compensation);

(b) Interests in assets

none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2018, being the date to which the latest published audited financial statements of the Paliburg Group were made up, been acquired or disposed of by or leased to any member of the Paliburg Group or were proposed to be acquired or disposed of by or leased to, any member of the Paliburg Group; and

(c) Interests in contracts or arrangements

None of the Directors was materially interested in any contract or arrangement entered into with any member of the Paliburg Group, which contract or arrangement was subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Paliburg Group taken as a whole.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Paliburg Group other than those businesses to which the Directors and their associates were appointed to represent the interests of Paliburg and/or the Paliburg Group.

5. LITIGATION

Save as disclosed in this circular, so far as the Directors are aware, there was no litigation or claims of material importance pending or threatened against any member of the Paliburg Group as at the Latest Practicable Date.

6. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the experts who have given, or agreed to the inclusion of, their opinions or advice in this circular:

Name	Qualification
Ernst & Young	Certified public accountants
Knight Frank Petty Limited	Independent Professional Valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts did not have any interest in the share capital of any member of the Paliburg Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Paliburg Group, and each of the above experts had no interest, either directly or indirectly, in any assets which have been, since 31 December 2018, the date to which the latest published audited financial statements of the Paliburg Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Paliburg Group.

7. MATERIAL CONTRACTS

The following contract (not being contracts entered into in the ordinary course of business) has been entered into by the Paliburg Group within the two years immediately preceding the date of this circular which is or may be material:

(a) the First Cosmo Shares Transfer Agreement and the Second Cosmo Shares Transfer Agreeement;

(b) the AMTD I Acquisition Agreement, the AMTD II Acquisition Agreement and the AMTD III Acquisition Agreement;

(c) the CIDL Disposal Agreement;

(d) the Hotel Interests Disposal Agreement;

(e) the Hotel Shareholders Agreement;

(f) the share transfer agreements dated 1 November 2019 entered into between Capital Merit Investments Limited, a wholly-owned subsidiary of Paliburg, Regal Hotels Investments Limited, a wholly-owned subsidiary of Regal, Valuegood International Limited, a wholly-owned subsidiary of P&R, Hollyview International Limited, and Mass Talent Financial Limited, in relation to the transfer of 350,000,000 ordinary shares of Cosmopolitan and 200,000,000 ordinary shares of Beijing Sports and Entertainment Industry Group Limited (stock code: 1803) between the parties;

(g) the share swap agreements dated 24 January 2019 entered into between Valuegood International Limited, a wholly-owned subsidiary of P&R, Hollyview International Limited, Orient Future Investments Limited and Mass Talent Financial Limited, pursuant to which Valuegood International Limited has swapped its 350,000,000 ordinary shares of Cosmopolitan for a total of 200,000,000 ordinary shares of Beijing Sports and Entertainment Industry Group Limited (stock code:1803);

(h) the CIDL Subsidiary Deposit Agreement, the CIDL Subsidiary Deposit (Supplemental) Agreement and the Second CIDL Subsidiary Loan Agreement;

(i) the CIDL Subsidiary Loan Agreement; and

(j) the Second CIDL Subsidiary Loan Agreement.

Save for the above, there were no material contracts (not being a contract in the ordinary course of business) entered into by any members of the Paliburg Group within the two years preceding the date of this circular.

8. MISCELLANEOUS

(a) The registered office of Paliburg is at 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

(b) The head office and principal place of business of Paliburg in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

(c) The secretary of Paliburg is Ms. Eliza LAM Sau Fun, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(d) The branch share registrar of Paliburg in Hong Kong is Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the above head office and principal place of business of Paliburg in Hong Kong for 14 days commencing from the date of this circular during normal business hours:

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

(b) the annual reports of Paliburg for the two years ended 31 December 2017 and 2018;

(c) the report on the unaudited pro forma financial information of the Paliburg Group issued by Ernst & Young as set out in Appendix IV to this circular;

(d) the valuation report on the Hotel, the text of which is set out in Appendix V to this circular;

(e) the written consents referred to in the section headed "Qualification and consent of experts" in this appendix;

(f) the material contracts referred to in the section headed "Material contracts" in this appendix; and

(g) this circular.