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

If you have sold or transferred all your securities in Huabang Financial Holdings Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank manager(s), licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s) or the transferee(s).

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

華邦金融控股有限公司
Huabang Financial Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3638)

MAJOR TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
A SECURITIES COMPANY

12 February 2018

CONTENTS

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

"Acquisition"	the acquisition of the entire issued share capital of the Target Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 7 March 2017 entered into between Goldenmars Technology and the Vendor in respect of the acquisition of the entire issued share capital of the Target Company
"associates"	has the meaning ascribed to under the Listing Rules
"Board"	the board of Directors
"close associate"	has the meaning ascribed to under the Listing Rules
"Company"	Huabang Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 3638)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Completion Date"	the date on which Completion is to take place, which shall fall within one year from the date of the Acquisition Agreement, or such other date as may be agreed between the parties to the Acquisition Agreement
"Consideration"	the consideration for the acquisition of the Sale Shares, the details of which are set out in the paragraph headed "**The Acquisition – Principal terms of the Acquisition Agreement – Consideration**" in the "**Letter from the Board**" section in this circular
"Consideration Shares"	231,000,000 Shares to be allotted and issued by the Company to the Vendor as part of the consideration for the Acquisition under the Acquisition Agreement
"connected persons"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group and the Target Group upon completion of the Acquisition

"First Vendor"	Mr. Lin Jun Tao, who agreed to sell the entire issued share capital of Qianhai Financial to Goldenmars Internet Media pursuant to the July Acquisition Agreement
"General Mandate"	the general mandate granted to the Directors to allot, issue and deal with additional Shares at the annual general meeting of the Company held on 25 August 2017
"Goldenmars Internet Media"	Goldenmars Internet Media Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Goldenmars Technology"	Goldenmars Technology Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	individual(s) or company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is (are) independent of the Company and its connected persons
"Issue Price"	the issue price of HK$0.65 per Consideration Share
"July Acquisition"	the acquisition of the entire equity interest in Qianhai Financial completed on 10 February 2017 pursuant to the July Acquisition Agreement
"July Acquisition Agreement"	the conditional sale and purchase agreement dated 28 July 2016 in respect of the acquisition of the entire issued share capital of Qianhai Financial
"Latest Practicable Date"	7 February 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Q3 2016"	the nine months ended 30 September 2016
"Q3 2017"	the nine months ended 30 September 2017
"Qianhai Corporate"	Huabang Corporate Finance Limited (previously known as Qianhai Corporate Finance Limited prior to its change of company name on 21 March 2017), a licensed corporation for Type 6 (advising on corporate finance) regulated activities under the SFO
"Qianhai Financial"	Huabang Financial Limited (previously known as Qianhai Financial Limited prior to its change of company name on 17 March 2017), a company incorporated in Hong Kong with limited liability, which is an investment holding company interested in the entire issued share capital of Qianhai Corporate
"Responsible Officer(s)"	Licensed Representative(s) who is/are also approved as a responsible officer(s) under section 126 of the SFO to supervise one or more regulated activities of the licensed corporation to which he/she/they is/are accredited
"Sale Shares"	48,750,000 shares in the capital of the Target Company, representing its entire issued share capital
"SFC"	the Securities & Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	the holder(s) of the Shares
"Shares"	ordinary shares in the capital of the Company with nominal value of HK$0.0008333 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers
"Target Company"	Huabang Securities Limited (previously known as Qian Hai Securities Limited prior to its change of company name on 27 March 2017), a company with limited liability incorporated in Hong Kong that is licensed under the SFO to carry out Type 1 and Type 4 regulated activities

"Target Group"	the Target Company and its wholly-owned subsidiary, Sen Mei Logistics Limited, a company with limited liability incorporated in Hong Kong
"Vendor"	Newpont Holdings Limited, a company incorporated in Hong Kong with limited liability
"%"	per cent.

華邦金融控股有限公司
Huabang Financial Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3638)

Executive Directors:
Mr. George Lu *(Chairman and Chief Executive Officer)*
Mr. Lau Wan Po *(Vice Chairman)*
Mr. Pang Chung Fai Benny *(Vice Chairman)*
Ms. Lau Wing Sze

Independent Non-executive Directors:
Mr. Loo Hong Shing Vincent
Mr. Shin Yick Fabian
Mr. Mu Binrui
Mr. Lam Allan Loc

Registered Office:
P.O. Box 309
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Grand Cayman, KY1-1104
Cayman Islands

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29th Floor
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3 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

12 February 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF A SECURITIES COMPANY

INTRODUCTION

Reference is made to the announcements of the Company dated 7 March 2017, 31 October 2017, 17 November 2017 and 26 January 2018 in relation to the Acquisition.

This circular is despatched to the Shareholders for information purposes only. As disclosed in the Company's announcement dated 31 October 2017, (i) to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Acquisition, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and (ii) pursuant to Rule 14.44 of the Listing Rules, the Company has obtained shareholders' written approval from Forever Star Capital Limited, which was beneficially interested in 2,556,820,000 Shares, representing approximately 66.26% of the issued share capital of the Company, as at the Latest Practicable Date, for approving the Acquisition. Accordingly, no general meeting will be convened to approve the Acquisition Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among others, (i) further details of the Acquisition; (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) the unaudited pro-forma financial information of the Enlarged Group; and (v) other information required to be disclosed under the Listing Rules.

THE ACQUISITION

On 7 March 2017 (after trading hours), Goldenmars Technology entered into the Acquisition Agreement with the Vendor, pursuant to which Goldenmars Technology has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company.

Principal terms of the Acquisition Agreement

The principal terms of the Acquisition Agreement are summarised below:

Date

7 March 2017

Parties

(1) Goldenmars Technology, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Company, which is an investment holding company; and

(2) the Vendor, a company incorporated in Hong Kong with limited liability, which is an investment holding company owned as to 90% by Mr. Lin Jun Bo. Mr. Lin Jun Bo was the executive director of the Target Company from November 2010 to March 2014. Since March 2014, he has been responsible for business development work of mainland China's market for the Target Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Mr. George Lu, an executive Director and the Chairman and Chief Executive Officer of the Company, knew Mr. Lin Jun Bo through his business network and was aware that Mr. Lin Jun Bo had shareholding interests in the Target Company. As the Company has been exploring new business opportunities to extend its business presence in the financial service industry, and the Company, through Mr. George Lu, learned that Mr. Lin Jun Bo was considering to dispose of the Target Company in February 2017, it approached Mr. Lin Jun Bo to negotiate the Acquisition and entered into the Acquisition Agreement with the Vendor on 7 March 2017.

Subject matter to be acquired

Pursuant to the Acquisition Agreement, Goldenmars Technology has conditionally agreed to acquire the Sale Shares, namely 48,750,000 shares in the capital of the Target Company, representing its entire issued share capital.

Consideration

The Consideration for the Acquisition of the Sale Shares is HK$180,150,000, which shall be satisfied by (i) cash of HK$30,000,000 and (ii) Goldenmars Technology procuring the Company to allot and issue 231,000,000 Consideration Shares to the Vendor at the Issue Price of HK$0.65 per Consideration Share in accordance with the terms and conditions of the Acquisition Agreement upon its Completion.

As at the Latest Practicable Date, the cash consideration of HK$30,000,000 has been settled by Goldenmars Technology.

Prior to the finalisation of the terms of the Acquisition Agreement and during the course of negotiation of the Consideration between the parties, the Board had considered different kinds of settlement mechanism of the Consideration, including settlement by cash and allotment and issue of Shares. Having taken into account of (i) the amount of cash required to settle the Acquisition if it were to be fully settled by cash, (ii) the relatively low dilution effect on the shareholding of existing Shareholders upon the allotment and issue of Consideration Shares to the Vendor as disclosed in the sub-paragraph headed "**Consideration Shares**" below, and (iii) the allotment and issue of Consideration Shares will not result in a change of control of the Company, the Directors considered that the allotment and issue of Consideration Shares would allow the Company to maintain sufficient cash balance to support the Group's daily operations and development of new potential business projects, if any, and is fair and reasonable and in the best interest of the Company and its Shareholders as a whole.

The Consideration was determined after arm's length negotiation between Goldenmars Technology and the Vendor with reference to (i) the valuation of the Target Group based on the net asset value of the Target Group as at 31 December 2016, (ii) the financial position of the Target Group as at 31 December 2016 and (iii) a premium with reference to other comparable offers in the market. No separate valuation on the Target Group had been performed in determining the Consideration.

(i) Details of comparable offers considered by the Directors

Details of the relevant comparable offers in the market considered by the Directors, including the identities of the target company and the purchaser of shares of the target company, the target company's business nature and the consideration for each of such comparable offers are set out below:

Details of Comparable Offers considered by the Directors

No.	Target company and its business nature	Purchaser	Consideration for the acquisition	Source of information
1.	Entire issued share capital of Smart Jump Corporation, which, together with its subsidiary, were engaged in the business of securities trading and investment	Imagi International Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 585)	HK$1,800 million, representing a premium of approximately 96.21% of the unaudited consolidated net asset value of the target company as at 8 March 2016	Announcements dated 29 March 2016 and 18 April 2016 of Imagi International Holdings Limited
2.	Entire issued share capital of a company to be incorporated in the British Virgin Islands, which shall be the holding company of (i) Sino Wealth Securities Limited, which was licensed to carry out Type 1 regulated activity under the SFO, and (ii) a company to be incorporated in Hong Kong and to be engaged in the money lending business	A wholly-owned subsidiary of Heng Tai Consumables Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 197)	HK$23,428,000, representing a premium of approximately 51.85% of the unaudited net asset value of Sino Wealth Securities Limited as at 30 June 2016	Announcement dated 5 September 2016 of Heng Tai Consumables Group Limited
3.	Entire issued share capital of Win Fung Securities Limited (now known as China Jianxin Financial Services Limited), which was licensed to carry out Types 1 and 4 regulated activities under the SFO and whose principal activities were provision of brokerage services and securities margin financing	A wholly-owned subsidiary of Universe International Holdings Limited (now known as Universe International Financial Holdings Limited) (a company listed on the Main Board of the Stock Exchange with stock code: 1046)	HK$73 million, representing a premium of approximately 100.11% of the audited net asset value of the target company as at 30 June 2015	Announcement dated 21 August 2015 of Universe International Holdings Limited (now known as Universe International Financial Holdings Limited)

Details of Comparable Offers considered by the Directors

No.	Target company and its business nature	Purchaser	Consideration for the acquisition	Source of information
4.	Entire issued share capital of each of (i) Hui Kai Futures Limited and Hui Kai Asset Management Limited, which were licensed to carry out Types 2 and 9 regulated activities under the SFO, and (ii) Easy Winning International Limited, which was principally engaged in the money lending business	A wholly-owned subsidiary of Bestway International Holdings Limited (now known as Tai United Holdings Limited) (a company listed on the Main Board of the Stock Exchange with stock code: 718)	HK$56 million, representing a premium of approximately 107.41% of the unaudited aggregated net asset value of the target companies as at 30 September 2015	Announcement dated 18 January 2016 of Bestway International Holdings Limited (now known as Tai United Holdings Limited)

The above list of comparable offers is not an exhaustive list of offers considered by the Directors in determining the Consideration, but are selected among those offers considered by the Directors with the selection criteria of acquisition of private financial services company(ies) within two years from the date of the Acquisition Agreement, which demonstrated that the consideration for acquisition of private financial services companies and private companies licensed to carry out regulated activities under the SFO is usually at a premium ranging from approximately 51.85% to 107.41% over the net asset value of the target company(ies).

The Board considered that the above comparables were fair and representative samples to determine the Consideration as (i) the business nature and principal activities of the target companies concerned in the above comparable acquisitions are same or similar to that of the Target Group, being the provision of brokerage services and securities margin financing services and regulated activities under the SFO; (ii) most of the above comparable acquisitions involve Hong Kong listed corporations or their subsidiaries as purchasers, which are subject to the same Listing Rules requirements as the Company in determining the consideration for the above acquisitions, and (iii) the above comparable acquisitions were within two years from the date of the Acquisition Agreement, with the consideration determined with reference to similar market conditions as at the date of the Acquisition Agreement.

(ii) The Board's assessment on the financial performance of the Target Group

Set out below is the Board's assessment on the decrease of approximately 95.0% in the audited consolidated net profit of the Target Group for the year ended 31 December 2016 as compared with that for the year ended 31 December 2015:

(i) For the year ended 31 December 2015, the Target Group recorded gain on disposal of financial assets and unrealised fair value gain on financial assets, both at fair value through profit and loss, of approximately HK$42.2 million in total, which represented approximately 95.5% of the consolidated net profit of the Target Group for that year;

(ii) However, since the financial market had become highly fluctuated in the year ended 31 December 2016, the Target Group recorded a loss on disposal and unrealised fair value loss of financial assets at fair value through profit and loss of approximately HK$18.6 million for the year ended 31 December 2016, which represented approximately 44.8% of the consolidated revenue of the Target Group for that year;

(iii) Having considered the impact of investment in financial assets on the financial performance of the Target Group in the year ended 31 December 2016, the management of the Target Group formed the view that the investment in financial assets was highly unpredictable and decided to strictly control and monitor such investments by significantly reducing the scale of investment in financial asset at fair value through profit and loss, from approximately HK$87.5 million (representing 23.4% of the total consolidated assets of the Target Group) as at 31 December 2015 to approximately HK$4.9 million (representing 4.5% of the total consolidated assets of the Target Group) as at 31 December 2016;

(iv) Accordingly, the Board considered the gain/loss on financial assets at fair value through profit and loss recorded by the Target Group in the year ended December 2016 as an exceptional item and one-off event, which would not affect the future development of the Target Group's core business of provision of securities and brokerage services subsequent to the Acquisition; and

(v) Taking out the effect of the gain/loss on financial assets at fair value through profit and loss recorded by the Target Group, which the Board considered as an exceptional item which did not form part of the revenue generated from the Target Group's operating activities, the adjusted profit before taxation of the Target Group would be approximately HK$6.9 million for year ended 31 December 2015 and HK$25.4 million for year ended 31 December 2016. From this perspective, the Target Group had in fact recorded an increase of approximately HK$18.5 million or 268.1% in operating profit before taxation for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015.

As at the Latest Practicable Date, being approximately one year from the date of the Acquisition Agreement, the Company was further provided with the financial information of the Target Group for Q3 2017, from which the Board noted that the financial performance of the Target Group remained relatively unsatisfactory, with revenue decreased from HK$24.6 million for Q3 2016 to HK$6.8 million for Q3 2017, and the Target Group recorded net loss of HK$2 million for Q3 2017.

Set out below is the Board's assessment on the decrease in revenue of approximately 72.2% for Q3 2017 as compared with that for Q3 2016:

The total revenue of the Target Group for Q3 2017 was approximately HK$6.8 million (Q3 2016: HK$24.6 million) which represents a HK$17.8 million or 72.2% decrease compared with Q3 2016. Such drop in revenue was attributable to (i) a decrease of approximately HK$16.4 million in commission income from the underwriting and placing services; (ii) a decrease of approximately HK$2.5 million in commission income from the brokerage services; (iii) an increase of approximately HK$1.1 million in interest income from custodian clients.

The decrease in commission income from the brokerage services and the underwriting and placing services in Q3 2017 was due to decrease in the demand for such services in the market which was beyond the Target Group control, whereas the increase in interest income from custodian clients compensated the decreased in commission income for Q3 2017 results of the Target Group.

The Board considered the Consideration based on the net asset value of the Target Group. The Target Group recorded a net loss of approximately HK$2 million for the nine months ended 30 September 2017, which would decrease the net asset value of the Target Group to $95.9 million. After taking into account the effect of such decrease in the net asset value of the Target Group of approximately HK$2 million, the premium of the Consideration would become approximately 87.8% which was still within the premium ranging from approximately 51.85% and 107.41% as mentioned above.

(iii) Ultimate aim to be achieved by way of the Acquisition

As at 31 December 2016, the audited net asset value of the Target Group was approximately HK$ 97,960,000, and its audited financial results for the two years ended 31 December 2015 and 2016 were as follows:

	For the year ended 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Net profit before taxation	49,103	6,786
Net profit after taxation	44,162	2,211

Having considered the factors set out in the paragraph headed "**Reasons for and Benefits of the Acquisition**" in this section below, the Board is of the view that the benefits that are expected to be brought to the Group through the Acquisition, including but without limitation to the business opportunities and growth potential that the Group may benefit by (i) tapping into the Hong Kong financial services industry by capitalising on the existing licences held by the Target Group to carry out Type 1 and Type 4 regulated activities under the SFO and the Target Group's currently available online trading platform and business systems that have been long-established, and (ii) more effectively allocating and utilising the Group's resources in operating the corporate finance businesses of Qianhai Corporate and the Target Group, and providing one-stop shop services to corporate clients as a service provider of Types 1, 4 and 6 regulated activities under the SFO upon completion of the Acquisition, shall outweigh the relatively unsatisfactory financial performance of the Target Group in the past two financial years.

The Board considered that the major purpose of the Acquisition is for the Group to acquire the hardware (licences to carry out Types 1 and 4 regulated activities under the SFO) and software (long-established online trading platform and business systems as well as its client base developed since 1997) of the Target Group, in order to obtain a readily available platform for the Group to expand into the Hong Kong financial services industry, commence operations in the equity market transactions as soon as practicable to capture the business opportunities offered by the blooming securities market of Hong Kong as described in the paragraph headed "**Reasons for and Benefits of the Acquisition – Development Trends and Growth Drivers of the Hong Kong Securities Markets**" in this section below. The Board thus intends to invest in the development of the Target Group's existing business with a view to turnaround the unsatisfactory financial performance it recorded in the past two financial years with the Group's experienced and competent corporate finance management expertise, rather than to invest in the Target Group as a standalone business from the Group and to capture investment returns as a passive investor. From this perspective, more emphasis is placed by the Board on the assets of the Target Group that is currently in place and immediately available for the Group to capitalise upon to diversify its business into the Hong Kong financial services industry and develop its corporate finance business, than the financial performance of the Target Group in the past two financial years.

The transaction price for the Acquisition, being the amount of the Consideration, was a commercial term offered by the Vendor after negotiations between the parties to the Acquisition Agreement. In view of (i) the range of premium over the net asset value of the target company in each of the comparable acquisitions set out in the above, (ii) the analysis on the financial performance of the Target Group for the year ended 31 December 2016, and (iii) the ultimate aim to be achieved by the Acquisition as stated above, the Board concluded that the Consideration, which represented a premium of 83.90% over the audited net asset value of the Target Group of HK$97,960,000 as at 31 December 2016, is fair and reasonable and to the best interest of the Company and its Shareholders as a whole.

Issue Price

The Issue Price of HK$0.65 per Consideration Share was determined after arm's length negotiations among the parties taking into account, among other things, the prevailing market performance of the Shares and the potential positive impact on the stock price of the Shares which may be brought about by the Acquisition, including the diversification of the Group's business into the financial services industry, which the Board considered to be one of the most valued industries that are full of opportunities and growth potential in a major international financial centre like Hong Kong. Moreover, the issue price of the Consideration Shares of HK$0.65 was determined with reference to the estimated market price per Share upon completion of the Acquisition, the calculation basis of which is set out below:

(1) The Price-To-Book Ratio ("**PB Ratio**") of the Company as at the date of the Acquisition Agreement was approximately 4.68 times, which was determined by dividing the closing price of HK$0.51 per Share as at the date of the Acquisition Agreement by the adjusted consolidated net asset value of the Group of approximately HK$0.109 per Share as at 30 September 2016 (being the date to which the latest published and available financial statements of the Group was made up prior to the signing of the Acquisition Agreement).

    The adjusted consolidated net asset value per share of the Group as at 30 September 2016 was approximately HK$0.109 per Share, which was the sum of the net asset value of the Company of HK$275,040,000 as at 30 September 2016 and the net proceeds of approximately HK$144,200,000 from the placing of new Shares announced by the Company on 6 October 2016 and completed on 24 October 2016 (collectively, the "**Net Asset Value of the Group as at 30 September 2016**"), divided by the total number of Shares upon completion of the said placing on 24 October 2016;

(2) The consolidated net asset value per Share after completion of the Acquisition was expected to be approximately HK$0.139 per Share ("**Net Asset Value of the Enlarged Group upon Completion**"), which was the sum of the Net Asset Value of the Group as at 30 September

2016 of HK$419,240,000 and the value of the Consideration Shares of HK$150,150,000 (being the number of Consideration Shares times the Issue Price), divided by the total number of Shares upon allotment and issue of the Consideration Shares (being 4,087,560,000 Shares); and

(3) The estimated market price per Shares after completion of the Acquisition was expected to be approximately HK$0.65 per Share, which was arrived at by multiplying the expected consolidated net asset value per Share of approximately HK$0.139 after completion of the Acquisition (set out in sub-paragraph (2) above) by the PB Ratio of the Company of approximately 4.68 times as at the date of the Acquisition Agreement (set out in sub-paragraph (1) above).

The Board noted that the PB Ratio (which compares share price to net asset value per share) and the Price-to-Earnings Ratio (which compares share price to earnings per share) are commonly adopted in assessing the value of an acquisition target and reasonableness and fairness of the consideration for an acquisition. As stated in the sub-paragraph headed "**The Acquisition – Principal terms of the Acquisition Agreement – Consideration – Ultimate aim to be achieved by way of the Acquisition**", more emphasis is placed by the Board on the assets of the Target Group that is currently in place and immediately available for the Group to capitalise upon to diversify its business into the Hong Kong financial services industry and develop its corporate finance business, than the financial performance of the Target Group in the past two financial years. Accordingly, the Board considered that the PB Ratio is an appropriate method to determine the Issue Price. As shown in the above, since the estimated market price per Shares after completion of the Acquisition is expected to be more or less the same as the Issue Price per Consideration Share, the Directors considered that the Issue Price is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Issue Price of HK$0.65 per Consideration Share represents:

(i) a premium of approximately 27.45% to the closing price of HK$0.51 per Share as quoted on the Stock Exchange on the date of the Acquisition Agreement;

(ii) a premium of approximately 19.49% to the average closing price of HK$0.544 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding (and including) the date of the Acquisition Agreement;

(iii) a premium of approximately 36.84% to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iv) a premium of approximately 83.90% over the net asset value per Share of approximately HK$97,960,000 based on the audited consolidated net assets value of the Target Group as at 31 December 2016;

(v) a premium of approximately 496.33% over the net asset value per Share of approximately HK$0.109 based on the Net Asset Value of the Group as at 30 September 2016; and

(vi) a premium of approximately 367.63% over the expected net asset value per Share of approximately HK$0.139 based on Net Asset Value of the Enlarged Group upon Completion.

Consideration Shares

The Consideration Shares, comprising 231,000,000 Shares in aggregate, represent approximately 5.99% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.65% of the issued share capital of the Company as enlarged by the Consideration Shares. Accordingly, the Vendor will not become a substantial shareholder (as defined under the Listing Rules) of the Company upon Completion.

The Consideration Shares will be allotted and issued under the General Mandate in accordance with the terms and conditions of the Acquisition Agreement. Under the General Mandate, the Company is authorised to allot and issue up to 771,312,000 Shares. As at the Latest Practicable Date, 1,932,000 Shares had been issued under the General Mandate pursuant to the exercise of share options granted on 21 December 2016 under the share option scheme adopted by the Company on 21 August 2013, as disclosed in the Company's announcement dated 21 December 2016. Together with the 231,000,000 Consideration Shares to be allotted and issued pursuant to the Acquisition Agreement, a total of approximately 30.20% of the General Mandate will be utilised. Accordingly, the allotment and issue of the Consideration Shares pursuant to the Acquisition Agreement is not subject to any further approval by the Shareholders.

The Consideration Shares will be credited as fully paid and free from all encumbrances and will rank *pari passu* in all respects with all the Shares then in issue. An application for the listing of, and permission to deal in, the Consideration Shares has been made by the Company to the Stock Exchange.

Conditions Precedent

Completion of the Acquisition Agreement is conditional upon the fulfilment (or where applicable, waiver thereof) of all the following conditions precedent:

(a) approval of the Acquisition from the SFC and other governmental authorities, including the approval from the SFC for Goldenmars Technology to become a substantial shareholder (as defined in section 132 of the SFO) of the Target Company, having been obtained;

(b) all licences held by the Target Company, including its licences to carry out Type 1 and Type 4 regulated activities under the SFO, not having been revoked, terminated or cancelled upon Completion;

(c) the Listing Committee having granted the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange;

(d) all declarations and warranties provided by the Vendor as at the date of the Acquisition Agreement remaining true, accurate and not misleading in any aspect up to and including the Completion Date;

(e) no material adverse changes to the business or financial conditions of the Target Company have occurred from the date of the Acquisition Agreement up to and including the Completion Date; and

(f) the Acquisition Agreement, all transactions contemplated thereunder and the signing of the Acquisition Agreement having been approved by the board of directors of each of the parties to the Acquisition Agreement.

Parties to the Acquisition Agreement may, but had no intention as at the Latest Practicable Date to, waive any of the conditions precedent set out in the above. As at the Latest Practicable Date, conditions precedent (a), (c) and (f) had been fulfilled and the Board expected that conditions precedent (b), (d) and (e) will be fulfilled by the Completion Date.

If the above conditions precedent are not fulfilled or waived by the Completion Date, or if Goldenmars Technology becomes aware of any material adverse changes to the business, financial or trading position or prospects of the Target Company prior to the Completion Date, the Acquisition Agreement shall cease and terminate.

Completion

According to the Acquisition Agreement, Completion shall take place on the Completion Date, which shall fall within one year from the date of the Acquisition Agreement or such other date as may be agreed between the parties to the Acquisition Agreement.

As at the Latest Practicable Date, parties to the Acquisition Agreement expected that Completion will take place as soon as practicable after publication of this circular.

INFORMATION ON THE TARGET GROUP

The Target Company is incorporated in Hong Kong with limited liability. Its issued share capital is HK$97,500,000, which consists of 48,750,000 shares.

(i) Business and Operation Model of the Target Group

The Target Company has been principally engaged in the business of providing securities brokerage services since 1997 and it currently provides clients with access to local securities products. It is licensed under the SFO to carry out the following regulated activities in Hong Kong:

(a) Type 1 regulated activities – Dealing in securities:

provision of securities brokerage service; trading or broking stock options for clients; trading bonds for clients; buying or selling mutual funds and unit trusts for clients; and placing and underwriting of securities; and

(b) Type 4 regulated activities – Advising on securities:

provision of investment advisory services to clients in relation to the sale and purchase of securities; and issuing research reports and analyses on securities.

Mr. Lau Wan Po, an executive Director and the Vice Chairman of the Company, is a director of the Target Company. He has no interest in the issued share capital of the Target Company as at the Latest Practicable Date.

The Target Company has a wholly-owned subsidiary, Sen Mei Logistics Limited, a company with limited liability incorporated in Hong Kong, since 17 August 2016. This subsidiary company owns a motor vehicle and a vehicle registration mark for own use and did not commence other business operations. Its total assets and net assets were HK$2.3 million and HK$1.9 million as at 31 December 2016 and HK$1.6 million and HK$1.2 million as at 30 September 2017, respectively.

The revenue of the Target Group was primarily generated from the brokerage fees rendered from the provision of brokerage services through order from telephone and online trading platform. Revenue generated from underwriting and placing services was also a main component of the revenue.

(ii) Key Customers and Suppliers of the Target Group

The Target Group had about two thousand customers as at 30 September 2017, which mainly consist of investors in Hong Kong and China. Customers had been and will continue to be sourced by dealers, management and business network of the Target Group.

Due to the nature of its principal business activities, the Target Group had no major suppliers. The Target Group's major service providers include (1) an independent software vendor providing software to support the online trading platform of the Target Group and (2) Internet service providers, who provide Internet connection services to link up the Target Group's online trading platform with the Stock Exchange.

(iii) Industry Overview of the Target Group

After the onset of the Shenzhen-Hong Kong Stock Connect scheme in December 2016 and the easing of investment of more mainland China funds in Hong Kong, the capital market of mainland China would be more open to international investors. As a major international financial centre close to the China market, Hong Kong will play an important role in this regard and be benefited from it.

Substantial progress has been made toward the opening of Mainland China's capital market to international investors. As a major international financial centre, Hong Kong will continue to play a prominent role in connecting the Mainland China market to the rest of the world, thereby creating a constructive operating environment for the development of Hong Kong's financial services sector. Leveraging its proven business model, the Group remains cautiously optimistic regarding maximising potential in the capital market and driving long-term solid business growth.

During the recent years, the Chinese securities industry witnessed significant enhancement and improvement in various aspects, including capital strength, development philosophy, service quality, regulatory level, market competitiveness and others. The securities industry has been playing a more important role in terms of promotion of capital contribution, optimisation of asset allocation, provision of services to real economy and investors. The securities industry has also been continuously strengthening its awareness, ability and self-consciousness of serving the country.

As affected by various factors such as the macroeconomic environment, capital flow, adjustment of regulatory policies in the securities industry, the changing investment preference of various market participants around the world and in the People's Republic of China ("**PRC**"), the securities industry has recorded relatively significant cyclical growth with a spiral pattern in general.

With the improving market sentiment and investment appetite in 2017, the Target Group will be ready to capture the opportunity that the next market upturn.

(iv) Company's Intention with the Target Group

Business development plan of the Target Group

The Acquisition will provide the Group with access to the Target Group's licences granted by the SFC to carry on Type 1 regulated activities (dealing in securities) and Type 4 regulated activities (advising on securities), which serves as a stepping stone for the Company and its Shareholders to diversify the Group's business into the financial services industry of Hong Kong, which the Directors believe will have sustainable developments and substantial growth potential as discussed in the sub-paragraph headed "**Reasons for and Benefits of the Acquisition - Development Trends and Growth Drivers of the Hong Kong Securities Markets**" below.

Upon completion of the Acquisition, the Company intends to, and its expected role in the Target Group is to, invest in and put efforts into the Target Group by using its existing business networks to develop more channels to attract more potential clients to utilise the services of the Target Group and explore more investment opportunities for the Target Group's new and existing clients. The Company will also allocate resources to the Target Group to facilitate its future development.

The Company's wholly owned subsidiary, Qianhai Corporate, is a licensed corporation under the SFO to carry out Type 6 regulated activities (advising on corporate finance), the Company intends to make use of this business channel to bring more potential business opportunities such as placing agent services and book runner services opportunities to the Target Group, which would have synergy effect on the Target Group and benefit both the Company and the Target Group. For more details on the synergy effect expected to be achieved upon Completion, please refer to sub-paragraph (ii) in the paragraph headed "**Reasons for and Benefits of the Acquisition**" in this section below.

In addition, after the implementation of the Rules for the Formation of Foreign-Invested Securities Firms (外資參股證券公司設立規則), many foreign-invested securities companies obtained the business qualification for conducting securities business in the PRC and commenced their operation by way of joint ventures. The Company will consider to put effort and resources to help the Target Group to try to obtain the business qualification for conducting securities business in the PRC to gain access to the PRC market which would be an opportunity development of the Target Group.

The emergence of internet finance business will also bring about keen competition with securities companies in business areas such as brokerage business. Therefore, the Company will consider to allocate resources to the Target Group to enhance the trading system and internet trading system making the systems more efficient and user friendly to attract more clients. The investment information on the internet would be improved to provide more useful information to the customers. The Target Group' internet service for clients would be enhanced, so that it would become more competitive to the internet finance.

Management of the Target Group

As at 31 December 2014, 2015, 2016 and 30 September 2017, the number of employees of the Target Group was 14, 17, 17 and 16, respectively. The Company's intention with the Target Group as at the Latest Practicable Date is not expected to affect the continued employment of the existing employees of the Target Group.

With a long-established track record of carrying out regulated activities under the SFO (with more than 10 years as to Type 1 and Type 4 regulated activities), the Target Group has a sound trading system, a well-established internal control system, a professional operation team and an experienced management team with adequate expertise in the securities market, which will remain after completion of the Acquisition to work together with the management of the Group to continue to develop and grow the business of the Target Group.

The management of the Group consists of experienced experts from the legal, finance and investment disciplines, which are relevant to the Target Group's business, and SFC licensed responsible officers, who are capable of monitoring and overseeing the operations and performance of Target Group.

In particular, the following four personnel of the Group have strong background and experience in the legal, finance, investment or financial service disciplines:

(1) Mr. Lau Wan Po, Vice-chairman of the Group and an executive Director

Mr. Lau was appointed as Vice-chairman of the Group on 26 January 2017. Mr. Lau was appointed as a non-executive Director of the Company in January 2017 and re-designated to an executive Director of the Company in March 2017.

Mr. Lau has over 16 years of experience in the investment banking industry focusing in the areas of initial public offering, merger and acquisition, corporate restructuring and other financial advisory services to listed companies in Hong Kong. Mr. Lau has been the director of the Target Company since December 2015. He acted as the managing director of Haitong International Capital Limited and Hai Tong Capital (HK) Limited from January 2010 to November 2015. He was an executive director and head of investment banking division of CMB International Capital Holdings Corporation Limited from August 2008 to January 2010. He graduated from the City University of Hong Kong with a bachelor's degree in science and earned a master's degree in finance from Curtin University of Technology.

He was an executive director and was re-designated as a non-executive director on 18 November 2016 of New Sports Group Limited (Stock code: 299), a company listed on the Main Board of the Stock Exchange.

(2) Mr. Pang Chung Fai Benny, Vice-chairman of the Group and executive Director

Mr. Pang was re-designated from an independent non-executive Director to an executive Director and was appointed as Vice-chairman of the Company in January 2017. He was an independent non-executive Director of the Company since June 2012. Between 2012 to January 2017, Mr. Pang was the managing partner of Loeb & Loeb LLP (formerly known as Pang & Co. in association with Loeb & Loeb LLP), a firm of solicitors in Hong Kong. Between 1997 and 2012, Mr. Pang practised as a lawyer with several international law firms in Hong Kong and Sydney. Mr. Pang received his bachelor's degree in laws (honors) from Bond University, Australia, in 1996. In 1997, Mr. Pang obtained his Graduate Diploma in Legal Practice and master's degree in laws from The College of Law, Sydney and the University of New South Wales, Australia, respectively. He has been admitted as a legal practitioner of the Supreme Court of New South Wales, Australia since 1997 and as a solicitor of the High Court of Hong Kong since 2009. He is a member of both the Law Society of New South Wales, Australia and the Law Society of Hong Kong. Mr. Pang has been appointed as an independent non-executive director of Yuanda China Holdings Limited (Stock Code: 2789), a company listed on the Main Board of the Stock Exchange, since 2011. Mr. Pang has also been appointed as an independent non-executive director of China Regenerative Medicine International Limited (the Growth Enterprise Market of the Stock Exchange ("**GEM**") Stock Code: 8158), a company listed on GEM, since 2012.

(3) Mr. Yeung Wai Fai Andrew, Principal of Qianhai Corporate

Mr. Yeung joined Qianhai Corporate since 1 November 2016 and is the principal and one of the responsible officers of Qianhai Corporate, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Yeung is responsible for the strategic development of the business of Qianhai Corporate. Mr. Yeung is a seasoned investment banker and has over 16 years of investment banking experience.

Mr. Yeung graduated from the Hong Kong Polytechnic University with a bachelor of arts (Hons.) in accountancy in 1994. Mr. Yeung has been a certified public accountant with the Hong Kong Institute of Certified Public Accountants.

Mr. Yeung was the head of investment banking and advisory of Kim Eng Securities (Hong Kong) Limited from July 2015 to October 2016. He was the head of corporate finance advisory of Edmond de Rothschild (Suisse) S.A., Hong Kong Branch, from August 2014 to May 2015. Prior to joining Edmond de Rothschild (Suisse) S.A., Hong Kong Branch, he was the managing director of DBS Asia Capital Limited and he worked at DBS Asia Capital Limited for over 10 years. He worked as the corporate finance associate in BNP Paribas Peregrine Capital Limited from April 2000 to May 2002.

Mr. Yeung is currently the deputy chairman and non-executive director of Qianhai Health Holdings Limited (stock code: 911). He has been appointed as an independent non-executive director of VPower Group International Holdings Limited (stock code: 1608) since October 2016 and was an independent non-executive Director of the Company between June 2016 and September 2016.

(4) Mr. Wong Kwok Ming, Chief Financial Officer of the Group

Mr. Wong was appointed as the Chief Financial Officer of the Group on 14 March 2016 and the Company Secretary of the Company on 1 April 2016. Mr. Wong is the chairman of the Corporate Governance Committee of the Company. Mr. Wong is responsible for overall financial management and risk management of the Group as well as the overall company secretarial matters of the Company. Mr. Wong has over 18 years of experience in the areas of auditing, accounting, taxation, capital markets, business advisory and corporate finance covering various industry sectors. Mr. Wong has worked at PricewaterhouseCoopers Hong Kong for over 10 years in audit and assurance department with his last position as senior manager and he worked at a well-established and sizable manufacturing company as the chief financial officer after he left PricewaterhouseCoopers. Mr. Wong possesses a Master Degree in Accounting from Curtin University of Technology. Mr. Wong is a Practicing Certified Public Accountant in Hong Kong. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of The Society Chinese Accountants & Auditors. Mr. Wong is also an executive director of Qianhai Health Holdings Limited (Stock Code: 911), a company listed on the Main Board of the Stock Exchange and he is responsible for corporate finance of that company.

Moreover, one of the Company's independent non-executive Directors, Mr. Shin Yick, also has strong background and experience in the financial service industry:

(1) Mr. Shin Yick Fabian, an independent non-executive Director

Mr. Shin was appointed as an independent non-executive Director of the Company in September 2016. Mr. Shin is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Shin has over 25 years of experience in investment banking and financial management. Mr. Shin is currently the chief executive officer of Zhaobangji International Capital Limited. Prior to joining Zhaobangji International Capital Limited, he worked in several investment banks in Hong Kong. Mr. Shin is currently the independent non-executive director of Newton Resources Ltd. (Stock code: 1231), China Shun Ke Long Holdings Ltd. (Stock code: 974) and Lisi Group (Holdings) Limited (Stock code: 526), all companies are listed on the Main Board of the Stock Exchange. Mr. Shin is currently one of the board of directors of Bio-Key International, Inc (NASDAQ: BKYI). Mr. Shin is also currently a non-executive director of Pak Tak International Limited (Stock code: 2668), a company listed on the Main Board of the Stock Exchange. Mr. Shin was a non-executive director of Qianhai Health Holdings Limited (Stock code: 911), a company listed on the Main Board of the Stock Exchange, between January and February 2016. He was an independent non-executive director of Little Sheep Limited (Stock code: 968), a company listed in Hong Kong till 2012 and also C & O Pharmaceutical Technology (Holdings) Limited (Stock code: E92.SI), a company listed in Singapore till 2011.

Mr. Shin graduated from the University of Birmingham in England with a bachelor's degree in commerce. After graduation, he worked in the audit department of Deloitte Touche Tohmatsu. He had also worked in a listed company in Hong Kong as group financial controller and company secretary. He is a fellow member of Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants, Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

The Group had submitted the background information and credentials of its management to the SFC as part of the application for the SFC's approval for the Group and its controlling shareholders to become the substantial shareholders of the Target Company through the Acquisition, and obtained the SFC's approval in this regard in November 2017.

FINANCIAL EFFECTS OF THE ACQUISITION

Immediately upon the completion of the Acquisition, the Target Group will become an indirectly wholly-owned subsidiary of the Company and the assets, liabilities and financial results of the Target Group will be consolidated with those of the Group. For details of the unaudited pro forma financial information of the Enlarged Group, please refer to Appendix IV to this circular.

Assets and liabilities

Based on the unaudited pro forma consolidated statement of financial position as set out in Appendix IV to this circular (assuming the Acquisition had completed as at 30 September 2017), the consolidated total assets of the Enlarged Group would have increased from approximately HK$433.8 million to approximately HK$606.7 million on a pro forma basis, the consolidated total liabilities of the Enlarged Group would have increased from approximately HK$8.2 million to approximately HK$31.7 million on a pro forma basis, and the consolidated net assets of the Enlarged Group would have increased from approximately HK$425.6 million to HK$575.1 million on a pro forma basis.

Earnings

As set out in the accountant's report of the Target Group in Appendix II to this circular and the management discussion and analysis of the Target Group in Appendix III to this circular, the Target Group had recorded net profit of HK$2.2 million for the year ended 31 December 2016. The Directors believe that the Acquisition will broaden the Enlarged Group's source of income.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structures of the Company (i) as at the Latest Practicable Date and (ii) immediately after the allotment and issue of the Consideration Shares, are as follows (assuming that there will be no change in the shareholding structure of the Company immediately before Completion, other than the allotment and issue of the Consideration Shares):

Shareholder	**As at the Latest Practicable Date**		**Immediately after the allotment and issue of the Consideration Shares**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Mr. George Lu *(Note 1)*	2,702,620,000	70.04	2,702,620,000	66.09
Ms. Lau Wing Sze *(Note 2)*	23,256,000	0.60	23,256,000	0.57
The Vendor	–	–	231,000,000	5.65
Other public Shareholders	1,132,616,000	29.36	1,132,616,000	27.69
Total	**3,858,492,000**	**100**	**4,089,492,000**	**100**

Notes:

(1) Mr. George Lu is the beneficial owner of 145,800,000 Shares and Forever Star Capital Limited has beneficial interests in a total of 2,556,820,000 Shares. Each of Mr. George Lu, an executive Director and the Chairman and Chief Executive Officer of the Company, and his spouse, Ms. Shen Wei, holds 50% interest in Forever Star Capital Limited respectively and is deemed to be interested in the 2,556,820,000 Shares held by Forever Star Capital Limited by virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO.

(2) Ms. Lau Wing Sze is the beneficial owner of 18,936,000 Shares and is deemed to be interested in 4,320,000 Shares held by her wholly owned company, Nice Rate Limited, by virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO.

JULY ACQUISITION

Reference is made to the announcement dated 10 February 2017 in respect of the completion of the July Acquisition.

The principal terms of the July Acquisition Agreement are as follows:

Date: 28 July 2016

Parties

Purchaser: Goldenmars Internet Media, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which is an investment holding company

Vendor: The First Vendor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the First Vendor is an Independent Third Party.

Mr. George Lu, an executive Director and the Chairman and Chief Executive Officer of the Company, knew the First Vendor, brother of the majority shareholder of the Vendor, through his business network. The Company, through Mr. George Lu, became aware that the First Vendor was considering to dispose of his shareholding interests in Qianhai Financial, and approached him to negotiate the July Acquisition in June 2016 and entered into the July Acquisition Agreement with him on 28 July 2016.

Subject matter to be acquired

Pursuant to the July Acquisition Agreement, Goldenmars Internet Media conditionally agreed to acquire the entire issued share capital of Qianhai Financial.

Qianhai Financial is a company incorporated in Hong Kong with limited liability and has issued share capital of HK$10,000 divided into 10,000 shares. It is an investment holding company which directly holds the entire issued share capital of Qianhai Corporate.

Qianhai Corporate is a financial service provider company incorporated in Hong Kong with limited liability and is a corporation licensed to carry on business in Type 6 (advising on corporate finance) regulated activities under the SFO, including (i) acting as sponsor to initial public offerings on the Stock Exchange; (ii) advising on the Codes on Takeovers and Mergers and Share Repurchases; and (iii) acting as financial adviser to listed companies in Hong Kong in the context of the Listing Rules.

Consideration

The consideration for the July Acquisition was HK$24,000,000, which shall be settled by Goldenmars Internet Media by way of cash in the following manner:

(a) initial deposit of HK$2,400,000, representing approximately 10% of the total consideration, within three business days of the signing of the July Acquisition Agreement; and

(b) HK$21,600,000, representing the balance of the total consideration, upon completion (or such other date as agreed in writing by both parties) of the July Acquisition Agreement.

The consideration was determined after arm's length negotiation between Goldenmars Internet Media and the First Vendor on normal commercial terms with reference to the financial position of Qianhai Financial and Qianhai Corporate as at 30 June 2016 and also the development potential of the licensed corporation, Qianhai Corporate.

The initial deposit was settled in July 2016 and the balance of the total consideration was settled upon fulfilment of all conditions precedent to the July Acquisition Agreement in February 2017.

Conditions Precedent

Completion of the Acquisition Agreement is conditional upon the fulfilment (or where applicable, waiver thereof) of all the following conditions precedent:

(a) approval of the July Acquisition from the SFC and other governmental authorities, including the approval from the SFC for Goldenmars Internet Media to become a substantial shareholder (as defined in section 132 of the SFO) of Qianhai Financial, having been obtained;

(b) all licences held by Qianhai Financial and its subsidiary, including its licence to carry out Type 6 regulated activities under the SFO, not having been revoked, terminated or cancelled upon Completion;

(c) all declarations and warranties provided by the First Vendor as at the date of the July Acquisition Agreement remaining true, accurate and not misleading in any aspect up to and including the completion date of the July Acquisition Agreement;

(d) no material adverse changes to the business or financial conditions of Qianhai Financial and its subsidiary have occurred from the date of the July Acquisition Agreement up to and including the completion date of the July Acquisition Agreement; and

(e) the July Acquisition Agreement, all transactions contemplated thereunder and the signing of the July Acquisition Agreement having been approved by the board of directors of each of the parties to the July Acquisition Agreement.

Parties to the July Acquisition Agreement may waive any of the conditions precedent set out in the above. If the above conditions precedent are not fulfilled or waived by the completion of the July Acquisition Agreement (or such other date as agreed by the parties thereof) or if there any material adverse changes to Qianhai Financial and its subsidiary prior to its completion, which shall fall within one year from the date of the July Acquisition Agreement or such other date as may be agreed between the parties thereto, the July Acquisition Agreement would cease and terminate.

No party had waived any conditions precedent to the July Acquisition Agreement and all such conditions precedent had been fulfilled on, and completion of the July Acquisition Agreement had taken place on, 10 February 2017.

Since completion of the July Acquisition Agreement, Qianhai Financial and Qianhai Corporate have become indirect wholly-owned subsidiaries of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Prior to the Acquisition and the July Acquisition, the Group is principally engaged in the computer and peripheral products business and money lending business. The Group is continuously dedicated to exploiting new business opportunities. For instance, a term sheet was signed by the Group in relation to potential acquisition of an Israel insurance group. For more details, please refer to announcements of the Company dated 5 September 2017, 20 October 2017 and 4 December 2017. Save as disclosed above, as at the Latest Practicable Date, the Company had no plan to downsize or dispose of its existing businesses after Completion and had no solid plans for other acquisitions, but will be continuously dedicated to exploring new business opportunities, in particular those in the financial services sector. In view of the developments trends and growth potential of the Hong Kong securities markets as discussed in the sub-paragraph headed "**Development Trends and Growth Drivers of the Hong Kong Securities Markets**" below, the Directors believe the Acquisition and the July Acquisition will provide a strong foothold for the Group to further extend its business presence in the financial service industry, enable the Group to diversify its business scope and further broaden its source of income, and have the potential to make future contribution to the Group and help the Group develop sustainably.

Development Trends and Growth Drivers of the Hong Kong Securities Markets

Internationalised capital markets

Hong Kong is one of the world's largest securities markets by market capitalisation. Benefiting from the unique position of Hong Kong as an international financial hub and gateway to mainland China, Hong Kong's stock market has become increasingly modernised and internationalised over the years and experienced remarkable expansion. Under the leadership of the Hong Kong Exchanges and Clearing Limited, and with high level of openness to, and freedom of, capital flows, the Hong Kong securities industry has attracted financial institutions from around the world, the participation of which has further stimulated the evolution and growth of Hong Kong as a leading financial centre, and the Stock Exchange has become a world-leading capital raising venue for Hong Kong, the PRC and international issuers.

According to the SFC's website citing the World Federation of Exchanges, as at 31 December 2017, Hong Kong ranked the seventh largest market of the world's leading stock exchanges and the third largest stock market in Asia after Japan and Shanghai, with a total market capitalisation of approximately US$4,350.5 billion. The number of companies listed in Hong Kong increased from 1,643 as at 31 December 2013 to 2,118 as at 31 December 2017.

Offshore investment of the PRC investors

As an international financial hub and offshore Renminbi centre backed by mature financial and transparent legal systems, Hong Kong has benefited, and it is expected to continue to benefit from, the influx of capital from the PRC. The increasing internationalisation of the PRC stock markets has attracted investments from overseas, while the PRC investors are likely to seek investment opportunities with higher and stable returns in light of the continual adjustment of the PRC deposit interest rates and fluctuations in exchange rates.

The Shanghai-Hong Kong Stock Connect, a pilot programme that links the stock markets in Shanghai and Hong Kong, was launched in 2014. It allows investors in Hong Kong and the PRC to trade and settle shares listed on each other's market via the exchange and clearing house in their home market, promoting fund flows in both directions. Further, the establishment of the Shenzhen-Hong Kong Stock Connect on 5 December 2016 has provided access to the PRC stock markets for global investors as well as broadened the access of the PRC investors to the Hong Kong stock market. These pilot programmes are expected to bring more capital into the Hong Kong stock market.

According to the HKEX Fact Book 2016 and HKEx Market Statistics 2017, total southbound trading value of the Shanghai-Hong Kong Stock Connect increased to approximately HK$1,724 billion in 2017 from approximately HK$826.8 billion in 2016; and the total southbound trading value of the Shenzhen-Hong Kong Stock Connect reached approximately HK$535 billion in 2017 from approximately HK$9.2 billion in 2016.

Continual development of the PRC macro economy

Hong Kong has benefited from the growth of the PRC economy and has become the home listing venue for a large number of the PRC companies. According to the Stock Exchange, the number of PRC-based companies accounted for approximately 49.6% of the total number of listed companies on the Stock Exchange as at 31 December 2017 and represent approximately 76.0% of the total equity trading value of the Stock Exchange for the year ended 31 December 2017. It is expected that the stable growth and continual development of various industries in the PRC will continuously foster the performance of the Hong Kong capital markets.

Past financial performance of the Target Group

The Company, through Goldenmars Technology entered into the Acquisition Agreement on 7 March 2017, and was provided with access to the Target Group's financial information for the two financial years ended 31 December 2015 and 2016. While there was decrease in cash held by the Target Group on behalf of clients and profit after tax of the Target Group for the year ended 31 December 2016, the Board considered (i) the decrease in cash held on behalf of clients was due to settlement of trades and withdrawal of clients, which was based on the sole discretion of clients and not within the Target Group's control, (ii) as disclosed the paragraph headed "**The Acquisition – Principal terms of the Acquisition Agreement – Consideration – The Board's assessment on the financial performance of the Target Group**" in this section, (a) the gain/loss on financial assets at fair value through profit and loss recorded by the Target Group in the year ended December 2016 as an exceptional item and one-off event, which would not affect the future development of the Target Group's core business of provision of securities and brokerage services subsequent to the Acquisition, and (b) if the effect of such exception item on the Target Group's financial performance is eliminated, the Target Group would have recorded an increase of approximately HK$18.5 million or 268.1% in operating profit before taxation for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015. No further capital commitment by the Company in the Target Group was noted as at the Latest Practicable Date.

As at the Latest Practicable Date, being approximately 1 year from the date of the Acquisition Agreement, the Company was further provided with the financial information of the Target Group for Q3 2017, from which the Board noted that the financial performance of the Target Group remains relatively unsatisfactory, with revenue decreased from HK$24.6 million for Q3 2016 to HK$6.8 million for Q3 2017, and the Target Group recorded net loss of approximately HK$2 million for Q3 2017. Such drop in revenue (HK$17.7 million or 72.2%) was attributable to (i) a decrease of approximately HK$16.4 million in commission income from the underwriting and placing services; (ii) a decrease of approximately HK$2.5 million in commission income from the brokerage services; (iii) an increase of approximately HK$1.1 million in interest income from custodian clients. The decrease in commission income from the brokerage services and the underwriting and placing services in Q3 2017 was due to decrease in the demand for such services in the market which was beyond the Target Group control, whereas the interest income from custodian clients was increased to compensated the decreased in commission income for Q3 2017 results of the Target Group.

Despite the unsatisfactory financial performance of the Target Group in the two most recent financial years, the Board considered that the Acquisition is beneficial to the long-term development of the Group and that it is in the interest of the Company and its Shareholders as a whole to proceed with Completion in view of the following factors:

(i) The Acquisition will provide the Group with access to the Target Group's licences granted by the SFC to carry on Type 1 regulated activities (dealing in securities) and Type 4 regulated activities (advising on securities), which serves as a stepping stone for the Company and its Shareholders to diversify the Group's business into the financial services industry of Hong Kong, which the Directors believe will have sustainable developments and substantial growth potential as discussed in the sub-paragraph headed "**Development Trends and Growth Drivers of the Hong Kong Securities Markets**" above.

    The Directors observed that a significant amount of PRC-based financial services providers has also identified the growth potential of the Hong Kong securities market and has been expanding into the Hong Kong financial services industry in recent years by way of acquiring corporations licensed to carry out regulated activities under the SFO in Hong Kong, for example (a) the acquisition of Quam Limited (whose subsidiaries were licensed to carry out Types 1, 2, 4, 6 and 9 regulated activities under the SFO) by a subsidiary of 海控股股份有限公司 (Oceanwide Holdings Co., Ltd.*), a joint stock company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000046.SZ) in January 2017, and (b) the acquisition of 51.10% of the enlarged issued share capital of Tanrich Financial Holdings Limited (now known as Southwest Securities International Securities Limited, whose subsidiaries were licensed to carry out Types 1, 2, 4, 6 and 9 regulated activities under the SFO) by a subsidiary of Southwest Securities Co., Ltd, a company listed on the Shanghai Stock Exchange (stock code: 600369.SS).

    The Directors were therefore of the view that the number of corporations licensed to carry out regulated activities under the SFO that were available for acquisition at a consideration compatible with the Group's financial resources had significantly reduced. Accordingly, when the Board had become aware of the Vendor's intention to dispose of the entire issued share capital of the Target Group, which has been engaged in the business of providing securities brokerage services since 1997 and has an established business system and online trading

* *For identification purposes only*

platform in place (as discussed in the paragraph headed "**Information on the Target Group**" in this section above), the Directors considered that the Acquisition would provide a good opportunity for the Group to gain access to the financial services industry of Hong Kong;

(ii) Upon completion of the Acquisition, the business of the Target Group is expected to achieve synergistic effect with the business of Qianhai Corporate, the target of the July Acquisition and currently a wholly-owned subsidiary of the Company that is licensed to carry out Type 6 regulated activities (advising on corporate finance) under the SFO and principally engaged in the businesses of (a) acting as sponsor to initial public offerings on the Stock Exchange; (b) advising on the Codes on Takeovers and Mergers and Share Repurchases; and (c) acting as financial adviser to listed companies in Hong Kong in the context of the Listing Rules, which is expected to be beneficial to the Enlarged Group.

The Directors believe that the Acquisition, which enables the Group to carry out Type 1 regulated activities (dealing in securities) and Type 4 regulated activities (advising on securities) under the SFO through the Target Group, is complementary to the Group's existing corporate finance advisory business carried out through Qianhai Corporate, which was acquired in the July Acquisition. The development of the Group's fund raising capability in equity market transactions, by, for example, acting as underwriter and bookrunner (being one of Type 1 regulated activities under the SFO), will enhance the Group's overall ability to serve its corporate clients through both initial public offerings and follow-on fund raising exercises. For instance, the Group, through Qianhai Corporate, may act as the sponsor to the initial public offerings of its corporate clients or financial adviser to their follow-on fund raising exercises, such as rights issue and/or open offer. Upon completion of the Acquisition, the Group will also be able to act as underwriter and bookrunner to the above fund raising activities of its corporate clients through the Target Group.

In this way, the Group will be able to offer a one-stop shop solution to its corporate clients, and undertake the roles of sponsor/financial adviser, underwriter and bookrunner to meet the client's fund-raising needs. The Acquisition will hence provide the Group with integrated capability to serve our corporate clients, which is expected to provide us with cross-referral opportunities among Qianhai Corporate and the Target Group, and cost-saving synergies through economies of scale. For example, upon completion of the Acquisition, the Group's management expertise shall oversee and monitor the business of both Qianhai Corporate and the Target Group, which enables more efficient utilisation of the Group's management resources.

(iii) As stated in the paragraph headed "**Information on the Target Group – (iv) Company's Intention with the Target Group – Management of the Target Group**", the management of the Group consists experts who have strong background and experience in the legal, finance, investment or financial service disciplines, which are relevant to the Target Group's business and the business of equity capital market activities. The Group had submitted the background information and credentials of its management to the SFC as part of the application for the SFC's approval for the Group and its controlling shareholders to become the substantial shareholders of the Target Company through the Acquisition, and obtained the SFC's approval in this regard in November 2017.

The Directors are thus of the view that Group possesses adequate qualifications and experience to develop the Target Group's equity capital market business, and lead the current management of the Target Group to turnaround the Target Group's deteriorating financial performance recorded over the past two financial years.

(iv) Our management had performed (i) legal, financial and commercial due diligence review on certain aspects of the Target Group, including but not limited to reviewing the validity of the licences held by the Target Group, its organization structure, company records, material contracts, litigation, taxation, insurance policies, customers record, compliance records including monthly financial returns submitted to SFC under section 56 of the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) and correspondence with the SFC; and (ii) financial due diligence on the Target Group's financial records, by reviewing their audited financial statements, management accounts, financial records including but not limited to monthly turnover report, interest income report, stock balance report and customer account liquidation report. The Directors are satisfied with the results of the due diligence work performed and the well-established systems of the Target Group, details of which are disclosed in the paragraph headed "**Information on the Target Group**" in this section.

Having considered the factors set out in the above, the Board is of the view that the benefits that are expected to be brought to the Group through the Acquisition, including but without limitation to the business opportunities and growth potential that the Group may benefit by (i) tapping into the Hong Kong financial services industry by capitalising on the existing licences held by the Target Group to carry out Type 1 and Type 4 regulated activities under the SFO and the Target Group's currently available online trading platform and business systems that have been long-established, (ii) more effectively allocating and utilising the Group's resources in operating the corporate finance businesses of Qianhai Corporate and the Target Group, and providing one-stop shop services to corporate clients as a service provider of Types 1, 4 and 6 regulated activities under the SFO upon completion of the Acquisition, and (iii) turning around the Target Group's financial performance with its experienced and competent corporate finance management expertise, shall outweigh the relatively unsatisfactory financial performance of the Target Group in the past two financial years.

In view of the abovementioned factors, including those set out in the paragraphs headed "**The Acquisition – Principal terms of the Acquisition Agreement – Consideration**", "**Information on the Target Group**", "**Financial Effects of the Acquisition**" and "**Reasons for and Benefits of the Acquisition**" in this section, the Directors are of the view that the transactions contemplated under each of the Acquisition Agreement and the July Acquisition Agreement contain normal commercial terms which are fair and reasonable to and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As disclosed in the Company's announcement dated 31 October 2017, the July Acquisition and the Acquisition should be aggregated under Rules 14.22 and 14.23 of the Listing Rules. As a result of the aggregation, the highest of the applicable percentage ratios under the Listing Rules exceeds 25% but each of the applicable percentage ratios is less than 100%, the Acquisition is thus subject to reporting, announcement and shareholders' approval requirements as are applicable to major transactions under Chapter 14 of the Listing Rules.

As no Shareholder has a material interest in the Acquisition, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition. Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval can be accepted in lieu of holding a general meeting, provided that no qualified opinion is issued by the auditor in respect of the accountant's report of the Target Group to be included in this circular.

No qualified opinion was issued by the auditor in respect of the accountant's report of the Target Group for the three financial years ended 31 December 2014, 2015 and 2016 and for the nine months ended 30 September 2017, as set out in Appendix II to this circular. The Company's controlling shareholder, Forever Star Capital Limited, was beneficially interested in 2,556,820,000 Shares, representing approximately 66.26% of the issued share capital of the Company as at the Latest Practicable Date. Each of Mr. George Lu, an executive Director and the Chairman and Chief Executive Officer of the Company, and his spouse, Ms. Shen Wei, holds 50% interest in Forever Star Capital Limited. Forever Star Capital Limited had approved the Acquisition Agreement and the transactions contemplated thereunder in writing on 31 October 2017. Accordingly, no general meeting will be convened to approve the Acquisition Agreement and the transactions contemplated thereunder.

By order of the Board
Huabang Financial Holdings Limited
George Lu
Chairman and Chief Executive Officer

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 March 2015, 2016 and 2017 and the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2017, together with the relevant notes thereto are disclosed in the following documents:

- interim report of the Group for the six months ended 30 September 2017 published on 18 December 2017 (pages 1 to 18):

  http://www.hkexnews.hk/listedco/listconews/SEHK/2017/1218/LTN20171218328.pdf

- annual report of the Group for the year ended 31 March 2017 published on 21 July 2017 (pages 46 to 124):

  http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0721/LTN20170721325.pdf

- annual report of the Group for the year ended 31 March 2016 published on 27 June 2016 (pages 33 to 92):

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0627/LTN20160627223.pdf

- annual report of the Group for the year ended 31 March 2015 published on 25 June 2015 (pages 28 to 85):

  http://www.hkexnews.hk/listedco/listconews/GEM/2015/0625/GLN20150625053.pdf

2. STATEMENT OF INDEBTEDNESS

(i) Borrowings

As at the close of business on 31 December 2017, being the latest practicable date for the purpose of this statement of indebtedness statement prior to the printing of this circular, the Enlarged Group had borrowings of approximately HKD54,647,000, which comprise the following:

	As at 31 December 2017
Current interest bearing loans	*HKD'000*
Unsecured but guaranteed bank loans	18,000
Current portion of non-current secured bank loans	2,071
	20,071
Non-current interest bearing loans	
Secured bank loans	36,647
Less: current portion of non-current secured bank loans	(2,071)
	34,576
	54,647

As at the close of business on 31 December 2017, the Enlarged Group's secured bank loans were secured by the Enlarged Group's properties with an aggregate carrying amount of approximately HKD42,828,000.

As at the close of business on 31 December 2017, the Enlarged Group had un-utilized banking facilities of approximately HKD64,600,000.

(ii) Contingent Liabilities

As at the close of business on 31 December 2017, the Enlarged Group did not have any material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 December 2017, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there had been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 31 December 2017 up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration of the present financial resources available to the Enlarged Group and also after completion of the Acquisition (including the Group's internally generated funds and the available banking facilities), the Enlarged Group will have sufficient working capital for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Enlarged Group is principally engaged in (i) computer and peripheral products business; (ii) money lending business; (iii) provision of corporate finance advisory services; and (iv) provision of securities services. Since 31 March 2017, the Enlarged Group has continued to kept tight control of its operations and focused on enhancing operation efficiency and implementing various cost control measures. The management continued to devote substantial efforts in improving the overall operating profit of the Enlarged Group and maintaining a healthy and strong balance sheet by various possible ways, such as improving the inventory management and trade receivables control and putting effort to significantly reduce the level of finance costs. The Enlarged Group will continue to monitor the market trends and take prompt and appropriate actions to adjust our business strategies and allocate resources effectively under different market conditions.

Upon completion of the acquisition of the Target Group, the Enlarged Group will be able to expand into the business of securities, brokerage and margin financing. Nevertheless, the Enlarged Group will remain cautiously optimistic on the prospects of the securities brokerage and margin financing business and other relevant services in relation to the Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities that the Target Group is licensed to carry out, and will actively seize sound business opportunities made available following the launch of the Shanghai and Shenzhen-Hong Kong Stock Connect Scheme.

In order to enhance long-term growth of the Enlarged Group and create substantial value to the Shareholders, the Group is dedicated to continuously exploiting possibilities of new scope of businesses to further expand its business presence in the financial services sector.

Looking ahead, the management is confident with the future development of the Enlarged Group. The Enlarged Group will continue to adhere to our principle of steady development, and positively cope with any challenges and capture suitable opportunities. The Enlarged Group will continue to dedicate to exploiting new business opportunities in other sectors from time to time, such as other financial services sectors or other business sectors, in order to further diversify and broaden revenue sources of the Enlarged Group and generate fabulous returns and long-term values for the Shareholders.

5. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report received from the Company's reporting accountant, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUABANG SECURITIES LIMITED (FORMERLY KNOWN AS QIAN HAI SECURITIES LIMITED)

Introduction

We report on the historical financial information of Huabang Securities Limited (formerly known as Qian Hai Securities Limited) (the "**Target Company**") and its subsidiary (hereinafter collectively referred to as the "**Target Group**"), set out on pages 38 to 75, which comprises the consolidated statements of financial position as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 September 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the nine months ended 30 September 2017 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 38 to 75 forms an integral part of this report, which has been prepared for inclusion in the circular of Huabang Financial Holdings Limited (the "**Company**") dated 12 February 2018 (the "**Circular**") in connection with the proposed acquisition of 100% equity interests in the Target Group by the Company (the "**Acquisition**").

Target Company's directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 September 2017 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 38 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid by the Target Company in respect of the Relevant Periods.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 12 February 2018
Gao Yajun
Practising certificate number P06391

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financials Statements**").

The Historical Financial Information is presented in Hong Kong Dollars ("**HKD**") and all values are rounded to the nearest thousand (HKD'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	Note	**2014**	**2015**	**2016**	**2016**	**2017**
		HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Revenue	*8*	8,562	15,671	41,513	24,590	6,842
Other income and gains/(losses), net	*9*	11,032	42,360	(17,773)	(18,814)	3,666
Operating and administrative expenses		(13,203)	(8,928)	(16,954)	(11,824)	(12,460)
Profit/(loss) before taxation	*10*	6,391	49,103	6,786	(6,048)	(1,952)
Income tax expense	*11*	(321)	(4,941)	(4,575)	(2,497)	(84)
Profit/(loss) and total comprehensive income/(expense) for the year/period		6,070	44,162	2,211	(8,545)	(2,036)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 September
	Note	**2014**	**2015**	**2016**	**2017**
		HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Non-current assets					
Property, plant and equipment	*15*	1,345	767	3,226	2,230
Deposit paid for acquisition of property, plant and equipment		–	511	–	–
Other assets	*16*	230	230	230	230
		1,575	1,508	3,456	2,460
Current assets					
Account receivables	*18*	19,633	44,310	76,151	63,654
Other receivables, deposits and prepayments	*18*	296	13,820	1,224	941
Financial assets at fair value through profit or loss	*17*	20,446	87,522	4,901	6,883
Amount due from the holding company	*21*	–	14,100	126	151
Cash held on behalf of clients	*19*	19,755	198,264	5,192	14,376
Cash and cash equivalents	*20*	6,916	14,719	18,882	30,196
		67,046	372,735	106,476	116,201
Current liabilities					
Account payables	*22*	22,373	220,773	5,512	17,157
Accruals and other payables	*22*	1,160	424	1,434	470
Amount due to the holding company	*21*	3,680	–	–	–
Amount due to a director	*21*	–	35	25	25
Tax payable		321	5,262	4,595	4,679
		27,534	226,494	11,566	22,331
Net current assets		39,512	146,241	94,910	93,870
Non-current liabilities					
Deferred tax liabilities		–	–	406	406
Net assets		41,087	147,749	97,960	95,924
Capital and reserves					
Share capital	*23*	35,000	97,500	97,500	97,500
Retained earnings/(accumulated losses)	*24*	6,087	50,249	460	(1,576)
Total equity		41,087	147,749	97,960	95,924

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained earnings/ (Accumulated losses)	Total
	HKD'000	*HKD'000*	*HKD'000*
At 1 January 2014	35,000	17	35,017
Profit and total comprehensive income for the year	–	6,070	6,070
At 31 December 2014 and 1 January 2015	35,000	6,087	41,087
Issuance of shares *(Note 23)*	62,500	–	62,500
Profit and total comprehensive income for the year	–	44,162	44,162
At 31 December 2015 and 1 January 2016	97,500	50,249	147,749
Profit and total comprehensive income for the year	–	2,211	2,211
Dividends paid *(Note 12)*	–	(52,000)	(52,000)
At 31 December 2016 and 1 January 2017	97,500	460	97,960
Loss and total comprehensive expense for the period	–	(2,036)	(2,036)
At 30 September 2017	97,500	(1,576)	95,924
At 31 December 2015 and 1 January 2016	97,500	50,249	147,749
Loss and total comprehensive expense for the period	–	(8,545)	(8,545)
At 30 September 2016 (unaudited)	97,500	41,704	139,204

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Nine months ended 30 September	
		2014	2015	2016	2016	2017
		HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
OPERATING ACTIVITIES						
Profit/(loss) before taxation		6,391	49,103	6,786	(6,048)	(1,952)
Adjustments for:						
– Depreciation of property, plant and equipment	10	103	581	1,266	785	1,082
– (Gain)/loss on disposal of financial assets at fair value through profit or loss	9	(16,700)	(22,580)	18,018	18,017	(176)
– Provision/(reversal) for allowance for doubtful debts of account receivables	10	157	(6)	–	–	–
– Fair value loss/(gain) on financial assets at fair value through profit or loss	9	5,851	(19,577)	641	1,209	(2,001)
– Dividends income	9	(1)	–	(41)	–	(41)
– Interest income		(1,440)	(3,925)	(7,114)	(4,866)	(5,990)
Operating (loss)/profit before working capital changes		(5,639)	3,596	19,556	9,097	(9,078)
Decrease in other assets		52	–	–	–	–
(Increase)/decrease in deposits paid for property, plant and equipment		–	(511)	511	511	–
(Increase)/decrease in account receivables		(8,272)	(24,671)	(31,841)	(53,935)	12,497
(Increase)/decrease in other receivables, deposits and prepayments		(193)	(13,524)	12,596	11,699	283
(Increase)/decrease in cash held on behalf of clients		(5,570)	(178,509)	193,072	159,795	(9,184)
Increase/(decrease) in account payables		4,553	198,400	(215,261)	(164,839)	11,644
Increase/(decrease) in accruals and other payables		1,160	(736)	1,010	156	(963)
Movement in account with the holding company		3,680	(17,780)	13,974	(17,000)	(25)
Increase/(decrease) in amount due to a director		–	35	(10)	(10)	–
Cash (used in)/generated from operations		(10,229)	(33,700)	(6,393)	(54,526)	5,174
Interest income received		1,433	3,919	7,114	4,862	5,988
Hong Kong Profits tax paid		–	–	(5,242)	(1,362)	–
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(8,796)	(29,781)	(4,521)	(51,026)	11,162

	Note	Year ended 31 December 2014 HKD'000	Year ended 31 December 2015 HKD'000	Year ended 31 December 2016 HKD'000	Nine months ended 30 September 2016 HKD'000 (unaudited)	Nine months ended 30 September 2017 HKD'000
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(1,299)	(3)	(1,119)	(1,109)	(86)
Purchase of financial assets at fair value through profit or loss		(33,541)	(110,889)	(21,822)	(15,566)	(1,920)
Proceeds of disposal of financial assets at fair value through profit or loss		23,944	85,970	85,784	83,484	2,115
Payment for acquisition of a subsidiary		–	–	(2,200)	(2,200)	–
Dividends received		1	–	41	–	41
Interest received		7	6	–	4	2
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(10,888)	(24,916)	60,684	64,613	152
FINANCING ACTIVITIES						
Proceed from issuance of shares	*23*	–	62,500	–	–	–
Dividends paid		–	–	(52,000)	–	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		–	62,500	(52,000)	–	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(19,684)	7,803	4,163	13,587	11,314
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		26,600	6,916	14,719	14,719	18,882
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		6,916	14,719	18,882	28,306	30,196

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL

Huabang Securities Limited (formerly known as Qian Hai Securities Limited) (the "**Target Company**") is a limited liability company incorporated in Hong Kong. Its registered office is located at Unit 2901-2, 29/F, Enterprise Square Two, 3 Sheng Yuet Road, Kowloon Bay, Hong Kong.

The Target Company is a licensed corporation under Hong Kong Securities and Futures Ordinance, with regulated activities of Type 1 and Type 4. The principal activities of the Target Company are provision of brokerage, securities underwriting, margin financing services and placing services. As at 17 August 2016, the Target Company acquired a subsidiary named as Sen Mei Logistics Limited, which is a dormant limited company incorporated in Hong Kong.

As at 30 September 2017, in the opinion of the directors, the Target Company's immediate and ultimate holding company is Newpont Holdings Limited, a company incorporated in Hong Kong.

At the date of this report, the Target Company had interests in the following subsidiary, which is private limited company, the particulars of which are set out below:

Name of company	Place of establishment	Issued capital	Equity interests attributable to the Target Company				Principal activities
			At as 31 December 2014	At as 31 December 2015	At as 31 December 2016	At as 30 September 2017	
Directly held:							
Sen Mei Logistics Limited	Hong Kong	HK$2	–	–	100%	100%	Dormant

2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. Further details of the significant accounting policies adopted are set out in Note 4 below.

For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Relevant Periods and the Stub Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on or after 1 January 2017 are set out in Note 3.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Hong Kong Companies Ordinance.

The Historical Financial Information for the Relevant Periods has been prepared under the historical cost basis except that the financial assets at fair value through profit or loss are stated at their fair value as explained in the Note 4.9. The Historical Financial Information for the Relevant Periods is expressed in Hong Kong Dollars ("**HKD**") and all values are rounded to the nearest thousand (HKD'000) except when otherwise indicated.

The Stub Period Comparative Financial Information has been prepared in accordance with the same basis of preparation adopted in respect of the Historical Financial Information.

3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The following new standards, amendments and interpretations to standards have been published and are mandatory for the Target Group's accounting periods beginning on or after 1 January 2018 or later periods, but the Target Group has not early adopted them.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advanced Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatment[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but is available for early adoption

The Target Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Target Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Target Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9 Financial Instruments

HKFRS 9 "Financial instrument" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39.

Based on the preliminary assessment, the Target Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9. The Target Group currently does not have any financial liabilities designated at FVTPL and therefore the new requirement may not have any impact on the Target Group on adoption of HKFRS 9. The new impairment model may result in an earlier recognition of credit losses on the Target Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

– Step 1: Identify the contract(s) with a customer

– Step 2: Identify the performance obligations in the contract

– Step 3: Determine the transaction price

– Step 4: Allocate the transaction price to the performance obligations in the contract

– Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Target Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Target Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The standard will affect primarily the accounting for the Target Group's operating leases. The Target Group has no non-cancellable operating lease commitments. The Target Group does not expect the adoption would have any material impact on its financial position and results of operations.

4 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target Company and entities controlled by the Target Company and its subsidiary. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target 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 listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Periods are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

4.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Target Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests'proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Target Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Target Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Target Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incompleted by the end of the reporting period in which the combination occurs, the Target Group reports provisional amounts for the items for which the accounting is incompleted. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Target Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Target Company that make strategic decisions.

4.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business, net of sales related taxes.

Agency commission on dealing in securities, on the transaction dates in which are rendered.

Underwriting commission income, sub-underwriting income, placing commission and fees, in the period in which such services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.6 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The carrying amounts of items of property, plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. 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 time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

4.7 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 Target 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.

4.8 Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

4.9 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Group's financial assets are financial assets at fair value through profit or loss ("**FVTPL**"), loans and receivables. The classification depends on the nature and purpose of the financial assets is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

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

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is a part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "Investment and other income" line item. Fair value is determined in the manner described in Note 7(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including account receivables, other receivables, deposits and prepayments, amounts due from the holding company, cash held on behalf of clients and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as account and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic condition that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Target Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Target Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchases, sale, issue or cancellation of the Target Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including account payables, accruals and other payables, amounts due to the holding company and a director) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4.11 Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Target Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

A liability for a termination benefit is recognised at the earlier of when the Target Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related services is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

4.12 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

4.13 Related parties

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

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

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

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

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

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

(i) the entity and the Target 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 Target 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 Target Group or an entity related to the Target Group;

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

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a 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 Target Group or to the parent of the Target Group.

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

5 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Target Group's accounting policies, which are described in Note 4, the directors of Target Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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 following twelve months.

Impairment of property, plant and equipment

The Target Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculation and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. The carrying amount of property, plant and equipment as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 September 2017 approximately amounting to HKD1,345,000, HKD767,000, HKD3,226,000 and HKD2,230,000, respectively.

Recoverability of account receivables, other receivables, deposits and prepayments

The provision policy for bad and doubtful debts of the Target Group is based on the evaluation of collectability and aging analysis of accounts and management's judgement. Judgements are required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Target Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

The carrying amount of account receivables, other receivables, deposits and prepayments as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 September 2017, approximately amounting to HKD19,929,000 (net of impairment losses of HKD157,000), HKD58,130,000 (net of impairment losses of HKD151,000), HKD77,375,000 (net of impairment losses of HKD151,000), and HKD64,595,000 (net of impairment losses of HKD151,000), respectively.

6 CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Target Group's overall strategy remained unchanged during the Relevant Periods.

The capital structure of the Target Group consists of equity attributable to owners of the Target Group, comprising issued share capital and retained earnings.

The management of the Target Group reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or repayment of existing debts, if necessary.

7 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Financial assets				
Loans and receivables				
Account receivables, net of allowance for doubtful debts	19,633	44,310	76,151	63,654
Other receivables and deposits	192	13,635	884	843
Amount due from the holding company	–	14,100	126	151
Cash held on behalf of clients	19,755	198,264	5,192	14,376
Cash and cash equivalents	6,916	14,719	18,882	30,196
	46,496	285,028	101,235	109,220
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss	20,446	87,522	4,901	6,883
Financial liabilities				
Liabilities at amortised cost				
Account payables	22,373	220,773	5,512	17,157
Accruals and other payables	1,160	424	1,434	470
Amount due to the holding company	3,680	–	–	–
Amount due to a director	–	35	25	25
	27,213	221,232	6,971	17,652

(b) Financial risk management objectives and policies

The Target Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Target Group's exposure to interest rate risk arises primarily from its receivables arising from the provision of financing and bank balances with floating interest rates which expose the Target Group to cash flow interest rate risk. The Target Group mitigates its interest rate risk by monitoring market interest rate movements and revising the interest rates offered to its customers on an ongoing basis in order to limit potential adverse effects of interest rate movements on net interest income.

	As at 31 December			**As at 30 September**
	2014	**2015**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Variable rate balances:				
Accounts receivables from custodian clients, net of allowance for doubtful debts	16,081	21,787	72,529	60,915
Cash held on behalf of clients	19,755	198,264	5,192	14,376
Cash and cash equivalents	6,916	14,719	18,882	30,196
	42,752	234,770	96,603	105,487

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The sensitivity analysis is prepared assuming the bank balance occurred at the end of the reporting period was occurred for the whole period.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the profit/(loss) before taxation for the Relevant Periods would increase/decrease by approximately HKD357,000, HKD1,960,000, HKD807,000 and HKD881,000, for the year ended 31 December 2014, 2015, 2016 and period ended 30 September 2017 respectively. This is mainly attributable to the Target Group's exposure to interest rates on clients' account receivables and variable-rate bank balance.

Foreign currency risk

Given the Target Group has neither foreign currency assets nor incurs foreign currency liabilities for the Relevant Periods, the directors of the Target Company is of the view that the Target Group does not have any significant concentration of currency risks.

Credit risk

At the end of the reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Target Group's credit risk is primarily attributable to its account receivables, other receivables, deposits and prepayments, amount due from the holding company, cash held on behalf of clients and cash and bank balances.

To minimise the Target Group's exposure to credit risk on accounts receivables from clients, the Target Group has a policy for reviewing allowances for doubtful debts for accounts receivables from clients without sufficient collateral and those with default or delinquency in interest or principal payment. The assessment is based on an evaluation of the collectability and ageing analysis of the accounts and on management's judgement including the current creditworthiness, collateral value and the past collection history of each client. Management had set up the credit limits for each individual client which are subject to regular reviews by the management. Any extension of credit beyond these approval limits must be approved by relevant level of management on an individual basis according to the exceeded amount. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation.

The credit risk on amount due from the holding company are insignificant after considering the financial strength of these related parties.

As at 31 December 2014, 2015, 2016 and 30 September 2017, there was one, nil, one and one individual client account respectively represented more than 20% of the total balance of trade receivables from cash and custodian clients.

Other than concentration of credit risk on trade receivables from cash and custodian clients, the Target Group did not have any other significant concentration of credit risk.

Liquidity risk

The Target Group's objective is to maintain a continuity of funding. The Target Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Target Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows.

	Repayable on demand or within 1 year *HKD'000*	Total undiscounted cash flows *HKD'000*	Carrying amount *HKD'000*
As at 31 December 2014			
Account payables	22,373	22,373	22,373
Accruals and other payables	1,160	1,160	1,160
Amount due to the holding company	3,680	3,680	3,680
	27,213	27,213	27,213
As at 31 December 2015			
Account payables	220,773	220,773	220,773
Accruals and other payables	424	424	424
Amount due to a director	35	35	35
	221,232	221,232	221,232
As at 31 December 2016			
Account payables	5,512	5,512	5,512
Accruals and other payables	1,434	1,434	1,434
Amount due to a director	25	25	25
	6,971	6,971	6,971
As at 30 September 2017			
Account payables	17,157	17,157	17,157
Accruals and other payables	470	470	470
Amount due to a director	25	25	25
	17,652	17,652	17,652

(c) Fair value measurements

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Target Group assets that are measured at fair value at 31 December 2014.

	Level 1 *HKD'000*	Level 2 *HKD'000*	Level 3 *HKD'000*	Total *HKD'000*
Assets				
Financial assets at fair value through profit or loss	20,446	–	–	20,446

The following table presents the Target Group assets that are measured at fair value at 31 December 2015.

	Level 1 *HKD'000*	Level 2 *HKD'000*	Level 3 *HKD'000*	Total *HKD'000*
Assets				
Financial assets at fair value through profit or loss	87,522	–	–	87,522

The following table presents the Target Group assets that are measured at fair value at 31 December 2016.

	Level 1 *HKD'000*	Level 2 *HKD'000*	Level 3 *HKD'000*	Total *HKD'000*
Assets				
Financial assets at fair value through profit or loss	4,901	–	–	4,901

The following table presents the Target Group assets that are measured at fair value at 30 September 2017.

	Level 1 *HKD'000*	Level 2 *HKD'000*	Level 3 *HKD'000*	Total *HKD'000*
Assets				
Financial assets at fair value through profit or loss	6,883	–	–	6,883

8 REVENUE AND SEGMENT INFORMATION

The principal activities of the Target Group are provision of brokerage, securities underwriting provision of margin financing services and placing services during the year/period.

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
				(unaudited)	
Commission and brokerage income[1]	6,980	5,486	3,684	3,352	828
Interest income	1,433	3,919	7,114	4,862	5,988
Placing income[2]	149	6,266	30,715	16,376	26
	8,562	15,671	41,513	24,590	6,842

1 Commission and brokerage income arises mainly from provision of brokerage services for securities, options and bonds traded on exchanges in Hong Kong, mainland China and other major overseas countries. There is no seasonal and cyclical fluctuation in the commission and brokerage income, however, it is largely affected by the initiative of customers in investment.

2 The Target Company acts as placing agents and offers placing services to Hong Kong listed companies. There is no seasonal and cyclical fluctuation in the placing income. The Target Company did not act as lead manager in any placing arrangement during the nine months ended 30 September 2017.

Geographical information

No geographical segment information is presented as the Target Group's revenue are all derived from Hong Kong based on the location of services delivered.

9 OTHER INCOME AND GAINS/(LOSSES), NET

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
				(unaudited)	
Bank interest income	7	6	–	4	2
Consultancy fee income[1]	–	–	276	–	828
Dividends income	1	–	41	–	41
Gain/(loss) on disposal of financial assets at fair value through profit or loss	16,700	22,580	(18,018)	(18,017)	176
Fair value (loss)/gain on financial assets at fair value through profit or loss	(5,851)	19,577	(641)	(1,209)	2,001
Sundry income	175	197	569	408	618
	11,032	42,360	(17,773)	(18,814)	3,666

[1] Consultancy fee income was arisen from the provision of investment advices and analyses to a company since October 2016.

10 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
(a) Staff costs (including directors' remuneration):					
– Salaries, bonus and other allowance	3,064	4,375	9,021	5,987	6,238
– Commission	3,050	1,215	226	182	176
– Retirement benefits scheme contributions	136	183	231	167	156
Total staff costs	6,250	5,773	9,478	6,336	6,570
(b) Other items:					
Depreciation of property, plant and equipment	103	581	1,266	785	1,082
Minimum lease payments under operating leases	1,672	318	2,587	1,919	1,963
Auditor's remuneration	36	50	85	45	77
Provision/(reversal) for allowance for doubtful debts of account receivables	157	(6)	–	–	–

11 INCOME TAX EXPENSE

(a) Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Current Income Tax – Hong Kong profits tax	321	4,957	4,595	2,497	153
Over-provision in prior year/ period	–	(16)	(20)	–	(69)
	321	4,941	4,575	2,497	84

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for each of the financial periods.

(b) The income tax expense can be reconciled to the profit/(loss) before taxation as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Profit/(loss) before taxation	6,391	49,103	6,786	(6,048)	(1,952)
Notional tax on profit/(loss) before taxation, calculated at 16.5%	1,054	8,102	1,120	(998)	(322)
Tax effect of non-taxable income	(1)	(3,231)	–	(9)	(7)
Tax effect of non-deductible expenses	–	–	3,346	3,442	351
Tax effect of temporary differences not recognised	3	86	127	61	127
Tax effect of tax losses not recognised	–	–	2	1	4
Tax effect of utilisation of tax loss previously not recognised	(735)	–	–	–	–
Over-provision in prior year/ period	–	(16)	(20)	–	(69)
Income tax expense	321	4,941	4,575	2,497	84

(c) At as 31 December 2014, 2015, 2016 and 30 September 2017, the Target Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HKDNil, HKDNil, HKD623,000 and HKD649,000 respectively due to the unpredictability of future profit streams.

12 DIVIDENDS

	Year ended 31 December			Nice months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Interim dividend	–	–	52,000	–	–

An interim dividend in respect of the year ended 31 December 2016, of HKD1.07 per share, amounting to a total dividend of HKD52,000,000, has been proposed at the annual general meeting and paid on 28 November 2016 and 28 December 2016.

13 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Details of remuneration paid or payable to the directors of the Target Company were set out as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Fee	539	800	3,713	2,789	2,897
Other emoluments:					
Salaries, allowances and benefits in kind	1,880	469	483	20	14
Retirement benefits scheme contributions	27	33	56	41	39
	1,907	502	539	61	53
	2,446	1,302	4,252	2,850	2,950

(b) Five highest-paid individuals

The five highest paid individuals included no directors for the years ended 31 December 2014, 2015 and 2016 and for the nine months ended 30 September 2017, details of whose remuneration are set out in note (a) above. Details of remuneration of the remaining individuals are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Salaries, bonus and other allowances	927	1,835	2,583	1,828	2,100
Retirement benefits scheme contributions	63	70	78	60	60
	990	1,905	2,661	1,888	2,160

The number of highest paid individual whose remuneration fell within following band is as follow:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Nil to HKD1,000,000	5	5	5	5	5
HKD1,000,001 to HKD2,000,000	–	–	–	–	–
	5	5	5	5	5

14 EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusions is not considered meaningful. The Target Group has no potentially dilutive option or other instruments relating to ordinary shares.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Computer equipment	Furniture, fixtures and equipment	Vehicle registration mark	Motor vehicle	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Cost:						
At 1 January 2014	60	444	139	–	–	643
Additions	963	23	313	–	–	1,299
Disposal	(60)	–	–	–	–	(60)
At 31 December 2014 and 1 January 2015	963	467	452	–	–	1,882
Additions	–	–	3	–	–	3
At 31 December 2015 and 1 January 2016	963	467	455	–	–	1,885
Additions	672	115	332	–	–	1,119
Acquisition of a subsidiary *(Note 25)*	–	–	–	1,988	618	2,606
At 31 December 2016 and 1 January 2017	1,635	582	787	1,988	618	5,610
Additions	–	23	63	–	–	86
At 30 September 2017	1,635	605	850	1,988	618	5,696

	Leasehold improvements *HKD'000*	Computer equipment *HKD'000*	Furniture, fixtures and equipment *HKD'000*	Vehicle registration mark *HKD'000*	Motor vehicle *HKD'000*	Total *HKD'000*
Accumulated depreciation:						
At 1 January 2014	56	376	62	–	–	494
Charged for the year	4	64	35	–	–	103
Disposal	(60)	–	–	–	–	(60)
At 31 December 2014 and 1 January 2015	–	440	97	–	–	537
Charged for the year	481	12	88	–	–	581
At 31 December 2015 and 1 January 2016	481	452	185	–	–	1,118
Charged for the year	784	34	131	223	94	1,266
At 31 December 2016 and 1 January 2017	1,265	486	316	223	94	2,384
Charged for the period	302	33	112	448	187	1,082
At 30 September 2017	1,567	519	428	671	281	3,466
Carrying values:						
At 31 December 2014	963	27	355	–	–	1,345
At 31 December 2015	482	15	270	–	–	767
At 31 December 2016	370	96	471	1,765	524	3,226
At 30 September 2017	68	86	422	1,317	337	2,230

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

	Depreciation rate
Leasehold improvements	Over the term of the lease
Computer equipment	30%
Furniture, fixtures and equipment	20%
Vehicle registration mark	30%
Motor vehicle	30%

16 OTHER ASSETS

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
At cost:				
Admission fee deposit paid to The Hong Kong Securities Clearing Company Limited	50	50	50	50
Deposit with The Stock Exchange of Hong Kong Limited:				
– Compensation fund	50	50	50	50
– Fidelity fund	50	50	50	50
– Stamp duty deposit	30	30	30	30
Contribution under The Central Clearing and Settlement				
– System guarantee fund	50	50	50	50
	230	230	230	230

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Held-for-trading investment at market value:				
– Quoted investment funds listed inside Hong Kong	20,446	87,522	4,901	6,883

18 ACCOUNT RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Account receivables from:				
– Cash clients	2,622	787	97	610
– Clearing house	930	21,736	3,525	2,129
	3,552	22,523	3,622	2,739
– Custodian clients	16,238	21,938	72,680	61,066
	19,790	44,461	76,302	63,805
Less: Allowance for doubtful debts	(157)	(151)	(151)	(151)
Account receivables net of allowance for doubtful debts	19,633	44,310	76,151	63,654
Other receivables, deposits and prepayments:				
Deposits	16	1,885	751	751
Prepayments	104	185	340	98
Other receivables	176	11,750	133	92
	296	13,820	1,224	941
	19,929	58,130	77,375	64,595

The normal settlement terms of accounts receivables, except for from custodian clients are two business days after trade date.

The Target Company provides financing option to its custodian clients to repay on demand subject to an interest on the outstanding amounts ranging from 9% to 18% per annum and the securities will be pledged to the Target Company as collateral. For other clients without financing, overdue receivables will be subject to interest of 18% per annum.

(a) Ageing analysis

No ageing analysis of accounts receivables from custodian clients is disclosed as in the opinion of the directors of the Target Company, the ageing analysis does not give additional value in view of the nature of this business.

The followings are ageing analyses of the remaining of the accounts receivables, net of allowance for doubtful debts, presented based on the normal settlement terms of two business days after trade date.

As at 31 December 2014

	Neither past due nor impaired	Less than 1 month past due	Over 1 month but within 1 year Past due	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Cash clients	2,588	34	–	2,622
Clearing house	930	–	–	930
	3,518	34	–	3,552

As at 31 December 2015

	Neither past due nor impaired	Less than 1 month past due	Over 1 month but within 1 year Past due	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Cash clients	722	2	63	787
Clearing house	21,736	–	–	21,736
	22,458	2	63	22,523

As at 31 December 2016

	Neither past due nor impaired	Less than 1 month past due	Over 1 month but within 1 year Past due	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Cash clients	–	36	61	97
Clearing house	3,525	–	–	3,525
	3,525	36	61	3,622

As at 30 September 2017

	Neither past due nor impaired	Less than 1 month past due	Over 1 month but within 1 year Past due	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Cash clients	542	1	67	610
Clearing house	2,129	–	–	2,129
	2,671	1	67	2,739

No further allowance for doubtful debts is considered necessary for the overdue balances based on the Target Company's evaluation of their collectability.

The management of the Target Company evaluates the collectability of receivables from custodian clients based on management's assessment on the credit rating, collateral value and the past collection history of each custodian clients.

The total market value of securities pledged as collateral in respect of receivables from custodian clients with financing was approximately HKD85,908,000, HKD291,944,000, HKD547,849,000 and HKD242,318,000 as at 31 December 2014, 2015, 2016 and 30 September 2017 respectively. The management of the Target Company was satisfied that the collateral was sufficient.

(b) Movement in the allowance for doubtful debts on account receivables is as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Balance at beginning of the reporting period	–	157	151	151
Provision/(Reversal) during the year/period	157	(6)	–	–
Balance at end of the reporting period	157	151	151	151

19 CASH HELD ON BEHALF OF CLIENTS

The Target Company maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Target Company has classified the clients' monies as cash held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding account payables (Note 22) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

20 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Cash and bank balances	6,916	14,719	18,882	30,196

21 AMOUNTS DUE FROM/(TO) THE HOLDING COMPANY AND A DIRECTOR

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 September 2017, amounts due from/(to) the holding company and a director were unsecured, interest free and repayable on demand.

The amount due from the holding company of HKD151,000 as at 30 September 2017 will be settled within 1 year.

22 ACCOUNT PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Clients' accounts payables	3,365	1,569	455	315
Cash held on behalf of clients	19,008	219,204	5,057	16,842
Account payables	22,373	220,773	5,512	17,157
Accruals and other payables:				
Accruals	1,093	345	472	416
Other payables	67	79	962	54
	1,160	424	1,434	470
	23,533	221,197	6,946	17,627

All of the other payables and accruals are expected to be settled within one year.

23 SHARE CAPITAL

Issued and fully paid

	Number of shares	Amount
		HKD'000
As at 31 December 2014 and 1 January 2015	17,500,000	35,000
Issuance of shares *(Note (i))*	31,250,000	62,500
As at 31 December 2015, 2016, 1 January 2017 and 30 September 2017	48,750,000	97,500

Note:

(i) Pursuant to a special resolution passed on 19 May and 23 June 2015, 17,500,000 and 13,750,000 ordinary shares were allotted respectively to provide additional working capital to the Target Company.

24 RESERVES

Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page 41 of this report.

Target Company

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented as below:

	Retained earnings/ (Accumulated losses) *HKD'000*
At 1 January 2014	17
Profit and total comprehensive income for the year	6,070
At 31 December 2014 and 1 January 2015	6,087
Profit and total comprehensive income for the year	44,162
At 31 December 2015 and 1 January 2016	50,249
Profit and total comprehensive income for the year	2,528
Dividend paid	(52,000)
At 31 December 2016	777
At 31 December 2015 and 1 January 2016	50,249
Loss and total comprehensive expense for the period	(8,439)
At 30 September 2016 (unaudited)	41,810
At 31 December 2016 and 1 January 2017	777
Loss and total comprehensive expense for the period	(1,402)
At 30 September 2017	(625)

25 BUSINESS COMBINATION

Sen Mei Logistics Limited

On 17 August 2016, the Target Company entered into a sale and purchase agreement with a third party vendor, pursuant to which, the Target Company acquired from that vendor 100% issued capital of Sen Mei Logistics Limited. The consideration for the acquisition under the S&P Agreement amounted to HKD2,200,000 has been satisfied by cash. The acquisition was completed on 17 August 2016.

The fair value of identifiable assets and liabilities acquired at the acquisition date were as follows:

	Fair value
	HKD'000
Property, plant and equipment *(Note 15)*	2,606
Deferred tax liabilities	(406)
Total identifiable net assets	2,200
Net assets acquired	2,200
Goodwill	–
Total consideration	2,200
Satisfied by:	
Cash	2,200

26 CAPITAL COMMITMENT

Capital expenditure contracted for the end of the years/period but not yet incurred is as follows:

	As at 31 December			**As at 30 September**
	2014	**2015**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Contracted, but not yet incurred:				
Leasehold improvement	–	511	–	–

27 OPERATING LEASE COMMITMENT

As lessees

The Target Group leases certain of its office premises under operating leases arrangements.

At the end of each of the Relevant Periods, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Within one year	338	2,503	2,106	456
In the second to fifth years, inclusive	348	2,072	152	250
	686	4,575	2,258	706

28 CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Target Group did not have any contingent liabilities.

29 RELATED PARTY TRANSACTIONS

Other than those balances disclosed in Note 21, during the Relevant Periods the Target Group entered into following transactions with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Rental expenses paid to a related party	–	300	300	225	200
Interest income from a director	–	445	520	430	277
Commission paid to the holding company	350	–	–	–	–
Management fee paid to the holding company	3,000	–	–	–	–
Expenses paid on half of the holding company	1,925	–	–	–	–

30 EVENTS AFTER THE REPORTING PERIOD

There is no significant event taken place subsequent to 30 September 2017.

31 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 September 2017.

The following management discussion and analysis should be read in conjunction with the accountants' report of the Target Group for each of the three years ended 31 December 2014, 2015 and 2016 and for the nine months ended 30 September 2017 (the "**Relevant Period**").

1. BUSINESS REVIEW

The Target Group is principally engaged in the provision of (i) brokerage services; (ii) underwriting and placing services. During 2017, the Target Group recorded a decrease in commission income from the brokerage services and the underwriting and placing services as compared to the corresponding period in 2016. From 2014 to 2016, the underwriting and placing services had increased significantly while the commission income from the brokerage services decreased.

The Target Group has been putting extra effort in developing its business. Nevertheless, the Target Group's performance relied on external factors, including Hong Kong and global economic environment, interest rate movement and the turnover of the Hong Kong securities market. The financial performance as well as revenue mix of the Target Group may continue to change depending on the stock market environment. Brokerage income will continue to be directly correlated with the overall stock market trading volume while underwriting and placing income correlates to market fund raising activities, the number of underwriting and placing exercises the Target Group can be involved in, and/or the size of fund the customers intended to raise. In addition, the Target Group's interest income from custodian clients will be subject to customers' investment and financing needs.

The Target Group's revenue in Q3 2017 was not comparable with Q3 2016, and this was the main reason for recording a loss before income tax for Q3 2017. While in 2014, 2015 and 2016, there were profit before income tax.

From 2014 to 2016, the Target Group's interest income from custodian clients had increased on yearly basis. Going forward, it is expected that the Target Group's revenue mix will consist of an increasing proportion of interest income from custodian clients.

After the onset of the Shenzhen-Hong Kong Stock Connect scheme in December 2016 and the easing of investment of more mainland China funds in Hong Kong, the capital market of mainland China would be more open to international investors. As a major international financial centre close to the China market, Hong Kong will play an important role in this regard and is expected to benefit from it. Substantial progress has been made toward the opening of Mainland China's capital market to international investors. As a major international financial centre, Hong Kong will continue to play a prominent role in connecting the Mainland China market to the rest of the world, thereby creating a constructive operating environment for the development of Hong Kong's financial services sector. Leveraging its proven business model, the Group remains cautiously optimistic regarding maximising potential in the capital market and driving long-term solid business growth. During the recent years, the Chinese securities industry witnessed significant enhancement and improvement in various aspects, including capital strength, development philosophy, service quality, regulatory level, market competitiveness and others. The securities industry has been playing a more important role in terms of promotion of capital contribution, optimization of asset allocation, provision of services to real economy and investors. The securities industry has also been continuously strengthening its awareness, ability and self-consciousness of serving the country. As affected by various factors such as the macroeconomic environment, capital flow, adjustment of regulatory policies in the securities industry, the changing investment preference of various market participants around the world and in the PRC, the securities industry has recorded relatively significant cyclical growth with a spiral pattern in general. With the improving market sentiment and investment appetite in 2017, the Target Group will be ready to capture the opportunity that the next market upturn will bring. The Target Group would benefit from the stable financial market. The brokerage income, underwriting and placing income and interest income from the custodian clients of the Target Group would be increased.

2. FINANCIAL REVIEW

Revenue

The Target Group's revenue is mainly generated from (i) commission income from the brokerage services; (ii) commission income from the underwriting and placing services; (iii) interest income from the custodian clients.

The total revenue of the Target Group for Q3 2017 was approximately HK$6.8 million (Q3 2016: HK$24.6 million) which represents a HK$17.7 million or 72.2% decrease compared with Q3 2016. Such drop in revenue was attributable to (i) a decrease of approximately HK$16.4 million in commission income from the underwriting and placing services; (ii) a decrease of approximately HK$2.5 million in commission income from the brokerage services; (iii) an increase of approximately HK$1.1 million in interest income from custodian clients. The total revenue for 2016 was approximately HK$41.5 million (2015: HK$15.7 million, 2014: HK$8.6 million) which represents a HK$25.8 million or 164.9% increase compared with 2015 and HK$7.1 million or 83.0% increase from 2014 to 2015. Such increment was attributable to (i) an increase in commission income from the underwriting and placing services of approximately HK$24.4 million (from 2015 to 2016) and HK$6.1 million (from 2014 to 2015); (ii) an increase of approximately HK$3.2 million (from 2015 to 2016) and HK$2.5 million (from 2014 to 2015) in interest income from custodian clients; (iii) a decrease of approximately HK$1.8 million (from 2015 to 2016) and HK$1.5 million (from 2014 to 2015) in commission income from the brokerage services.

As mentioned above, the decrease in commission income from the brokerage services and the underwriting and placing services in Q3 2017 was due to decrease in the demand for such services in the market which was beyond the Target Group control, whereas the interest income from custodian clients has become the current main focus of the Target Group's business.

Other income and gains/(losses)

The total other income and gains of the Target Group for Q3 2017 was approximately HK$3.7 million (Q3 2016: HK$18.8 million loss) which represents a HK$22.5 million or 119.5% increase compared with Q3 2016. Such increase was attributable to (i) a increase of approximately HK$21.4 million in profit on investment; (ii) an increase of approximately HK$1.1 million in other income. The total other income and gains for 2016 was approximately HK$17.8 million loss (2015: HK$42.4 million, 2014: HK$11.0 million) which represents a HK$60.1 million or 142.0% decrease compared with 2015 and HK$31.3 million or 284.0% increase from 2014 to 2015. Such change was attributable to (i) a decrease of approximately HK$60.8 million (from 2015 to 2016) and increase approximately HK$31.3 million (from 2014 to 2015) in profit on investment; (ii) an increase of approximately HK$0.7 million (from 2015 to 2016) and HK$0.02 million (from 2014 to 2015) in other income.

Operating and administrative expenses

The total operating and administrative expenses for Q3 2017 was approximately HK$12.5 million (Q3 2016: HK$11.8 million) and represents an increase of approximately HK$0.6 million or 5.4%. The total operating and administrative expenses for 2016 was approximately HK$17.0 million (2015: HK$8.9 million, 2014: HK$13.2 million) and represents an increase of approximately HK$8.0 million or 89.9% from 2015 to 2016 and an decrease of approximately HK$4.3 million or 32.4% from 2014 to 2015. The operating and administrative expenses for Q3 2017 were stable comparing to Q3 2016. The operating and administrative expenses for 2015 was low comparing to 2016 and 2014, because of reduction in rental expense for the Target Group's office. Save for such reduction in rental expense, the operating and administrative expenses were generally stable from 2014 to 2016.

Staff costs accounted for approximately 52.7% of the total operating and administrative expenses of the Target Group for Q3 2017 (Q3 2016: 53.6%) and approximately 55.9% of the total operating and administrative expenses of the Target Group for 2016 (2015: 64.7%, 2014: 47.3%). The total staff costs for Q3 2017 was approximately HK$6.6 million (Q3 2016: HK$6.3 million) and represented an increase of approximately HK$0.2 million or 3.7% compared with Q3 2016. The total staff costs for 2016 was approximately HK$9.5 million (2015: HK$5.8 million, 2014: HK$6.3 million) and represented an increase of approximately HK$3.7 million or 64.2% compared with 2015 and a decrease of approximately HK$0.5 million or 7.6% from 2014 to 2015. The increase was mainly attributable to the overall salary increment and new staff and directors.

Income tax expense

The income tax expense for Q3 2017 was approximately HK$0.1 million (Q3 2016: HK$2.5 million) and such drop was consistent with the decrease in profits assessable under Hong Kong profits tax. The income tax expense for 2016 was approximately HK$4.6 million (2015: HK$4.9 million, 2014: HK$0.3 million) while such increase as compared to 2015 and 2014 was consistent with the increase in profits assessable under Hong Kong profits tax.

Profit/(loss) for the year/period

The Target Group recorded a net loss attributable to owners of approximately HK$2.0 million in Q3 2017 (Q3 2016: loss of HK$8.5 million), representing a decrease in net loss attributable to owners of approximately HK$6.5 million or 76.2% as compared to that in Q3 2016. Such decrease was heavily due to the decrease in total revenue of approximately HK$17.7 million or 72.2% and the increase of other income and gains of approximately HK$22.5 million or 119.5% in Q3 2017.

The Target Group recorded a net profit attributable to owners of approximately HK$2.2 million in 2016 (2015: HK$44.2 million, 2014: HK$6.1 million), representing a decrease in net profit attributable to owners of approximately HK$42.0 million or 95.0% as compared to that in 2015. Such change was heavily due to the decrease of other income and gains of approximately HK$60.1 million or 142.0% from 2015 to 2016 (increase approximately HK$31.3 million or 284.0% from 2014 to 2015), which was not offset by the increase in total revenue of approximately HK$25.8 million or 164.9% from 2015 to 2016 (HK$7.1 million or 83.0% from 2014 to 2015).

Account receivables

As shown in note 18 to the Accountant's Report in Appendix II to this circular, receivables from cash and custodian clients amounted to approximately HK$18.9 million as at 31 December 2014, HK$22.7 million as at 31 December 2015, HK$72.8 million as at 31 December 2016 and HK$61.7 million as at 30 September 2017, which mainly consist of receivables from custodian clients and constitute the majority of the total account receivables, other receivables, deposits and repayments of the Target Group in each of the above financial periods. This was resulted from the Target Group's business policy to provide custodian clients with flexibility in settling their securities trading, by providing financing to those custodian clients who have satisfactory credit ratings based on the Target Group's assessment to settle their securities trading within two business days after the relevant trade date under the normal practice of the Hong Kong securities market, and in turn require such clients to repay the settlement sum as principal and corresponding interest income to the Target Group. The interest income generated from the above financing arrangements had been one of the income sources of the Target Group, which the Board considered to be beneficial the Enlarged Group and the Shareholders as a whole.

Taking into account of the following factors, the Board considered that the recoverability of the account receivables from custodian clients is high:

(i) financing had only been extended by the Target Group to custodian clients of whom the credit rating, collateral value and the past collection history were considered satisfactory by the Target Group's management;

(ii) as at 30 September 2017, the total market value of securities pledged as collateral to secure the loans extended to custodian clients were approximately HK$242.3 million (2016: HK$547.8 million, 2015: HK$291.9 million, 2014: HK$85.9 million);

(iii) the management of the Target Group had assessed the market value of the pledged securities of each individual client who had shortfall as at the relevant year end, and impairment allowance of HK$151,000 as at 30 September 2017 (2016: HK$151,000, 2015: HK$151,000, 2014: HK$157,000) had been made. No further impairment allowance was considered necessary for the remaining loans based on the management of the Target Group's evaluation of their collectability; and

(iv) the financing extended to clients bear variable interest at commercial rates and are repayable on demand.

No ageing analysis of account receivables from custodian clients was disclosed in the Accountant's Report in Appendix II since, in the opinion of the management of the Target Group, such ageing analysis would not give additional value in view of the nature of the business of the Target Group as the provision of financing to custodian clients is one of the typical characteristics of service providers in the financial service industry. Nevertheless, the management of the Target Group will continue to strictly monitor the account receivables of its clients to prevent any unexpected risk from the ever-changing investment environment.

3. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Target Group has adopted a prudent treasury policy and maintained a healthy liquidity position throughout the years. The Target Group finances its operating and capital expenditures mainly by internal resources such as operating cash flow and shareholders' equity. The Target Group has sufficient resources to meet its capital expenditure and working capital requirement. To manage liquidity risk, the Target Group closely monitors its liquidity position to ensure that the liquidity structure of its assets, liabilities and other commitments can meet its funding requirements from time to time. The Target Group's financial resources are at a healthy position and are sufficient to support its business operations.

During the years ended 31 December 2014, 2015 and 2016 and Q3 2017, the Target Group financed its operations by its own cash and had no borrowings and no committed borrowing facilities. Hence the Target Group's gearing ratio (being its total borrowings divided by its total equity) was maintained at zero as at 30 September 2017. As at 30 September 2017, the Target Group had net current assets of approximately HK$93.9 million, including cash of approximately HK$30.2 million. As at 31 December 2016, the Target Group had net current assets of approximately HK$94.9 million (2015: HK$146.2, 2014: HK$39.5 million), including cash of approximately HK$18.9 million (2015: HK$14.7 million, 2014: HK$6.9 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 5.2 times as at 30 September 2017 and approximately 9.2 times as at 31 December 2016 (2015: 1.6 times, 2014: 2.4 times). The increase in the current ratio was mainly attributable to the lower balances of trade payables to cash and custodian clients in Q3 2017 and the year ended 31 December 2016 compared to the year ended 31 December 2015. The decrease in the current ratio was mainly attributable to the higher balances of trade payables to cash and custodian clients in the year ended 31 December 2015 compared to the year ended 31 December 2014.

The capital of the Target Group comprises only ordinary shares. Total equity attributable to owners of the Target Group amounted to approximately HK$95.9 million as at 30 September 2017 and HK$98.0 million as at 31 December 2016 (2015: HK$147.7 million, 2014: HK$41.1 million).

4. EMPLOYEE INFORMATION

Total remuneration for Q3 2017 and 2016 (including directors' emoluments and commission paid to staff and directors and Mandatory Provident Fund contributions) were approximately HK$6.6 million (Q3 2016: HK$6.3 million) and approximately HK$9.5 million (2015: HK$5.8 million, 2014: HK$6.3 million) respectively. The increase in total remuneration in 2016 was mainly due to the increase in staff salaries, allowances and new staff and directors as mentioned under the "**Operating and administrative expenses**" section above. The Target Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions. Its remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions. As at 31 December 2014, 2015, 2016 and 30 September 2017, the number of employees of the Target Group was 14, 17, 17 and 16, respectively.

5. CHARGES ON ASSETS

The Target Group did not have any charge arranged with any financial institution in Hong Kong in Q3 2017 (Q3 2016: Nil) and 2016 (2015: Nil, 2014: Nil).

6. FOREIGN EXCHANGE EXPOSURE

The revenue and operating costs of the Target Group were principally denominated in Hong Kong dollars, and as such the exposure to the risk of foreign exchange rate fluctuations for the Target Group was minimal. Hence, no financial instrument for hedging was employed by the Target Group.

7. SIGNIFICANT INVESTMENTS

The Target Group had investment in Hong Kong listed stock as at 30 September 2017 amounted to approximately HK$6.9 million and as at 31 December 2016 approximately HK$4.9 million (2015: HK$87.5 million, 2014: HK$20.4 million).

The Target Group recognised a gain of approximately HK$2.2 million on investment in financial asset at fair value through profit and loss for Q3 2017 (consisting of $0.2 million realised gain and $2.0 million unrealised gain) (Q3 2016: loss of HK$19.2 million (consisting of $18.0 million realised loss and $1.2 million unrealised loss)), representing an increase in a gain on investment in financial asset at fair value through profit and loss of approximately HK$21.4 million or 111.3% as compared to that in Q3 2016.

The loss of investment in financial asset at fair value through profit and loss of the Target Group in 2016 was approximately $18.7 million (consisting of $18.0 million realised loss and $0.7 million unrealised loss) (2015: gain of HK$42.2 million (consisting of $22.6 million realised gain and $19.6 million unrealised gain), 2014: gain of HK$10.8 million (consisting of $16.7 million realised gain and $5.9 million unrealised loss)), representing a decrease in gain on investment in financial asset at fair value through profit and loss approximately HK$60.8 million or 144.3% from 2015 to 2016 (an increase in gain on financial assets approximately HK$31.3 million or 288.6% from 2014 to 2015).

Having considered the impact of investment in financial assets on the financial performance of the Target Group in the year ended 31 December 2016, the management of the Target Group formed the view that investment in financial assets was highly unpredictable and decided to strictly control and monitor such investments by significantly reducing the scale of investment in financial asset at fair value through profit and loss, from approximately HK$87.5 million (representing 23.4% of the total consolidated assets of the Target Group) as at 31 December 2015 to approximately HK$4.9 million (representing 4.5% of the total consolidated assets of the Target Group) as at 31 December 2016. The management of the Target Group believed that by taking such control measures, the amount of investment in financial asset at fair value through profit and loss could be kept at an optimal level that help minimise the investment risk in financial asset to which the Target Group is exposed.

8. MATERIAL ACQUISITIONS AND DISPOSAL

There was no material acquisitions and disposal during the relevant period.

9. CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in Q3 2017 and up to the Latest Practicable Date.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The following is an illustrative and unaudited pro forma consolidated statement of financial position (the "**Unaudited Pro Forma Financial Information**") of Huabang Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") which has been prepared by the directors of the Company on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition of the entire equity in Huabang Securities Limited (formerly known as Qian Hai Securities Limited) and its subsidiary (the "**Target Group**") (the "**Acquisition**"), as if the Acquisition had been taken place on 30 September 2017.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2017 as set out in the Group's interim report published on 18 December 2017, the consolidated statement of financial position of the Target Group set out in Appendix II to this circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 September 2017 nor purport to predict the Group's future financial position of operations.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 September 2017, the Accountants' Report on the Target Group as set out in Appendix II to this circular, and other financial information included elsewhere in the circular.

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

	Unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017	Consolidated statement of financial position of the Target Group as at 30 September 2017	Pro forma adjustments			Unaudited consolidated statement of financial position of the Enlarged Group as at 30 September 2017
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Intangible assets	5,958	–	84,226	–	–	90,184
Property, plant and equipment	44,830	2,230	–	–	–	47,060
Deposits and prepayments – non-current portion	30,196	–	(30,000)	–	–	196
Deferred tax assets	3,799	–	–	–	–	3,799
Other assets	–	230	–	–	–	230
Total non-current assets	84,783	2,460	54,226	–	–	141,469
Current assets						
Inventories	4,329	–	–	–	–	4,329
Loan receivables	70,400	–	–	–	–	70,400
Trade and other receivables	107,339	64,595	–	–	151	172,085
Financial assets at fair value through profit or loss	–	6,883	–	–	–	6,883
Income tax recoverable	4,343	–	–	–	–	4,343
Amount due from a related company	–	151	–	–	(151)	–
Cash held on behalf of clients	–	14,376	–	–	–	14,376
Cash and cash equivalents	162,637	30,196	–	–	–	192,833
Total current assets	349,048	116,201	–	–	–	465,249
Total assets	433,831	118,661	54,226	–	–	606,718
Current liabilities						
Trade payables	2,345	17,157	–	–	–	19,502
Other payables and accrued expenses	2,467	470	–	730	25	3,692
Amount due to a related party	–	25	–	–	(25)	–
Current income tax liabilities	3,385	4,679	–	–	–	8,064

	Unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017	Consolidated statement of financial position of the Target Group as at 30 September 2017	Pro forma adjustments			Unaudited consolidated statement of financial position of the Enlarged Group as at 30 September 2017
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Total current liabilities	8,197	22,331	–	730	–	31,258
NET CURRENT ASSETS/ (LIABILITIES)	340,851	93,870	–	(730)	–	433,991
TOTAL ASSETS LESS CURRENT LIABILITIES	425,634	96,330	54,226	(730)	–	575,460
Non-current liabilities						
Deferred tax liabilities	–	406	–	–	–	406
	–	406	–	–	–	406
NET ASSETS	425,634	95,924	54,226	(730)	–	575,054
Equity						
Capital and reserves attributable to equity holders of the Company						
Share capital	3,214	97,500	(97,308)	–	–	3,406
Other reserves	323,846	–	149,958	–	–	473,804
Retained earnings/(Accumulated losses)	98,574	(1,576)	1,576	(730)	–	97,844
TOTAL EQUITY	425,634	95,924	54,226	(730)	–	575,054

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The amounts are extracted from unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017 as set out in the published interim report of the Group for the six months ended 30 September 2017.

2. The amounts are extracted from the consolidated statement of financial position of the Target Group as at 30 September 2017 in the accountant's report of the Target Group as set in Appendix II to this circular.

3. On 7 March 2017, Goldenmars Technology, an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Newpont Holdings Limited (the "**Vendor**") pursuant to which Goldenmars Technology has conditionally agreed to acquire, the 100% equity interests held by the Vendor in the Target Company for total Consideration of HKD180,150,000. A portion of the Consideration of HKD150,150,000 will be settled by the allotment and issue of 231,000,000 Consideration Shares by the Company to the Vendor at an issue price of HKD0.65 per Consideration Share. The balance of HKD30,000,000 was settled by cash.

   Upon completion of the Acquisition, the Company will become the holding company of the Target Group. The identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 3 (Revised) "Business Combinations" issued by Hong Kong Institute of Certified Public Accountants.

   For the purpose of preparing the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the Directors performed an assessment on the identifiable assets and liabilities assumed in accordance with HKFRS 3 (Revised); and assumed that the pro forma fair value of identifiable assets and liabilities of the Target Group, are the same as their respective carrying amounts as at 30 September 2017. The Directors are in progress to assess the fair value of identifiable assets and liabilities.

   The adjustment represents the goodwill recognised from the Acquisition of approximately HKD84,226,000 being the excess amount of the total Consideration for the Acquisition over the fair value of the acquired identifiable net assets of the Target Group as follow:

	Note	*HKD'000*
Total consideration		180,150
Pro forma fair value of identifiable net assets acquired		95,924
Pro forma goodwill	*(iii)*	84,226
To be satisfied by:		
Consideration shares	*(i)*	150,150
Cash consideration	*(ii)*	30,000
		180,150

   Note

   (i) For the purpose of this Unaudited Pro Forma Financial Information, the fair value of the Consideration Shares is calculated based on the price of HKD0.65 per share of the Company. 231,000,000 Consideration Shares of the Company will be issued at HKD0.65 with a total share consideration of approximately HKD150,150,000, of which approximately HKD192,492 (par value of HKD0.0008333 each) will be credited to share capital and the balance of approximately HKD149,957,508 will be credited to the share premium account.

(ii) The cash consideration has been paid on 29 March 2017 and was recognised as a refundable prepayment for acquisition of a subsidiary ("**Prepayment**") in the non-current assets in the Group's unaudited condensed consolidated statement of financial position as at 30 September 2017. The Prepayment will be offset as part of the Consideration upon completion of the Acquisition.

(iii) The amounts of goodwill and fair value of the identifiable assets and liabilities of the Target Group on the Completion Date are subject to (i) the completion of the valuation of the fair value of the identifiable assets and liabilities of the Target Group on the Completion Date and (ii) the financial position of the Target Group on the Completion Date. Accordingly, the amounts of goodwill and fair value of the identifiable assets and liabilities of the Target Group may be materially different from the amounts used in the preparation of the unaudited pro forma financial information presented above.

For the purpose of the unaudited pro forma financial information, the Directors have assessed whether there is any impairment in respect of the goodwill expected to arise from the Acquisition following the principles set out in Hong Kong Accounting Standard 36 "Impairment of Assets".

Based on the Directors' assessment, the Directors consider that there is no impairment indicator on the goodwill with assumed values set out above.

4. The adjustment represents estimated acquisition-related costs, which consist of mainly the professional fees directly attributable to the Acquisition, of approximately HKD730,000.

5. The adjustment represents reclassification for the amount due from holding company and a director of the Target group to other receivables and other payables respectively.

6. Apart from the above, no adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 September 2017 where applicable.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of the incorporation in this circular.

BAKER TILLY
HONG KONG | 天職香港

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

To The Directors of Huabang Financial Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Huabang Financial Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2017, and related notes as set out on pages 83 to 87 of the circular dated 12 February 2018 (the "**Circular**") issued by the Company in connection with the proposed acquisition in Huabang Securities Limited (formerly known as Qian Hai Securities Limited) (the "**Target Company**") and its subsidiary (collectively referred to as the "**Target Group**") (the "**Acquisition**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 83 to 87 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 September 2017 as if the Acquisition had taken place at 30 September 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2017, on which an interim review report has been published.

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 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

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

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

Reporting Accountant's 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 Unaudited Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

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

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– the related pro forma adjustments give appropriate effect to those criteria; and

– the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled 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.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 12 February 2018

Gao Yajun
Practicing certificate number P06391

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

(a) Share capital of the Company as at the Latest Practicable Date

Authorised:		*HKD'000*
96,000,000,000	Shares	**80,000**
Issued and fully paid:		
3,858,492,000	Shares	**3,216**

(b) Share capital of the Company immediately after Completion (assuming no further issue or repurchase of Shares immediately before Completion other than the allotment and issue of the Consideration Shares)

Authorised:		*HKD'000*
96,000,000,000	Shares	**80,000**
Issued and fully paid:		
3,858,492,000	Shares	3,216
231,000,000	Consideration Shares to be allotted and issued pursuant to the Acquisition Agreement	192
4,089,492,000	Shares in issue immediately after Completion	**3,408**

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), (ii) required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company as contained in Appendix 10 to the Listing Rules, were as follows:

Interests in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. George Lu	Beneficial owner/ Interest in controlled corporation *(Note 1)*	2,702,620,000	70.04%
Ms. Lau Wing Sze	Beneficial owner/ Interest in controlled corporation *(Note 2)*	23,256,000	0.60%

Notes:

(1) Mr. George Lu is the beneficial owner of 145,800,000 Shares and there are 2,556,820,000 Shares were registered in the name of Forever Star Capital Limited. Each of Mr. George Lu and his spouse, Ms. Shen Wei, holds 50% interest in Forever Star Capital Limited and is deemed to be interested in the 2,556,820,000 Shares held by Forever Star Capital Limited by virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO.

(2) Ms. Lau Wing Sze is the beneficial owner of 18,936,000 Shares and 4,320,000 Shares were registered in the name of Nice Rate Limited. Ms. Lau Wing Sze is the sole shareholder of Nice Rate Limited and is deemed to be interested in the 4,320,000 Shares held by Nice Rate Limited by virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO.

Interests in Share Options of the Company

Name of Director	Outstanding share option as at the Latest Practicable Date	Date of grant	Exercisable period	Exercise price *HKD*
Mr. George Lu	28,333,333	24 February 2017	24/02/17 – 20/12/19	0.55
	28,333,333		21/12/17 – 20/12/19	0.55
	28,333,334		21/12/18 – 20/12/19	0.55
Mr. Lau Wan Po	33,333,333	21 December 2016	21/12/16 – 20/12/19	0.55
	33,333,333		21/12/17 – 20/12/19	0.55
	33,333,334		21/12/18 – 20/12/19	0.55
Ms. Lau Wing Sze	14,200,000	21 December 2016	21/12/16 – 20/12/19	0.55
	14,200,000		21/12/17 – 20/12/19	0.55
	14,200,000		21/12/18 – 20/12/19	0.55
Mr. Pang Chung Fai Benny	500,000	21 December 2016	21/12/16 – 20/12/19	0.55
	500,000		21/12/17 – 20/12/19	0.55
	500,000		21/12/18 – 20/12/19	0.55
Mr. Loo Hong Shing Vincent	500,000	21 December 2016	21/12/16 – 20/12/19	0.55
	500,000		21/12/17 – 20/12/19	0.55
	500,000		21/12/18 – 20/12/19	0.55
Mr. Shin Yick Fabian	500,000	21 December 2016	21/12/16 – 20/12/19	0.55
	500,000		21/12/17 – 20/12/19	0.55
	500,000		21/12/18 – 20/12/19	0.55

(b) Interests of substantial Shareholders

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following person (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

Name of shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Forever Star Capital Limited	Beneficial owner	2,556,820,000	66.26%
Ms. Shen Wei	Interest of spouse *(Note 1)*	230,800,000	5.98%
	Interest in controlled corporation *(Note 2)*	2,556,820,000	66.26%
China Goldjoy Securities Limited	Custodian interest *(Note 3)*	346,912,000	8.99%
Mr. Yao Jianhui	Interest in controlled corporation *(Note 4)*	268,992,000	6.97%

Notes:

(1) Ms. Shen Wei is the spouse of Mr. George Lu, an executive Director and the Chairman and Chief Executive Officer of the Company, and is therefore deemed to be interested in the 145,800,000 Shares held by Mr. George Lu who is the beneficial owner and also 85,000,000 underlying Shares held by Mr. George Lu in respect of his interests in share options of the Company as disclosed in the paragraph headed "**Interests of Directors and chief executives of the Company – Interest in Share Options of the Company**" in this appendix above, by virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO.

(2) Ms. Shen Wei owns 50% of Forever Star Capital Limited and is therefore deemed to be interested in the 2,556,820,000 Shares held by Forever Star Capital Limited by virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO.

(3) According to the information available to the Company, China Goldjoy Securities Limited is a custodian of a total 346,912,000 Shares.

(4) According to the information available to the Company, Mr. Yao Jianhui is deemed to be beneficially interested in a total of 268,992,000 Shares, which are all directly held by Hong Kong Bao Xin Asset Management Limited, which is a company wholly owned by Bao Xin International Asset Management Limited. Bao Xin International Asset Management Limited is in turn wholly owned by Great Sphere Developments Limited, which is in turn wholly owned by China Goldjoy Group Limited. China Goldjoy Group Limited is beneficially owned as to 48.63% by Tinmark Development Limited, which is wholly owned by Mr. Yao Jianhui.

4. DIRECTORS' SERVICE CONTRACTS

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

5. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their close associates are interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

7. MATERIAL CONTRACTS

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

(a) the Acquisition Agreement;

(b) the July Acquisition Agreement;

(c) the Provisional Agreement dated 20 December 2017 entered into between Huabang Financial Investments Limited ("**Huabang Financial Investments**"), an indirectly wholly-owned subsidiary of the Company, as purchaser and an Independent Third Party as vendor and property agent in respect of the sales and purchase of properties consist of (i) Units 1 to 8, 33rd Floor, Enterprise Square Three, Kowloon Bay, Hong Kong and (ii) car parking spaces nos.11 to 14 on 3rd Floor, Enterprise Square Three, Kowloon Bay, Hong Kong, at a total consideration of HK$219,765,000. For more details, please refer to the Company's announcement dated 20 December 2017;

(d) the loan agreement dated 15 December 2017 entered into between Huabang Finance Limited ("**Huabang Finance**"), an indirectly wholly-owned subsidiary of the Company and a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong, as lender, and an Independent Third Party as borrower, pursuant to which Huabang Finance agreed to renew a loan to the borrower in a principal amount of HK$9 million for a term of 6 months. For more details, please refer to the Company's announcement dated 15 December 2017;

(e) the loan agreement dated 23 November 2017 entered into between Huabang Finance as lender, and an Independent Third Party as borrower, pursuant to which Huabang Finance agreed to grant a loan to the borrower in a principal amount of HK$8.5 million for a term of 6 months. For more details, please refer to the Company's announcement dated 23 November 2017;

(f) the loan agreement dated 16 November 2017 entered into between Huabang Finance as lender, and an Independent Third Party as borrower, pursuant to which Huabang Finance agreed to grant a loan to the borrower in a principal amount of HK$8.5 million for a term of 6 months. For more details, please refer to the Company's announcement dated 16 November 2017;

(g) the loan agreement dated 26 October 2017 entered into between Huabang Finance as lender, and an Independent Third Party as borrower, pursuant to which Huabang Finance agreed to grant a loan to the borrower in a principal amount of HK$8.5 million for a term of 12 months. For more details, please refer to the Company's announcement dated 26 October 2017;

(h) the loan agreement dated 19 October 2017 entered into between Huabang Finance as lender, and an Independent Third Party as borrower, pursuant to which Huabang Finance agreed to grant a loan to the borrower in a principal amount of HK$8.5 million for a term of 12 months. For more details, please refer to the Company's announcement dated 19 October 2017;

(i) the term sheet dated 3 September 2017 entered into between the Company as purchaser and IDB Development Corporation Ltd. as seller, in respect of the sale and purchase of 24,887,670 ordinary shares with par value of NIS1.0 each of Clal Insurance Enterprises Holdings Ltd., representing approximately 44.9% of its then issued share capital. For more details, please refer to the Company's announcements dated 4 September 2017, 20 October 2017 and 4 December 2017;

(j) the loan agreement dated 1 September 2017 entered into between Huabang Finance as lender, and an Independent Third Party as borrower, pursuant to which Huabang Finance agreed to renew a loan of HK$7 million for a term of 12 months. For more details, please refer to the Company's announcement dated 1 September 2017;

(k) the loan agreement dated 1 September 2017 entered into between Huabang Finance as lender, and an Independent Third Party as borrower, pursuant to which Huabang Finance agreed to renew a loan of HK$9.6 million for a term of 12 months. For more details, please refer to the Company's announcement dated 1 September 2017;

(l) the loan agreement dated 1 September 2017 entered into between Huabang Finance as lender, and an Independent Third Party as borrower, pursuant to which Huabang Finance agreed to renew a loan of HK$9.8 million for a term of 12 months. For more details, please refer to the Company's announcement dated 1 September 2017;

(m) the placing agreement dated 6 October 2016 entered into between the Company and Qian Hai Securities as placing agent, pursuant to which the Company agreed to place through Qian Hai Securities, on a best effort basis, up to 330,000,000 placing shares at the placing price of HK$0.46 per placing share to not less than six placees, who and whose beneficial owners shall be Independent Third Parties. For more details, please refer to the Company's announcements dated 6 October 2016 and 24 October 2016; and

(n) the sale and purchase agreement dated 15 June 2016 entered into between Bodatong Technology (Shenzhen) Company Limited ("**Bodatong Technology**"), a indirectly wholly owned subsidiary of the Company, as vendor and an Independent Third Party as purchaser in respect of the sale and purchase of 12.42% of the total number of shares in Bozhou Botong Information Technology Company Limited, at a consideration of RMB19,250,000 (equivalent to approximately HK$22,680,000). For more details, please refer to the Company's announcements dated 15 June 2016 and 29 September 2016.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion contained in this circular:

Name	Qualifications
Baker Tilly Hong Kong Limited	Certified Public Accountants

Baker Tilly Hong Kong Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name, in the form and context in which they are included.

As at the Latest Practicable date, Baker Tilly Hong Kong Limited did not have any shareholding in any member of the Enlarged Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any members of the Enlarged Group.

As at the Latest Practicable Date, Baker Tilly Hong Kong Limited did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. GENERAL

(a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be so acquired, disposed of by or leased to any member of the Enlarged Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

(b) Save as disclosed in this circular, as at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director is materially interested and which was significant in relation to the business of the Enlarged Group.

(c) The company secretary of the Company is Mr. Wong Kwok Ming. He is a Practicing Certified Public Accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of The Society Chinese Accountants & Auditors.

(d) The registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(e) The principal place of business of the Company in Hong Kong is 29th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

(f) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited.

(g) The English text of this circular shall prevail over the Chinese translation in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 29th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 6 March 2018:

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

(b) the annual reports of the Group for the years ended 31 March 2016 and 2017;

(c) the accountant's reports on the Target Group, the text of which is set out at in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information of the Enlarged Group upon the completion of the Acquisition, the text of which is set out in Appendix IV to this circular;

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

(f) the written consent of the expert referred to in the paragraph headed "**Expert and Consent**" in this appendix;

(g) the Acquisition Agreement; and

(h) this circular.