THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guoan International Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Company has a primary listing on The Stock Exchange of Hong Kong Limited and a secondary listing on the Singapore Exchange Securities Trading Limited. Shareholders should take note that as The Stock Exchange of Hong Kong Limited is the principal stock exchange on which the shares are listed and the Singapore Exchange Securities Trading Limited is the secondary stock exchange on which the shares are listed, the Company is not required to observe the continuing listing requirements of the Singapore Exchange Securities Trading Limited, provided that (i) it undertakes to release information to the Singapore Exchange Securities Trading Limited and the Singapore shareholders at the same time as such information is required to be released to The Stock Exchange of Hong Kong Limited and the Singapore Exchange Securities Trading Limited and the shareholders in Hong Kong; (ii) it informs the Singapore Exchange Securities Trading Limited of any issue of additional securities in a class already listed on the Singapore Exchange Securities Trading Limited and the decision of The Stock Exchange of Hong Kong Limited; and (iii) comply with such other listing rules as may be applied by the Singapore Exchange Securities Trading Limited from time to time.

Guoan International Limited
國安國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 143)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF YICKO SECURITIES LIMITED INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

VEDA | CAPITAL
智略資本

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

時富金融
CFSG

Celestial Capital Limited

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

A letter from the Board is set out on pages 6 to 38 of this circular. A letter from the Independent Board Committee is set out on pages 39 to 40 of this circular. A letter from Celestial Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 85 of this circular.

A notice convening the EGM to be held at Empire Room 1, 1/F, Empire Hotel Hong Kong – Wan Chai, 33 Hennessy Road, Wan Chai, Hong Kong on Thursday, 14 June 2018 at 11:00 a.m. is set out on pages 180 to 182 of this circular.

A form of proxy is also enclosed. Whether or not you intend to attend the meeting, you are advised to complete the form of proxy attached to the notice of EGM in accordance with the instructions printed thereon and return the same to (i) the Company's head office and principal place of business in Hong Kong at 15th Floor of Tower II, Admiralty Centre, No. 18 Harcourt Road, Hong Kong if you are Shareholders in Hong Kong; or (ii) the office of the Company's share transfer agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. (formerly known as Lim Associates (Pte) Ltd) at 50 Raffles Place,#32-01 Singapore Land Tower, Singapore 048623 if you are Shareholders in Singapore, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

24 May 2018

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In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:

"1st Tranche Convertible Bonds"	the convertible bonds in the principal amount of HK$100,000,000 at the interest rate of 3.8% per annum to be issued by the Company to the Vendors (or their respective nominee(s)) on the Completion Date in partial settlement of the Consideration and repayable within 12 months from the issue date of such convertible bonds
"1st Tranche Conversion Shares"	the 384,615,385 new Shares falling to be issued and allotted upon exercise of the conversion rights in full attached to the 1st Tranche Convertible Bonds at the Conversion Price
"2nd Tranche Convertible Bonds"	the convertible bonds in the principal amount of HK$100,000,000 at the interest rate of 3.8% per annum to be issued by the Company to the Vendors (or their respective nominee(s)) on the Completion Date in partial settlement of the Consideration and repayable within 24 months from the issue date of such convertible bonds
"2nd Tranche Conversion Shares"	the 384,615,385 new Shares falling to be issued and allotted upon exercise of the conversion rights in full attached to the 2nd Tranche Convertible Bonds at the Conversion Price
"3rd Tranche Convertible Bonds"	the convertible bonds in the principal amount of HK$100,000,000 at the interest rate of 3.8% per annum to be issued by the Company to the Vendors (or their respective nominee(s)) on the Completion Date in partial settlement of the Consideration and repayable within 36 months from the issue date of such Convertible Bonds
"3rd Tranche Conversion Shares"	the 384,615,383 new Shares falling to be issued and allotted upon exercise of the conversion rights in full attached to the 3rd Tranche Convertible Bonds at the Conversion Price
"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Sale and Purchase Agreement

"Announcement"	the announcement of the Company dated 13 February 2018 in relation to the Acquisition and the issue of the Convertible Bonds under Specific Mandate
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day other than a Saturday, Sunday or public holiday in Hong Kong on which licensed banks in Hong Kong are open for business
"CITIC Guoan Group"	中信國安集團有限公司(CITIC Guoan Group*), a company established in the PRC with limited liability
"Company''	Guoan International Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which have a primary listing on the Main Board of the Stock Exchange (stock code: 143) and a secondary listing on the SGX-ST (stock code: G11)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
"Completion"	completion of the Acquisition
"Completion Date"	the date on which Completion occurs
"connected person(s)"	has the same meaning ascribed to it in the Listing Rules
"Consideration"	the aggregate consideration of HK$420,000,000 for the Acquisition (subject to adjustment)
"Conversion Price"	the conversion price of HK$0.26 per Conversion Share
"Conversion Share(s)"	collectively, the 1st Tranche Conversion Shares, the 2nd Tranche Conversion Shares and the 3rd Tranche Conversion Shares

"Convertible Bonds"	collectively, the 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve (i) the proposed Acquisition; (ii) the issue of the Convertible Bonds; and (iii) the allotment and issue of the Conversion Shares under Specific Mandate
"Enlarged Group"	the Group as enlarged by the proposed Acquisition
"Guarantors"	Vendor I and Ms. Yao Sze Ling
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising independent non-executive Directors, namely Mr. WONG Chun Man and Mr. TSE Yung Hoi, having been established pursuant to the Listing Rules to give recommendations to the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
"Independent Financial Adviser" or "Celestial Capital"	Celestial Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions thereunder
"Independent Shareholders"	the Shareholders who are independent of and not connected with any of the Directors, chief executive and substantial Shareholders of the Company or any of its subsidiaries and their respective associates

"Last Trading Day"	13 February 2018, being the last trading date on which the Shares were traded on the Stock Exchange, which was the date of the Announcement
"Latest Practicable Date"	17 May 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Committee"	has the meaning ascribed thereto in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by the Directors of Listed Issuers
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Purchaser"	Exquisite Honor Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 13 February 2018 entered into between the Vendors, the Purchaser and the Guarantors in relation to the Acquisition
"Sale Shares"	the entire issued share capital of the Target Company to be sold to the Company pursuant to the terms of the Sale and Purchase Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
"SGX-ST"	Singapore Exchange Securities Trading Limited

"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	the specific mandate to be granted by the Shareholders at the EGM for the allotment and issue of the Conversion Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC
"Target Company"	Yicko Securities Limited
"Target Group"	the Target Company together with its subsidiary
"Vendors	collectively, Vendor I and Vendor II
"Vendor I"	Mr. Chong Chin
"Vendor II"	Elitemind Investments Limited, a corporation incorporated in British Virgin Islands with limited liability
"%"	per cent

* *for identification purpose only*

In care of inconsistency, the English text of this circular, the accompanying notice of the EGM and form of proxy shall prevail over its Chinese text.

Guoan International Limited
國安國際有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 143)

Executive Directors:
Mr. HUANG Zhen Qian
Mr. SO Haw Herman

Non-executive Directors:
Mr. DU Jun *(Chairman)*
Mr. LI Xiang Yu
Mr. CUI Ming Hong
Mr. YANG Li Ming

Independent non-executive Directors:
Mr. WONG Chun Man
Mr. TSE Yung Hoi
Mr. NG Man Kung

Registered Office:
P.O. Box 309,
Ugland House,
George Town,
Grand Cayman KY1-1104,
Cayman Islands

Head office and principal place of business in Hong Kong:
15th Floor of Tower II
Admiralty Centre,
No. 18 Harcourt Road,
Hong Kong

24 May 2018

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF YICKO SECURITIES LIMITED INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to (i) the Announcement; and (ii) the clarification announcement of the Company dated 14 February 2018 in relation to the Acquisition and the transactions contemplated thereunder.

On 13 February 2018 (after the trading hours of Stock Exchange), the Purchaser (as the purchaser), the Vendors (as the vendors) and the Guarantors (as the guarantors) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and each of the Vendors has conditionally agreed to sell the Sale Shares for the Consideration of HK$420,000,000, which is to be satisfied as to HK$120,000,000 in cash and HK$300,000,000 by the issue of the Convertible Bonds.

The purpose of this circular is to provide you with, among other things, (i) further details about the Acquisition and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee on the Acquisition and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the transactions contemplated thereunder; (iv) the financial and other information of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; and (vi) a notice of EGM.

THE SALE AND PURCHASE AGREEMENT

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

Date	:	13 February 2018 (after the trading hours of Stock Exchange)		
Parties	:	Purchaser	:	Exquisite Honor Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
		Vendor I	:	Mr. Chong Chin
		Vendor II	:	Elitemind Investments Limited, a company incorporated in the British Virgin Islands with limited liability
		Guarantors	:	Vendor I and Ms. Yao Sze Ling

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the entire issued share capital of Vendor II is owned as to 40% by Vendor I and 60% by Yale International Holdings Limited whereas each of Vendor I and Ms. Yao Sze Ling holds 50% of the entire issued share capital of Yale International Holdings Limited as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. SO Haw Herman, being the executive Director, is the son-in-law of Mr. Chong Chin (being Vendor I) and Ms. Yao Sze Ling. As such, each of Mr. Chong Chin (being Vendor I) and Ms. Yao Sze Ling is deemed to be a connected person of the Company under Rule 14A.21 of the Listing Rules.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and each of the Vendors has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company. As at the Latest Practicable Date, the Target Company is owned as to 0.01% by Vendor I and as to 99.99% by Vendor II.

Consideration

The Consideration shall be satisfied in the following manners:

(i) an aggregate amount of HK$120,000,000 (representing approximately 28.57% of the Consideration) shall be settled in cash, of which HK$20,000,000 shall be paid by the Purchaser upon the signing of the Sale and Purchase Agreement as refundable deposit (the "**Deposit**") and HK$100,000,000 shall be payable by the Purchaser upon Completion; and

(ii) an aggregate amount of HK$300,000,000 (representing approximately 71.43% of the Consideration) shall be settled by the issue of the Convertible Bonds to the Vendors (or their respective nominee(s)) upon Completion as follows:

  (a) as to HK$100,000,000 by the issue of the 1st Tranche Convertible Bonds by the Company;

  (b) as to HK$100,000,000 by the issue of the 2nd Tranche Convertible Bonds by the Company; and

  (c) as to HK$100,000,000 by the issue of the 3rd Tranche Convertible Bonds by the Company.

Key terms of the Convertible Bonds are set out in the section headed "KEY TERMS OF THE CONVERTIBLE BONDS" below.

The Consideration shall be subject to adjustment as set out in the sub-section headed "Compensation" below.

The Consideration of HK$420,000,000 was arrived at after arm's length negotiations among the Vendors and the Purchaser taking into account, amongst others, (i) the Target Company having met the liquid capital requirement imposed by the SFC up to the Completion Date; (ii) the audited consolidated net asset value of the Target Company as at the Completion Date being not less than HK$120,000,000 (the "**Guaranteed NAV**"); (iii) the unaudited net asset value of the Target Group as at 30 November 2017 of approximately HK$123,548,000; (iv) the Guaranteed Profit (as defined below) for the financial year ended 28 February 2018 being not less than HK$23,800,000; (v) the future business prospects of the Target Company; and (vi) the benefits to be derived by the Group from the Acquisition as described under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below.

For the purpose of assessing the fairness and reasonableness of the Consideration, and to the best of the Directors' information, there is no comparable company available on the Stock Exchange which engages in exactly the same business activities of the Target Company (i.e. type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO), the Directors had drawn out 21 comparable companies (the "**1st Batch Market Comparables**") based on the following criteria: (i) it is currently listed on the Stock Exchange; (ii) it is a licensed corporation to carry out, at least, type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO; and (iii) more than 50% of its revenue is generated from the regulated activities under the SFO, in order to provide a general valuation standard with respect to the licensed corporations listed on the Stock Exchange which operate in business activities that are in line with that of the Target Company as a reference.

The table below sets out the licenses under the SFO which each of the 1st Batch Market Comparables holds:

Company	Type of licenses	1st P/E Ratio	1st P/B Ratio
BOCOM International Holdings Company Limited (stock code: 3329)	1,2,4,5,6,9	16.92	0.98
Bright Smart Securities & Commodities Group Limited (stock code: 1428)	1,2,3,4,5,9	16.60	1.93
CASH Financial Services Group Limited (stock code: 510)	1,2,4,6,9	Loss making	1.19
Central China Securities Co., Ltd. (stock code: 1375)	1,2,4,5,6,9	5.58	0.35
China Fortune Financial Group Limited (stock code: 290)	1,4,6,9	32.79	2.38
China Oceanwide International Financial Limited (stock code: 952)	1,2,4,6,9	Loss making	1.11
Cinda International Holdings Limited (stock code: 111)	1,2,4,6,9	13.58	0.72
CMBC Capital Holdings Limited (stock code: 1141)	1,2,4,6,9	Loss making	22.16
Emperor Capital Group Limited (stock code: 717)	1,2,3,4,5,6,9	6.14	0.79
First Shanghai Investments Limited (stock code: 227)	1,2,4,5,6,9	Loss making	0.46
Freeman FinTech Corporation Limited (stock code: 279)	1,2,4,6,9	66.22	5.83
Get Nice Financial Group Limited (stock code: 1469)	1,2,4,5,6,9	16.42	1.14
GF Securities Company Limited (stock code: 1776)	1,2,4,6,9	2.57	0.26
Guotai Junan International Holdings Limited (stock code: 1788)	1,2,3,4,5,6,9	16.05	1.54
Haitong International Securities Group Limited (stock code: 665)	1,2,3,4,5,6,9	15.78	1.14
Ping An Securities Group (Holdings) Limited (stock code: 231)	1,4,6,9	Loss making	0.87
Shenwan Hongyuan (H.K.) Limited (stock code: 218)	1,2,4,5,6,9	24.76	0.97

Company	Type of licenses	1st P/E Ratio	1st P/B Ratio
Southwest Securities International Securities Limited (stock code: 812)	1,2,4,6,9	Loss making	3.17
Sunwah Kingsway Capital Holdings Limited (stock code: 188)	1,2,4,6,9	Loss making	0.58
Value Convergence Holdings Limited (stock code: 821)	1,2,4,5,6,9	Loss making	2.03
Yunfeng Financial Group Limited (stock code: 376)	1,4,6,9	Loss making	2.87
Maximum		66.22	22.16
Minimum		2.57	0.26
Median		16.23	1.14
Average		19.45	2.50
		Implied P/E Ratio	**Implied P/B Ratio**
Target Company		17.65	3.50

As shown in the above table, the maximum and minimum price-to-earnings ratio ("**1st P/E Ratio**") of the 1st Batch Market Comparables as at the date of the Sale and Purchase Agreement (i.e. 13 February 2018) are approximately 66.22 times and 2.57 times respectively, with an average 1st P/E Ratio of approximately 19.45 times, whereas the maximum and minimum and price-to-book ratio ("**1st P/B Ratio**") are approximately 22.16 times and 0.26 times respectively, with an average 1st P/B Ratio of approximately 2.50 times.

Given the Consideration of HK$420,000,000 in relation to the proposed Acquisition and the Profit Guarantee of HK$23,800,000 for the financial year ended 28 February 2018, the implied P/E ratio of the Target Company ("**Implied P/E Ratio**") is approximately 17.65 times, which lies below the average 1st P/E Ratio of the 1st Batch Market Comparables of approximately 19.45 times and is within the range of 1st P/E Ratio of the 1st Batch Market Comparables.

Given that the guaranteed audited consolidated net asset value of the Target Company as at the Completion Date shall be not less than HK$120,000,000, the implied P/B ratio of the Target Company ("**Implied P/B Ratio**") is approximately 3.50 times, which is within the range of 1st P/B Ratio of the 1st Batch Market Comparables but slightly higher than the average 1st P/B Ratio of the 1st Batch Market Comparables of approximately 2.50 times.

The Directors realised that approximately more than 50% of the revenue of the Target Group was generated from type 1 (dealing in securities) regulated activity under SFO for the years ended 28 February 2015, 29 February 2016 and 28 February 2017 and the nine months ended 30 November 2017, respectively, they therefore further reviewed the annual reports of the 1st Batch Market Comparables in relation to the revenue generated from each of the regulated activities under SFO of the 1st Batch Market Comparables. According to the respective annual reports of the 1st Batch Market Comparables, the Directors noted that certain comparable companies recorded revenue deriving from type 1 (dealing in securities) and type 2 (dealing in futures contacts) regulated activities under SFO under the same item (i.e. "commission and brokerage income on securities, futures and options dealing" or "financial services"). However, not all the 1st Batch Market Comparables provided information on breakdown of their revenue in their annual reports. Therefore, it is believed by the Directors that the breakdown of revenue derived from each of the regulated activities of the 1st Batch Market Comparables would not be available to them due to limited public information.

Moreover, according to the listing document of BOCOM International Limited (stock code: 3329) dated 5 May 2017, the Directors noted that revenue of BOCOM International Limited generated from both underwriting and corporate finance businesses were recorded under the same item in the consolidated income statements, namely corporate finance and underwriting fee. Having considered that (i) the business nature of corporate finance is different from that of brokerage; and (ii) the income generated from corporate finance and underwriting was not able to be separated, the Directors accordingly excluded such income when selecting the 2nd Batch Market Comparables (defined as below).

Given the above-mentioned facts, the Directors have identified, to the best of their knowledge and on a best-effort basis, 13 comparable companies out of the 1st Batch Market Comparables, based on the selection criteria that more than 50% of their revenue is attributable to brokerage business in nature, which is similar to the income source of the Target Group.

Furthermore, having considered that (i) the asset management business of the Target Group is still at its development stage as the license to carry out type 9 (asset management) regulated activity was granted on 30 October 2015; (ii) no revenue was generated from asset management for the three financial years ended 28 February 2017; and (iii) the revenue attributable to asset management was only HK$669,000 for the nine months ended 30 November 2017, representing approximately 2.70% of the Target Group's total revenue for the nine months ended 30 November 2017, the Directors accordingly excluded 2 comparable companies whose revenue attributable to asset management had accounted for more than 2.70% of their respective total revenue equivalent to the Target's proportion of revenue attributable to asset management for the nine months ended 30 November 2017, as referred to in their respective annual reports. Based on the aforesaid selection criteria, 11 comparable companies (the "**2nd Batch Market Comparables**") were then identified.

Given the abovementioned reasons, the Director are of the view that the comparable analysis is an appropriate means to assess whether the Consideration is fair and reasonable.

The table below sets out the licenses under the SFO which each of the 2nd Batch Market Comparables holds:

Company	Type of licenses	2nd P/E Ratio	2nd P/B Ratio
Bright Smart Securities & Commodities Group Limited (stock code: 1428)	1,2,3,4,5,9	16.60	1.93
CASH Financial Services Group Limited (stock code: 510)	1,2,4,6,9	Loss making	1.19
CMBC Capital Holdings Limited (stock code: 1141)	1,2,4,6,9	Loss making	22.16
Emperor Capital Group Limited (stock code: 717)	1,2,3,4,5,6,9	6.14	0.79
First Shanghai Investments Limited (stock code: 227)	1,2,4,5,6,9	Loss making	0.46
Freeman FinTech Corporation Limited (stock code: 279)	1,2,4,6,9	66.22	5.83
Get Nice Financial Group Limited (stock code: 1469)	1,2,4,5,6,9	16.42	1.14
Ping An Securities Group (Holdings) Limited (stock code: 231)	1,4,6,9	Loss making	0.87
Shenwan Hongyuan (H.K.) Limited (stock code: 218)	1,2,4,5,6,9	24.76	0.97
Southwest Securities International Securities Limited (stock code: 812)	1,2,4,6,9	Loss making	3.17
Value Convergence Holdings Limited (stock code: 821)	1,2,4,5,6,9	Loss making	2.03
	Maximum	66.22	22.16
	Minimum	6.14	0.46
	Median	16.60	1.19
	Average	26.03	3.68

	Implied P/E Ratio	Implied P/B Ratio
Target Company	17.65	3.50

As shown in the above table, the maximum and minimum price-to-earnings ratio ("**2nd P/E Ratio**") of the 2nd Batch Market Comparables as at the date of the Sale and Purchase Agreement (i.e. 13 February 2018) are approximately 66.22 times and 6.14 times respectively, with an average 2nd P/E Ratio of approximately 26.03 times, whereas the maximum and minimum and price-to-book ratio ("**2nd P/B Ratio**") are approximately 22.16 times and 0.46 times respectively, with an average 2nd P/B Ratio of approximately 3.68 times.

The Implied P/E Ratio of approximately 17.65 times lies below the average 2nd P/E Ratio of the 2nd Batch Market Comparables of approximately 26.03 times and is within the range of 2nd P/E Ratio of the 2nd Batch Market Comparables. The Implied P/B Ratio of approximately 3.50 times lies below the average of 2nd P/B Ratio of the 2nd Batch Market Comparables of approximately 3.68 times and is within the range of 2nd P/B Ratio of the 2nd Batch Market Comparables.

The Directors have evaluated the Consideration after taking into account the quantitative and qualitative factors and are of the view that the Consideration is fair and reasonable having considered that:

(i) the Implied P/E Ratio being within the range of the 1st P/E Ratio of the 1st Batch Market Comparables;

(ii) the Implied P/E Ratio being within the range of the 2nd P/E Ratio of the 2nd Batch Market Comparables;

(iii) the Implied P/B Ratio being within the range of the 1st P/B Ratio of the 1st Batch Market Comparables;

(iv) the Implied P/B Ratio being within the range of the 2nd P/B Ratio of the 2nd Market Comparables; and

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

Compensation

Pursuant to the Sale and Purchase Agreement, the Purchaser or the Company shall, within 90 days from the Completion Date, engage an auditor to prepare for the audited consolidated financial statements of the Target Company as at the Completion Date, in accordance with the Hong Kong Financial Reporting Standards (the "**Completion Accounts**").

In the event that the consolidated net asset value of the Target Company as at the Completion Date as shown on the Completion Accounts is lower than the Guaranteed NAV (the "**Negative Difference**"), the Vendors and/or the Guarantors shall pay the Negative Difference to the Purchaser in cash within 14 Business Days after the issuance of the Completion Accounts.

In the event that the consolidated net asset value of the Target Company as at the Completion Date as shown on the Completion Accounts is higher than the Guaranteed NAV (the "**Positive Difference**"), the Purchaser shall have no obligation to pay the Positive Difference to the Vendors.

Profit guarantee

Pursuant to the Sale and Purchase Agreement, each of the Vendors and the Guarantors has jointly and severally guaranteed to the Purchaser that the audited consolidated net profit after tax of the Target Group for the financial year ended 28 February 2018 shall be not less than HK$23,800,000 (the "**Guaranteed Profit**").

According to the management accounts of the Target Group for the year ended 28 February 2018, the Guaranteed Profit has been achieved.

Conditions precedent

Completion of the Sale and Purchase Agreement is subject to the following conditions precedent being fulfilled or waived (as the case may be):

(a) the Purchaser having completed and being satisfied with the results from its due diligence review over the assets, liabilities, operations, legal and financial position of the Target Group;

(b) the passing by the requisite majority of Shareholders or Independent Shareholders (as appropriate) at an extraordinary general meeting of the Company to be convened and held of ordinary resolution(s) to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, and the issue of Convertible Bonds and the Conversion Shares in accordance with the Listing Rules;

(c) the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and the approval not having been revoked or cancelled as at Completion;

(d) the Sale and Purchase Agreement and the transactions contemplated thereunder not having been regarded as a very substantial acquisition by or a reverse takeover of the Company under the Listing Rules by the Stock Exchange;

(e) the approval from the SFC for the change in substantial shareholder of the Target Company having been obtained;

(f) there being no material adverse change (or effect) to the financial position, business or prospects or results of operations of the Target Group in the period between the date of the Sale and Purchase Agreement and Completion including, among other things, the Target Company (i) continues to validly hold the licences granted by SFC and accounts (if applicable); and (ii) satisfies the liquid capital requirement imposed by SFC;

(g) there being no change to the composition of the responsible officers of the Target Company (with at least one of the responsible officers being the director(s) of the Target Company) in the period between the date of the Sale and Purchase Agreement and Completion, and immediately before Completion, the Vendors shall cause the responsible officers of the Target Company to enter into appointment letters with the Target Company (with at least one of the responsible officers for a term of not less than two years following Completion) on terms to be agreed by the Purchaser in writing;

(h) Vendor I having transferred his legal ownership of one share in Yicko Nominees Limited to the Target Company and paid all costs and taxes, such as stamp duty etc in relation thereto;

(i) all necessary consents and approvals in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained by the Vendors and the Target Company (if applicable);

(j) the warranties under the Sale and Purchase Agreement remaining true, accurate and not misleading in all material respects as at Completion and no events having occurred that would result in any breach of any of the warranties or other provisions of the Sale and Purchase Agreement from the date of the Sale and Purchase Agreement and at any time up to the Completion Date; and

(k) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained.

Save for the satisfaction of the conditions precedent (a), (g), (h) and (j) above are capable of being waived by the Purchaser, the other conditions precedent above are not capable of being waived.

If all the conditions precedent set out in (a) to (k) above are not fulfilled or waived by the Purchaser on or before the date falling on the expiry of 12 months after the date of the Sale and Purchase Agreement (or such other date as agreed by parties to the Sale and Purchase Agreement in writing), the Sale and Purchase Agreement shall lapse and the Vendor shall immediately refund the Deposit in full (without interest) to the Purchaser and no party shall make any claim against any others in respect of the Sale and Purchase Agreement, except for any antecedent breach.

As at the Latest Practicable Date, except for condition precedent (a), none of the conditions precedent have been satisfied or waived.

Completion

Completion shall take place at 4:30 p.m. or such other time as agreed by the Vendors and the Purchaser within the third Business Day after all the conditions precedent of the Sale and Purchase Agreement are satisfied or waived (as the case may be), or such other date as the Vendors and the Purchaser may agree.

After Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Company's financial results.

KEY TERMS OF THE CONVERTIBLE BONDS

The following terms apply to the 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds:

Issuer : the Company

Total principal amount : HK$300,000,000 consisting of:

(i) 1st Tranche Convertible Bonds with the principal amount of HK$100,000,000;

(ii) 2nd Tranche Convertible Bonds with the principal amount of HK$100,000,000; and

(iii) 3rd Tranche Convertible Bonds with the principal amount of HK$100,000,000

Conversion Price: : The Convertible Bonds are convertible at the Conversion Price of HK$0.26 per Conversion Share (subject to adjustments). The Conversion Price of HK$0.26 per Conversion Share represents:

(i) a discount of approximately 8.3% to the closing price of HK$0.24 per Share as quoted on the Stock Exchange on the Last Practicable Date;

(ii) a discount of approximately 3.7% to the closing price of HK$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(iii) the average closing price of HK$0.26 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day.

The Conversion Price was arrived at after arm's length negotiations among the Purchaser, the Vendors and the Company with reference to, among other things, the prevailing market performance of the Shares and the future prospect of the Company upon Completion.

The Directors (excluding Mr. SO Haw Herman and Mr. NG Man Kung who had abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder) consider that the terms of the Convertible Bonds are fair and reasonable and are in the interests of the Company and the Shareholders as a whole after taking into account the advice from the Independent Financial Adviser.

Adjustment to Conversion Price: : The Conversion Price shall, from time to time, be adjusted upon the occurrence of the following events (if more than one provisions are applicable, then the provision which is prior in order shall apply to the exclusion of the other provisions):

(i) an alteration to the nominal value of the Shares as a result of consolidation or subdivision or reclassification, the Conversion Price shall be adjusted by multiplying it by the nominal value of one Share immediately after such alteration, and dividing the result by the nominal value of one Share immediately before such alteration;

(ii) issue of any Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), other than Shares paid up out of profits or reserves and issued in lieu (in whole or in part) of a cash dividend, the Conversion Price shall be adjusted by multiplying it by the aggregate nominal value of the issued Shares immediately before such issue and dividing the result by the sum of the aggregate nominal value of the issue Shares immediately before such issue and the aggregate nominal amount of the Shares issued in such capitalisation;

(iii) paying or making any capital distribution to the Shareholders, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A-B}{A}$$

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the date last preceding the date of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the last preceding day, as determined in good faith by an approved merchant bank or the then auditors of the Company, of the portion of the capital distribution or of such rights which is attributable to one Share,

provided that:

(a) if in the opinion of the relevant approved merchant bank or the then auditors of the Company, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and

(b) the provisions of this adjustment event shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend;

(iv) issue of any new Shares to Shareholders pursuant to their entitlements or grant of options or warrants to Shareholders to subscribe for new Shares at a subscription price lower than 90% of the market price at the date of the announcement of the terms of the issue or grant, then the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of the announcement in respect of such issue or grant plus the number of Shares which could be subscribed pursuant to such issue or grant and the denominator is the number of Shares in issue immediately before the date of the announcement in respect of such issue or grant plus the number of Shares so issued pursuant to such issue or grant;

(v) (aa) issue wholly for cash and securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration receivable for the securities issued could purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the conversion or exchange rate or subscription price;

(bb) any modification of the rights of conversion, exchange or subscription attaching to any such securities as mentioned in paragraph (aa) above so that the consideration per Share is less than 90% of the market price per Share on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price could purchase at such market price and the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price;

For the purposes of the sub-paragraph (v), the "total effective consideration" receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities, plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total effective consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue;

(vi) if and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue could purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued; and

(vii) where the Company or any of its subsidiaries or any other company, person or entity of any securities (other than bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares issued or to be issued by the Company on conversion, exchange or subscription at a consideration per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A = the number of the issued Shares immediately prior to such issue;

B = the number of Shares which the aggregate consideration receivable by the Company for or the Shares to be issued upon conversion or subscription for or exchange of or upon exercise of the right of subscription attached to such securities or for the Shares to be issued or arise from any such redesignation would purchase at such current market price per Share; and

C = the maximum number of Shares to be issued upon conversion into or subscription for or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate or the Shares to be issued or to arise from any such redesignation.

Conversion Shares : Assuming the Convertible Bonds in the principal amount of HK$300,000,000 are fully converted at the initial Conversion Price of HK$0.26 per Conversion Share, 1,153,846,153 new Shares will be allotted and issued by the Company under the Specific Mandate.

For illustrative purpose only and assuming the conversion rights attaching to the Convertible Bonds of an initial amount of HK$300,000,000 are exercised in full, the 1,153,846,153 Conversion Shares to be allotted and issued represent:

(i) approximately 14.89% of the existing issued share capital of the Company as at the Latest Practicable Date;

(ii) approximately 14.89% of the existing issued share capital of the Company as at the date of the Announcement; and

(iii) approximately 12.96% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Interest rate : Interest is payable on the Convertible Bonds at the rate of 3.8% per annum on the principal amount of the Convertible Bonds outstanding, accruing from the issue date of the Convertible Bonds on a daily basis and shall be calculated on the basis of the actual number of days elapsed in a year of 365 days. The interest will be payable annually in arrears on each anniversary of the issue date of the Convertible Bonds. If any interest payment date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day.

Where any of the conversion rights attaching to the Convertible Bonds is exercised, interest will cease to be payable on the earlier of (i) the date of conversion of such Convertible Bonds (given that such conversion is in accordance with the conditions pursuant to the instrument of the Convertible Bonds); (ii) the date of redemption of such Convertible Bonds; and (iii) the maturity date of such Convertible Bonds.

Early Redemption : The Convertible Bonds may not be repaid or redeemed before the respective maturity dates otherwise than in accordance with the terms and conditions of the Convertible Bonds.

Ranking : Conversion Shares issued upon exercise of conversion rights attaching to the Convertible Bonds shall rank *pari passu* in all respects with all other existing Shares outstanding at the date of the conversion notice and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after the date of the conversion notice.

Status : The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

No application will be made by the Company to the Stock Exchange for the listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Voting : The holders of the Convertible Bonds will not be entitled to attend or vote at any general meetings of the Company by reason only of being the holders of the Convertible Bonds.

Transferability :	The Convertible Bonds shall be freely assignable and transferable by the holder(s) of the Convertible Bonds subject to the prior consent of the Company and the Company shall notify the Stock Exchange if the Convertible Bonds are transferred to any connected person of the Company. The Company shall fully comply with the requirements and obtain relevant consent (if applicable) of the Stock Exchange with respect to the transfer of Convertible Bonds.
Covenants in relation to the Conversion rights :	So long as any Convertible Bonds shall remain convertible, the Company shall: (i) keep available for the sole purpose of issue upon conversion of the Convertible Bonds free from preemptive rights out of its authorised but unissued share capital the number of Shares as would have to be issued upon conversion of all the Convertible Bonds outstanding from time to time; (ii) maintain listing for all the issued and to be issued Shares on the Stock Exchange. The issuance of Conversion Shares is subjected to the provisions of the instrument of the Convertible Bonds and the Company shall give notice to the holder(s) of the Convertible Bonds of the eligibility of the Stock Exchange with respect to the listing of the Conversion Shares;

(iii) not to cause the transfer books and register of members of the Company to be closed and not to take any action(s) that would prevent the transfer of the Shares, unless as may be required by the applicable laws or regulations or for the purpose of establishing dividend or other rights attaching to these Shares. In the event that the transfer books and register of members of the Company are closed, the Company has to ensure that the Convertible Bonds are lawfully convertible and the Company shall not take any action(s) that would prevent the conversion of the Convertible Bonds or the issue of the Conversion Shares;

(iv) pay the expenses of the issue of, and all expenses of obtaining a listing on the Stock Exchange for, the Conversion Shares; and

(v) maintain its status as an overseas company as registered under the Companies Ordinance.

Save for the abovementioned terms, the following terms apply to each of the 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds, respectively:

		1st Tranche Convertible Bonds	2nd Tranche Convertible Bonds	3rd Tranche Convertible Bonds
Maturity date	:	The date falling on the 12 months after the date of issue of the 1st Tranche Convertible Bonds (the "**1st Maturity Date**").	The date falling on the 24 months after the date of issue of the 2nd Tranche Convertible Bonds (the "**2nd Maturity Date**").	The date falling on the 36 months after the date of issue of the 3rd Tranche Convertible Bonds (the "**3rd Maturity Date**").
Limitations on conversion of the Convertible Bonds:	:	The conversion rights under the 1st Tranche Convertible Bonds shall be exercisable during the conversion period commencing on the date of the issue of the 1st Tranche Convertible Bonds and up to the 1st Maturity Date, subject to the restriction set out below.	The conversion rights under the 2nd Tranche Convertible Bonds shall be exercisable during the conversion period commencing on the date of the issue of the 2nd Tranche Convertible Bonds and up to the 2nd Maturity Date, subject to the restriction set out below.	The conversion rights under the 3rd Tranche Convertible Bonds shall be exercisable during the conversion period commencing on the date of the issue of the 3rd Tranche Convertible Bonds and up to the 3rd Maturity Date, subject to the restriction set out below.

For the conversion of the whole or any part (in minimum amount of HK$10,000,000 or an integral multiple thereof) of the Convertible Bonds, the holder of the Convertible Bonds shall give a written notice to the Company (containing the information of the principal amount of the Convertible Bonds intended to be converted into Conversion Shares and the date of the conversion) ("**Written Notice**") and without obtaining the written consent from the Board, the holder(s) of the Convertible Bonds (or any part(s) thereof) shall not exercise any conversion rights under the Convertible Bonds. On the occurrence of any rejection of conversion of the Convertible Bonds by the Board, the Company shall redeem the principal amount of such part of the Convertible Bonds having been rejected for conversion.

Subject to the limitations on conversion of each of the Convertible Bonds and the Written Notice as abovementioned, the Company shall not allow conversion of any portion of the outstanding principal amount of the Convertible Bonds if such conversion will cause (i) holder(s) of the Convertible Bonds and parties acting in concert (as defined in the Takeovers Code) with it (them) immediately after such exercise be required to make a general offer under Rule 26 of the Takeovers Code; or (ii) the Company to be unable to meet the public float requirements as required under Rule 8.08 of the Listing Rules.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) upon full conversion of the 1st Tranche Convertible Bonds only; (iii) upon full conversion of the 1st Tranche Convertible Bonds and the 2nd Tranche Convertible Bonds only; and (iv) upon full conversion of the 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds, are set out below:

	(i) As at the Latest Practicable Date		**(ii) Upon full conversion of the 1st Tranche Convertible Bonds only**		**(iii) Upon full conversion of the 1st Tranche Convertible Bonds and the 2nd Tranche Convertible Bonds only**		**(iv) Upon full conversion of the 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds**	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
Road Shine Developments Limited *(Note)*	4,123,816,337	53.22	4,123,816,337	50.70	4,123,816,337	48.41	4,123,816,337	46.32
Vendor I	–	–	38,462	0.01	76,924	0.01	115,384	0.01
Vendor II	–	–	384,576,923	4.72	769,153,846	9.03	1,153,730,769	12.95
Other Public Shareholders	3,625,144,562	46.78	3,625,144,562	44.57	3,625,144,562	42.55	3,625,144,562	40.72
Total	**7,748,960,899**	**100**	**8,133,576,284**	**100**	**8,518,191,669**	**100**	**8,902,807,052**	**100**

Note:

As at the Latest Practicable Date, Road Shine Developments Limited is held as to 100% by Guoan (HK) Holdings Limited, which in turn is held as to 100% by CITIC Guoan Group.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong since August 1992, and a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

As at the Latest Practicable Date, the Target Company is legally owned as to 0.01% by Vendor I and 99.99% by Vendor II. The Target Company owns 99.99% of the issued share capital of Yicko Nominees Limited, which is principally engaged in providing nominee services to complement the clients' business activities in the applications for shares in initial public offerings for its clients. The remaining 0.01% of the equity interest of Yicko Nominees Limited is owned by Vendor I in trust for the Target Company.

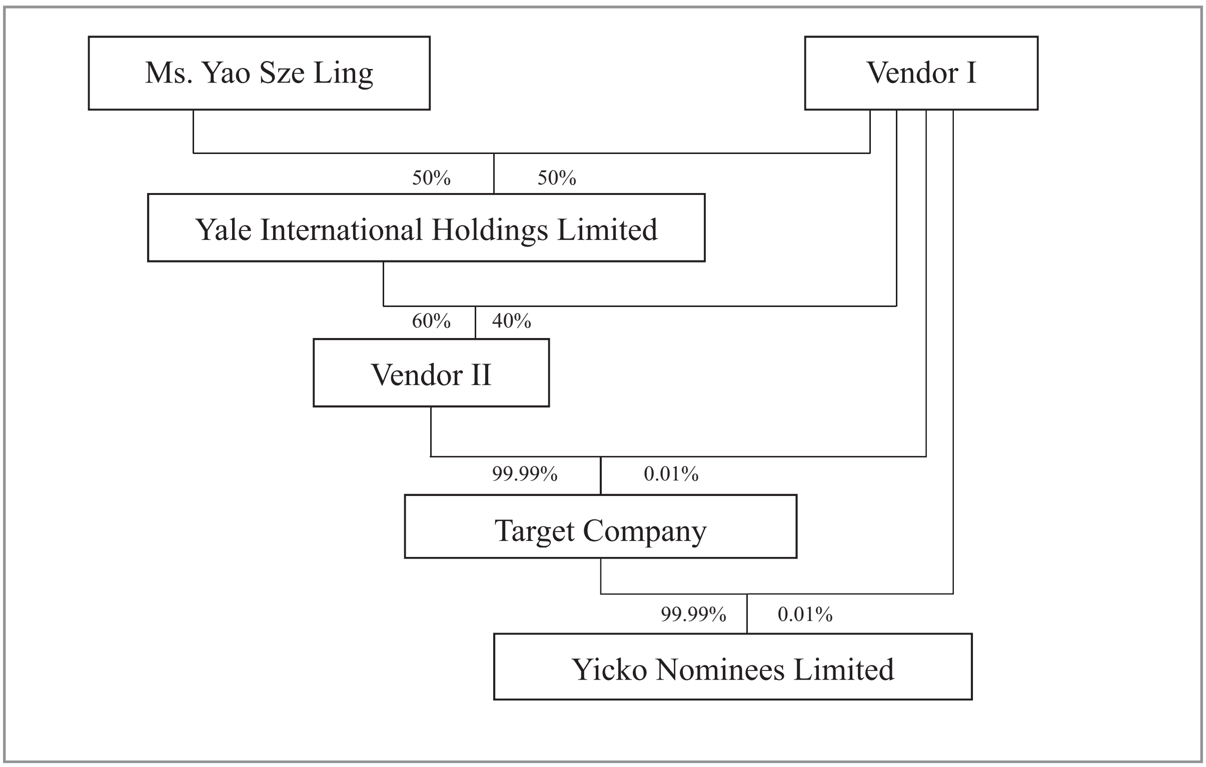
The Target Company has developed a good reputation in Hong Kong with more than 25 years' experience in providing a wide range of financial services to clients which consist of broking services (including securities and stock option broking), placing and underwriting services (such as acting as underwriter and placing agent for equity securities), and securities margin financing services. Given its prolonged operating history, the Target Company has developed a strong connection and long-term relationship with its clients.

In addition, as the equity market in Hong Kong has been active in recent years and the Hang Seng Index has experienced a substantial increase, the Target Company has been actively participating in a number of projects which include (i) initial public offerings on the Main Board/ GEM of Stock Exchange; and (ii) placements/rights issue/open offers in Hong Kong.

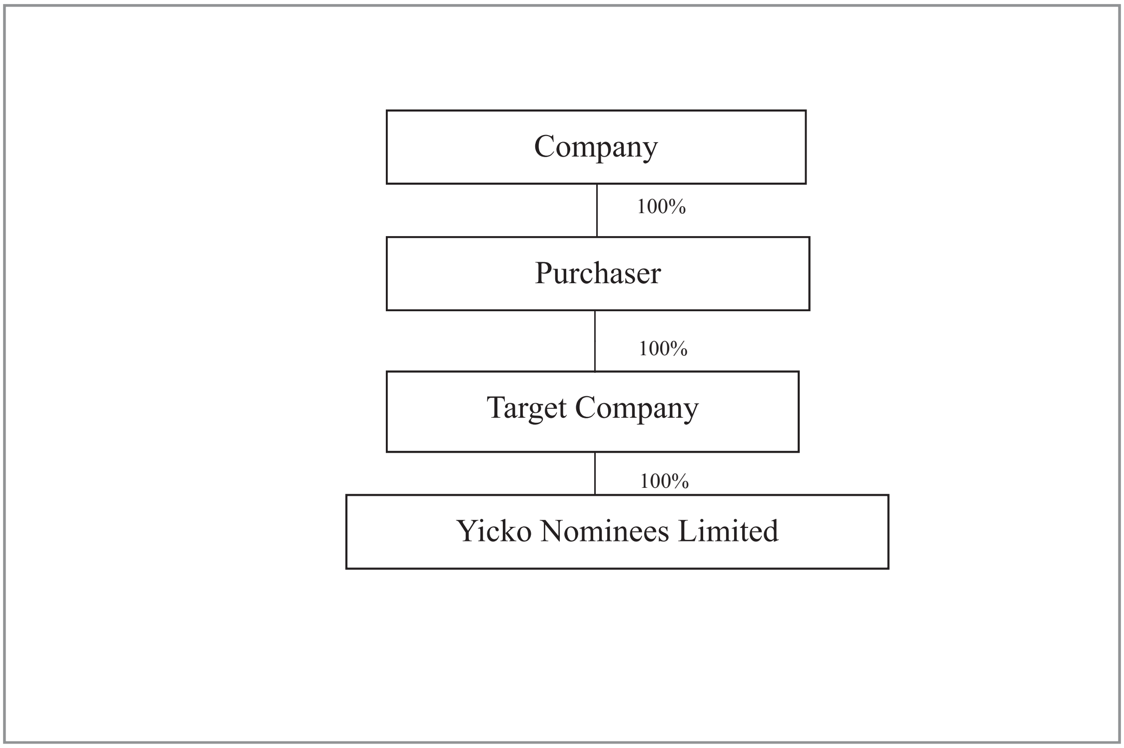
Shareholding structure of the Target Group

Set out below are the shareholding structures of the Target Group as at the Latest Practicable Date and immediately after Completion:

(i) As at the Latest Practicable Date



(ii) Immediately after Completion



Financial information of the Target Group

Set out below is the audited financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards for (i) each of the three financial years ended 28 February 2015, 29 February 2016 and 28 February 2017; and (ii) the nine months ended 30 November 2017, respectively:

	For the year ended 28 February 2015	**For the year ended 29 February 2016**	**For the year ended 28 February 2017**	**For the nine months ended 30 November 2017**
	(audited)	*(audited)*	*(audited)*	*(audited)*
	HK$	*HK$*	*HK$*	*HK$*
Turnover	18,896,000	19,821,000	28,111,000	24,801,000
Profit before taxation	7,347,000	10,413,000	18,294,000	18,158,000
Profit after taxation	6,648,000	8,898,000	15,451,000	15,175,000

The audited net asset value of the Target Group as at 30 November 2017 was approximately HK$123,259,000. Further financial information of the Target Group is set out in Appendix II to this circular.

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated in the consolidated financial statements of the Group.

The audited net loss after tax of the Group for the fifteen months ended 31 December 2017, as extracted from the annual report of the Company for fifteen months ended 31 December 2017, was approximately HK$45,759,000.

As set out in Appendix II to this circular, the Target Group recorded an audited net profit after tax of approximately HK$15,451,000 for the financial year ended 28 February 2017.

The Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group.

Assets and liabilities

As set out in the Unaudited Pro Forma Financial Information of the Enlarged Group in Appendix IV to this circular, the net assets of the Enlarged Group would increase from approximately HK$379,093,000 to approximately HK$479,290,000 as a result of the Acquisition.

Upon Completion, the Enlarged Group's non-current assets would increase from approximately HK$338,880,000 to approximately HK$736,992,000 and its non-current liabilities would increase from approximately HK$552,000 to HK$292,968,000. In addition, the Enlarged Group's current assets would increase from approximately HK$93,980,000 to approximately HK$527,050,000 and its current liabilities would increase from approximately HK$53,215,000 to HK$491,784,000.

Details of the financial effect of the Acquisition on the financial position of the Enlarged Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in trading of telecommunication products, provision of repair services for telecommunications products, trading of electronic parts and investment in financial assets. In addition, CITIC Guoan Group, being the ultimate controlling Shareholder, is a comprehensive and large enterprise group in the PRC with the wide scope of business comprising finance, telecommunications, tourism, resources development, wine, real estate, culture and healthcare.

The non-executive Director, namely Mr. DU Jun, has over 20 years of experience in the finance industry since his participation in Beijing Securities Limited in 1996. After that, Mr. DU Jun joined CITIC Guoan Group in 2005 and became the capital operation manager in 2006. In 2015, Mr. DU Jun was appointed as the deputy general manager of CITIC Guoan Group, mainly responsible for capital operation, fund management and overseas investment management.

The Target Company is one of the well-established securities brokerage in Hong Kong with more than 25 years' experience in providing a wide range of financial services including but not limited to the provision of securities brokerage services. Given the prolonged operating history of the Target Company, the Target Company has developed a strong connection and long-term relationship with its clients, and the client base of the Target Company has been expanding in recent years.

As the equity market in Hong Kong has been active in recent years and the Hang Seng Index has experienced a substantial increase, the Target Company has been actively participating in a number of projects which include (i) initial public offerings ("**IPOs**") on the Main Board/ GEM of Stock Exchange; and (ii) the placements/rights issue/open offers in Hong Kong. The Target Company was engaged in an aggregate of 2, 3 and 3 IPOs/placements/rights issue/open offers for each of three financial years ended 28 February 2018 and also participated in several sub-underwriting/sub-placement projects during the corresponding periods. Moreover, according to the letters issued by the Stock Exchange, from 2005 to 2008, the Target Company was ranked at the top 40 out of not less than 400 exchange participant firms based on transaction levy, investor compensation levy and trading fee.

Furthermore, the Target Group plans to further expand its client base and increase involvement in underwriting/placing projects by (i) developing its margin financing; (ii) participating in more underwriting and placing projects; and (iii) diversifying its scopes of business to such areas including but not limited to investment and other financial advisory services by leveraging the reputation of the CITIC Guoan Group.

Accordingly, it is believed by the Directors that the stable client base and network of the Target Company will be able to provide stable sources of income for the Enlarged Group.

In addition, following the successful launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, increasing investors from the PRC may facilitate the growth of the business of the Stock Exchange participants, especially the brokers with PRC background in Hong Kong. Given the solid background of CITIC Guoan Group and Mr. DU Jun's previous experience, the Directors believe that the proposed Acquisition enables the Enlarged Group to leverage the finance experience and extensive network and resources of CITIC Guoan Group in the PRC and the solid experience of Mr. DU Jun to create an integration of skills, knowledge and expertise, which directly allows the Enlarged Group to enjoy the potential benefits brought by the recent transformation of the Hong Kong stock market. Given the solid and sound experience of Mr. DU Jun in the finance and securities markets, upon Completion, Mr. DU Jun will provide the strategic advice to the Enlarged Group. Moreover, in order to ensure the continuity in the management, business and operations of the Target Group, the senior management team of the Target Group's key business units will stay with the Target Group upon Completion.

Therefore, the Directors consider that the proposed Acquisition will enable the Group to make a meaningful step in its strategic direction towards diversification of businesses and also allow the Group to leverage on the past experiences of CITIC Guoan Group and the Target Company to create the synergies on the brokerage business and other financial services business in Hong Kong in the future.

Apart from the abovementioned reasons, the Directors understand that it will involve substantial amount of time for the Company to establish a company which engages in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activity under the SFO, as the application and reviewing procedure by SFC is stringent and the Company would need additional time to recruit sufficient responsible officers for each regulated activities as required by the SFC. In addition, given the competitiveness of the financial market in Hong Kong, it is believed by the Directors that huge amount of time and effort would be incurred for setting up a new securities company with comprehensive individual and institutional client base and network.

Therefore, despite the Consideration is at a premium to the Guaranteed NAV, given (i) the abovementioned reasons and facts that the Directors have taken into account; (ii) the Implied P/E Ratio and Implied P/B Ratio being within the range of the 1st Batch Market Comparables and the range of 2nd Batch Market Comparables as mentioned under the section headed "Consideration" in the letter from the Board; and (iii) the stable client base and network of the Target Company, the Board is of the view that the Acquisition (a) will provide stable income source for the Enlarged Group; and (b) is in line with the recent transformation of the Hong Kong stock market and would allow the Enlarged Group to capture the high-growth potential of the underlying transformation which is in the interest of the Company and the Shareholders as a whole.

Accordingly, the Directors (excluding Mr. SO Haw Herman and Mr. NG Man Kung who had abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Major transaction

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

Connected transaction

As at the Latest Practicable Date, Mr. SO Haw Herman, being the executive Director, is the son-in-law of Mr. Chong Chin (being Vendor I) and Ms. Yao Sze Ling. As such, each of Mr. Chong Chin (being Vendor I) and Ms. Yao Sze Ling is deemed to be a connected person of the Company under Rule 14A.21 of the Listing Rules. Accordingly, the Acquisition and the transactions contemplated thereunder also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

Mr. SO Haw Herman had abstained from voting on the Board resolutions for approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Nor do Mr. SO Haw Herman and his associates hold any Shares as at the Latest Practicable Date.

INDEPENENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising two independent non-executive Directors, namely Mr. WONG Chun Man and Mr. TSE Yung Hoi, was formed to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Mr. NG Man Kung was not included as a member of the Independent Board Committee as his spouse, namely Ms. WONG Siu Ling, was a staff member of the Target Company as at the date of the Sale and Purchase Agreement and as at the Latest Practicable Date. As such, Mr. NG Man Kung is deemed to have a material interest in the Acquisition and the transactions contemplated thereunder.

Accordingly, Mr. NG Man Kung had also abstained from voting on the Board resolutions for approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Save for Mr. SO Haw Herman and Mr. NG Man Kung, none of the Directors had abstained from voting on the relevant Board resolutions.

Celestial Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

The letter from the Independent Board Committee is set out on pages 39 to 40 of this circular and the letter from the Independent Financial Adviser is set out on pages 41 to 85 of this circular.

THE EGM

Set out on pages 180 to 182 of this circular is a notice convening the EGM which will be held at Empire Room 1, 1/F, Empire Hotel Hong Kong – Wan Chai, 33 Hennessy Road, Wan Chai, Hong Kong, Hong Kong on Thursday, 14 June 2018 at 11:00 a.m. At the EGM, ordinary resolutions will be proposed to approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the issue of the Convertible Bonds; and (iii) Specific Mandate for the allotment and issue of the Conversion Shares.

To the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed. If you are not able to attend the EGM in person, you should complete and return the accompanying form of proxy in accordance with the instructions printed thereon to (i) the Company's head office and principal place of business in Hong Kong at 15th Floor of Tower II, Admiralty Centre, No. 18 Harcourt Road, Hong Kong if you are Shareholders in Hong Kong; or (ii) the office of the Company's share transfer agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. (formerly known as Lim Associates (Pte) Ltd) at 50 Raffles Place,#32-01 Singapore Land Tower, Singapore 048623 if you are Shareholders in Singapore, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish, and in such event, the form of proxy shall be deemed to have been revoked.

The Company will publish an announcement on the results of the EGM with respect to whether or not the proposed resolutions have been passed by the Shareholders.

RECOMMENDATION

The Board (excluding Mr. SO Haw Herman and Mr. NG Man Kung who had abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder), having taken into account the advice of the Independent Board Committee and the Independent Financial Adviser, considers that the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (excluding Mr. SO Haw Herman and Mr. NG Man Kung who had abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder) recommends the Shareholders to vote in favour of the relevant resolutions which will be proposed at the EGM for approving (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the issue of the Convertible Bonds; and (iii) the Specific Mandate for the allotment and issue of the Conversion Shares.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Guoan International Limited
DU Jun
Chairman

Guoan International Limited
國安國際有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 143)

24 May 2018

To the Independent Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF YICKO SECURITIES LIMITED INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 24 May 2018 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context requires otherwise.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to advise the Shareholders as to whether, in our opinion, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise whether or not the Shareholders should approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the issue of the Convertible Bonds; and (iii) the Specific Mandate for the allotment and issue of the Conversion Shares, after taking into account of the recommendations of the Independent Financial Adviser who has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 38 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 41 to 85 of the Circular, both of which contain details of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Having taken into account the reasons relating to the Acquisition and the terms of the Sale and Purchase Agreement and the advice of Celestial Capital, we consider that (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the issue of the Convertible Bonds; and (iii) the Specific Mandate for the allotment and issue of the Conversion Shares are in the interests of the Company and the Shareholders as a whole and are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the issue of the Convertible Bonds; and (iii) the Specific Mandate for the allotment and issue of the Conversion Shares.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. WONG Chun Man **Mr. TSE Yung Hoi**
Independent non-executive Directors

Celestial Capital Limited
21st Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

24 May 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF YICKO SECURITIES LIMITED INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Convertible Bonds for settlement of part of the Consideration), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 24 May 2018 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

References are made to the announcement of the Company dated 13 February 2018 and the related clarification announcement dated 14 February 2018. On 13 February 2018 (after trading hours of the Stock Exchange), the Vendors, the Purchaser (being a wholly-owned subsidiary of the Company) and the Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares for a total Consideration of HK$420,000,000, which is to be satisfied as to HK$120,000,000 in cash and HK$300,000,000 by the issue of the Convertible Bonds with the initial Conversion Price of HK$0.26 per Conversion Share (subject to adjustments).

Based on the initial Conversion Price of HK$0.26 per Conversion Share, assuming conversion of the Convertible Bonds in full, a maximum number of 1,153,846,153 Conversion Shares will be allotted and issued, representing approximately 14.89% of the existing issued share capital of the Company and approximately 12.96% of the issued share capital of the Company as enlarged by the allotment and issue of such number of Conversion Shares.

The Conversion Shares will be allotted and issued under the Specific Mandate. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will apply for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

Major Transaction

As one or more of the applicable percentage ratios in respect of the Acquisition contemplated under the Sale and Purchase Agreement are more than 25% but less than 100%, the entering into of the Sale and Purchase Agreement by the Company, together with the transactions contemplated thereunder, constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Connected Transaction

Mr. SO Haw Herman, being an executive Director, is the son-in-law of Mr. CHONG Chin (being (i) Vendor I; (ii) one of the beneficial owners of Vendor II, and (iii) one of the Guarantors) and Ms. YAO Sze Ling (being one of the beneficial owners of Vendor II and one of the Guarantors). As such, each of Mr. CHONG Chin and Ms. YAO Sze Ling is deemed as a connected person of the Company under Rule 14A.21 of the Listing Rules. Accordingly, the entering into of the Sale and Purchase Agreement by the Company, together with the transactions contemplated thereunder, also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising two independent non-executive Directors (namely Mr. WONG Chun Man and Mr. TSE Yung Hoi), has been formed to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Mr. NG Man Kung, one of the three independent non-executive Directors, is not included as a member of the Independent Board Committee as his spouse, namely Ms. WONG Siu Ling, was a staff member of the Target Company as at the Latest Practicable Date. As such, Mr. NG Man Kung has been deemed to have a material interest in the Acquisition and the transactions contemplated thereunder.

We, Celestial Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, the Target Group or their respective substantial shareholders or close associates or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. In the past two years preceding the Latest Practicable Date, there has been no other engagement between the Company and us. Accordingly, we are considered to be eligible to give independent advice on the Sale and Purchase Agreement and the transactions contemplated thereunder. Apart from the normal professional fees payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company, the Target Group or their respective substantial shareholders or close associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the Sale and Purchase Agreement, the draft instrument of the Convertible Bonds as appended to the Sale and Purchase Agreement and to be executed by the Company upon issue of the Convertible Bonds, the annual reports of the Company for the financial years ended 30 September 2015 (the "**2015 Annual Report**") and 2016 (the "**2016 Annual Report**"), the unaudited second interim report of the Company for the nine months ended 30 June 2017 (the "**2017 Second Interim Report**") and the annual report of the Company for the fifteen months ended 31 December 2017 (the "**2017 Annual Report**") and the Circular.

In addition, we have relied on (i) the information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group and our review of the relevant public information and statistics; and (ii) the information, facts and representations contained or referred to in the Circular, and have assumed that all such information, facts and representations provided, and the opinions expressed to us and/or contained or referred to in the Circular are true, accurate and complete in all material aspects at the time they were made and continue to be so at the Latest Practicable Date. We have also assumed that all statements of beliefs and opinions made by the Directors in the Circular were reasonably made after due and careful enquiry and the expectations and intentions made by the Company and/or the Directors and/or the management of the Group will be met or carried out as the case may be. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us.

We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth, accuracy and the completeness of the information provided to us by the Company and/or the Directors and/or the management of the Group. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent investigation into the business, financial conditions and affairs of the Group or the Target Group in their respective existing state, nor carried out any independent verification of the information provided by the Company and/or the Directors and/or the management of the Group.

The Directors jointly and severally accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in the 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 in the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the issue of the Convertible Bonds), we have considered the following principal factors and reasons:

1. Background of and financial information on the Group

Background of the Group

As stated in the Letter from the Board, the Company is an investment holding company and the Group is currently principally engaged in the trading of telecommunications products and electronic parts, provision of repair services for telecommunications products and investments in financial assets. In addition, it was set out in the 2017 Annual Report that the Group has held a money lenders licence since 2016 and it diversified into money lending business during the fifteen months ended 31 December 2017.

Historical financial information on the Group

Set out below is a summary of the audited consolidated financial information on the Group for the three financial years ended 30 September 2014, 2015 and 2016 (respectively referred to as the "**FY 2014**", the "**FY2015**" and the "**FY2016**") (being extracted from the 2015 Annual Report and the 2016 Annual Report respectively) and the fifteen months ended 31 December 2017 ("**2017 Fifteen-month Period**") (being extracted from the 2017 Annual Report), and the unaudited consolidated financial information on the Group for the nine months ended 30 June 2017 ("**2017 Second Interim Period**") (being extracted from the 2017 Second Interim Report):

	For the fifteen months ended 31 December	For the nine months ended 30 June	For the financial year ended 30 September		
	2017	2017	2016	2015	2014
	(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	116,026	63,257	103,401	86,695	89,785
Gross profit	30,158	18,182	27,733	26,010	24,677
Net loss for the year/period	(45,892)	(25,320)	(25,299)	(23,345)	(15,992)

	As at 31 December	As at 30 June	As at 30 September		
	2017	2017	2016	2015	2014
	(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	432,860	442,364	78,448	39,945	49,426
Total liabilities	53,767	42,748	80,519	16,850	8,795
Net assets/(liabilities)	379,093	399,616	(2,071)	23,095	40,631

Audited consolidated results for the FY 2015

The revenue of the Group for the FY 2015 decreased by 3.4% to approximately HK$86.7 million, as compared with approximately HK$89.8 million recorded for the FY 2014. The business segment of provision of repair services for telecommunications products continued to be the major source of income of the Group and to complement other business segments of the Group (being trading of telecommunications products and investments in financial assets), as the segment revenue generated from that business segment in the FY2015 amounted to approximately HK$80.9 million (FY2014: approximately HK$81.9 million), accounting for approximately 93.3% (FY2014: approximately 91.2%) of the total revenue during the year. The decrease in revenue generated from the business segment of provision of repair services from approximately HK$81.9 million in FY2014 to approximately HK$80.9 million in the FY2015, as set out in the 2015 Annual Report, reflected by the lower demand for smartphone upgrading services.

Notwithstanding an increase of approximately 5.4% in its gross profit for the FY2015 to approximately HK$26.0 million, the Group recorded a net loss of approximately HK$23.3 million in the FY2015, representing an increase of approximately 46.0% as compared with the net loss of approximately HK$16.0 million in the FY2014. As explained in the 2015 Annual Report, the loss incurred by the Group was widened as there was a significant increase in administrative expenses and other operating expenses.

Audited consolidated results for the FY 2016

The revenue of the Group for the FY2016 amounted to approximately HK$103.4 million, representing a year-on-year increase of approximately HK$16.7 million or 19.3%. Same as the previous years, the repair services provision segment was the major source of income of the Group, and that business segment provided a steady stream of recurrent income to the Group as well as complemented its trading business segment. The segment revenue generated from the repair services provision segment during the FY2016 amounted to approximately HK$94.7 million, which accounted for approximately 91.6% of the total revenue during the year and represented a growth of approximately 17.0% as compared with the segment revenue for the FY2015. Such increases in segment revenue generated from provision of the repair services and the total revenue of the Group, as mentioned in the 2016 Annual Report, were mainly attributable to the higher demand for smartphone upgrading/maintenance services. Despite an increase in the segment revenue, the segment loss of the repair services provision segment enlarged during the FY2016 by approximately 31.5% to approximately HK$4.1 million. In addition, although the gross profit of the Group increased by approximately 6.6% to approximately HK$27.7 million in the FY2016, it continued to record a net loss of approximately HK$25.3 million in the FY2016, representing a year-on-year increase of approximately 8.4%. As set out in the 2016 Annual Report, such increase in the net loss of the Group was, once again, mainly attributable to the increase in administrative expenses.

Unaudited consolidated results for the 2017 Second Interim Period and audited consolidated results for the 2017 Fifteen-month Period

The Company announced on 2 June 2017 that its financial year end date would be changed from 30 September to 31 December. On that basis, the Company announced its second unaudited interim consolidated results for the 2017 Second Interim Period on 17 August 2017 and its audited consolidated results for the 2017 Fifteen-month Period on 15 March 2018. According to the 2017 Second Interim Report, the Group continued to be principally engaged in the trading of telecommunications products, provision of repair services for telecommunications products and investments in financial assets during the 2017 Second Interim Period. Thereafter, as shown in the 2017 Annual Report, the Group diversified its business through (i) introduction of trading business of electronic parts, and (ii) commencement of money lending business.

The revenue of the Group for the 2017 Second Interim Period amounted to approximately HK$63.3 million, representing a decrease of approximately 17.5% as compared with the revenue of approximately HK$76.6 million for the nine months ended 30 June 2016. The Group's revenue further reached approximately HK$116.0 million during the 2017 Fifteen-month Period, which was higher than its revenue for the FY2016 by approximately 12.2%. The segment revenue generated from the provision of repair services for telecommunications products continued to be the major source of revenue of the Group, but it only accounted for approximately 84.0% of the Group's revenue for the 2017 Fifteen-month Period, which was lower than approximately 93.3% for the FY 2015 and approximately 91.6% for the FY2016. Comparing with the FY2016, the segment revenue of the repair services provision segment increased slightly by approximately 2.9% to approximately HK$97.4 million during the 2017 Fifteen-month Period, while the segment loss enlarged by approximately 152.7% to approximately HK$10.4 million during the same period. Upon introducing the trading business of electronic products, the segment revenue generated from the trading business segment during the 2017 Fifteen-month Period increased substantially by approximately 112.3% to approximately HK$18.4 million, but the segment profit decreased by approximately 83.2% to approximately HK$0.9 million, as compared with the FY2016.

The gross profit of the Group (i) decreased by approximately 11.9% from approximately HK$20.6 million for the nine months ended 30 June 2016 to approximately HK$18.2 million for the 2017 Second Interim Period; and (ii) increased by approximately 8.7% to approximately HK$30.2 million for the 2017 Fifteen-month Period as compared with the FY2016. As explained in the 2017 Annual Report, the Group continued to record a net loss for the 2017 Fifteen-month Period which was mainly attributable to the increase in amortisation on office premises being acquired by the Group during the period and administrative expenses. The net loss of the Group (i) increased by approximately 62.3% from approximately HK$15.6 million for the nine months ended 30 June 2016 to approximately HK$25.3 million for the 2017 Second Interim Period; and (ii) increased by approximately 81.4% to approximately HK$45.9 million for the 2017 Fifteen-month Period as compared with the FY2016.

2. Background of and financial information on the Target Group

Background of the Target Group

The asset to be acquired by the Group pursuant to the Sale and Purchase Agreement is the entire issued capital of the Target Company. According to the Letter from the Board, the Target Company is a company incorporated in Hong Kong since August 1992, and a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. The Target Company provides financial services to the clients which consist of broking service (including securities and stock option broking), placing and underwriting services (such as acting as underwriter and placing agent for equity securities, which include initial public offerings on the Main Board (the "**Main Board**") or GEM ("**GEM**") of the Stock Exchange respectively, and placements/ rights issue/open offers in Hong Kong), securities margin financing service and asset management service.

The Target Company also beneficially owns the entire issued share capital of Yicko Nominees Limited, which is principally engaged in providing nominee services to complement the activities of the Target Company's clients in respect of applications for shares in initial public offerings.

Historical financial information on the Target Group

Set out below is a summary of the audited financial information on the Target Group for each of the three financial years ended 28 February 2015, 29 February 2016 and 28 February 2017, and the nine months ended 30 November 2017 as extracted from Appendix II to the Circular.

	For the nine months ended 30 November 2017	**For the nine months ended 30 November 2016**	**For the financial year ended 28 February 2017**	**For the financial year ended 29 February 2016**	**For the financial year ended 28 February 2015**
	(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	24,801	18,081	28,111	19,821	18,896
Net profit before taxation	18,158	11,152	18,294	10,413	7,347
Net profit after taxation	15,175	9,369	15,451	8,898	6,648

	As at 30 November 2017	**As at 28 February 2017**	**As at 29 February 2016**	**As at 28 February 2015**
	(Audited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	458,328	373,296	765,608	635,032
Total liabilities	335,069	265,212	672,975	591,297
Net assets	123,259	108,084	92,633	43,735

Audited consolidated result for the financial year ended 29 February 2016

The revenue of the Target Group for the financial year ended 29 February 2016 increased by approximately 4.9% to approximately HK$19.8 million, as compared with approximately HK$18.9 million for the same period in 2015. The increase in revenue was partly due to an increase in commission income from underwriting and placing and other services of approximately HK$5.9 million and an increase in interest income from clients of approximately HK$1.3 million, which increases as a whole offset a decrease in commission income from brokerage services in the amount of approximately HK$3.5 million and a loss on change in fair value on listed investments of approximately HK$3.7 million (financial year ended 28 February 2015: gain on change in fair value on listed investments of approximately HK$0.3 million) for the financial year ended 29 February 2016.

The Target Group recorded a net profit after taxation of approximately HK$8.9 million for the financial year ended 29 February 2016, representing an increase of approximately 33.8% or approximately HK$2.3 million as compared with the net profit of approximately HK$6.7 million during the financial year ended 28 February 2015. As advised by the Directors, it was considered that the increase in net profit after taxation was mainly attributable to an increase in total income (including the revenue and other income) of approximately HK$0.8 million and a decrease of approximately HK$2.0 million in administrative expenses during the financial year ended 29 February 2016.

Audited consolidated result for the financial year ended 28 February 2017

The revenue of the Target Group for the financial year ended 28 February 2017 increased by approximately 41.8% or approximately HK$8.3 million to approximately HK$28.1 million on a year-on-year basis. The increase in revenue was mainly due to a gain on change in fair value on listed investments of approximately HK$3.5 million (financial year ended 29 February 2016: loss on change in fair value of listed investments of approximately HK$3.7 million), an increase in commission income from underwriting and placing and other services of approximately HK$2.5 million and an increase in interest income from clients of approximately HK$2.1 million, which gain and increases as a whole offset a decrease in commission income from brokerage services in the amount of approximately HK$4.1 million.

The Target Group recorded a net profit after taxation of approximately HK$15.5 million during the financial year ended 28 February 2017, representing an increase of approximately 73.6% or approximately HK$6.6 million as compared with approximately HK$8.9 million for the financial year ended 29 February 2016. As advised by the Directors, it was considered that such increase in net profit after taxation was mainly attributable to an increase in total income (including the revenue and other income) by approximately HK$7.0 million recorded during the financial year ended 28 February 2017.

Audited consolidated result for the nine months ended 30 November 2017

The revenue of the Target Group for the nine months ended 30 November 2017 increased by 37.2% to approximately HK$24.8 million as compared with its revenue of approximately HK$18.1 million for the nine months ended 30 November 2016. The business of the Target Group in relation to underwriting and placing continued to grow during the period. Furthermore, the increase in revenue of the Target Group was mainly due to an increase in commission income from underwriting and placing and other services of approximately HK$9.7 million (from approximately HK$2.1 million for the nine months ended 30 November 2016 to approximately HK$11.8 million during the nine months ended 30 November 2017) and an increase in interests income from clients of approximately HK$2.0 million (from approximately HK$6.2 million for the nine months ended 30 November 2016 to approximately HK$8.2 million during the nine months ended 30 November 2017), which increases as a whole offset a decrease in gain on change in fair value on listed investments by approximately HK$4.4 million.

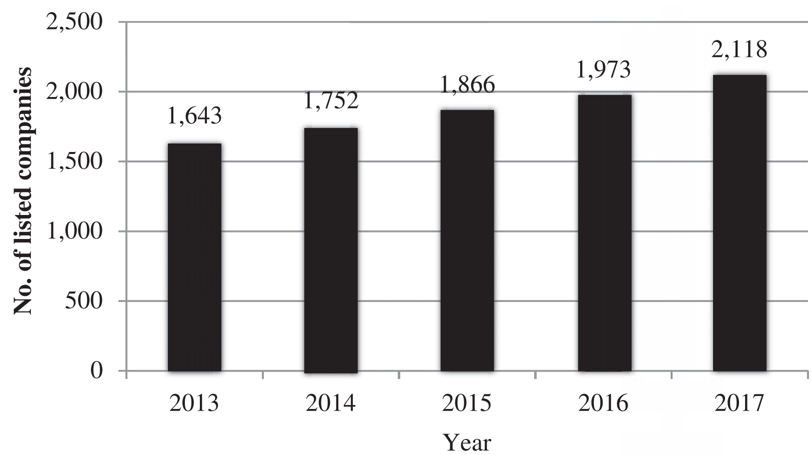
The Target Group recorded a net profit after taxation of approximately HK$15.2 million for the nine months ended 30 November 2017, representing an increase of approximately 62.0% as compared with the net profit after taxation of approximately HK$9.4 million during the nine months ended 30 November 2016, which increase was mainly attributable to the increase in revenue during the period as mentioned above.

3. Industry overview of the Hong Kong's securities market

The Target Company is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. It is also a participant of the Stock Exchange. The Target Group is principally engaged in the provision of financial services to its clients which consist of securities and stock option broking service, equity securities placing and underwriting services (including initial public offerings on the Main Board or GEM, and placements/rights issue/open offers in Hong Kong), securities margin financing service and asset management service. Therefore, the performance and prospects of the Target Group would be materially affected by, among other things, the Hong Kong securities market environment and condition, and we have examined the development of the Hong Kong securities market since 2013 in terms of (i) the total number of companies listed on the Stock Exchange and (ii) the average daily turnover value and turnover volume of the Hong Kong securities market (being the Main Board and GEM), with references to the information available on "HKEx Fact Book 2017" published by the Stock Exchange and the Stock Exchange website.

The following chart illustrates the total number of companies listed on the Stock Exchange (including the Main Board and GEM) from 2013 to 2017:

Total number of companies listed on the Stock Exchange

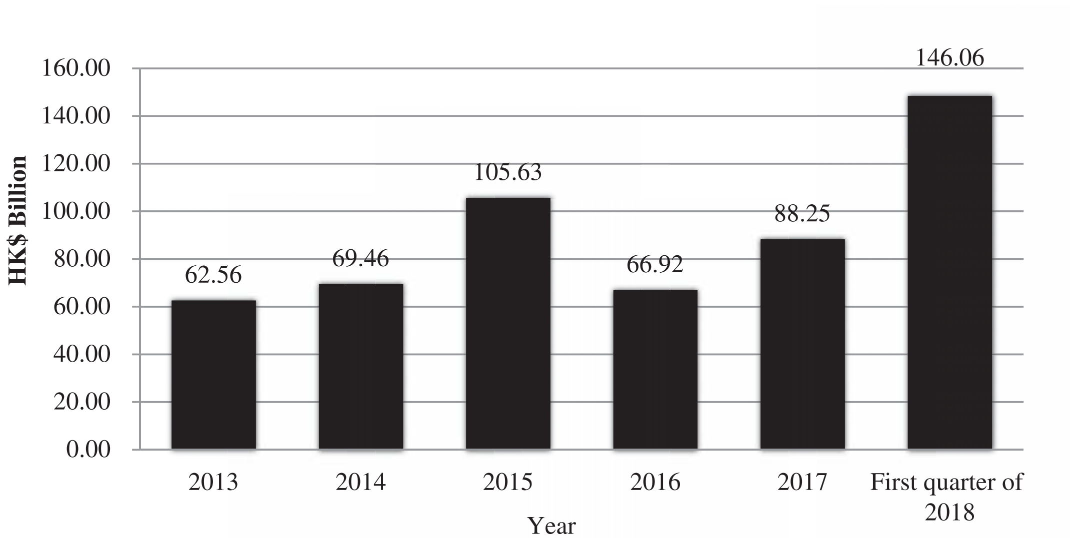


Source: website of the Stock Exchange (www.hkex.com.hk)

We noted from the above chart that the total number of listed companies on the Stock Exchange shows an increasing trend continuously for the past five years, from 1,643 as at end of 2013 to 2,118 as at the end of 2017, representing a compound annual growth rate ("**CAGR**") of approximately 6.55%. According to the information available on the website of the Stock Exchange, there were 61 newly listed companies in the first quarter of 2018 (excluding any transfer of listings from GEM to the Main Board), the total number of listed companies on the Stock Exchange reached 2,179 as at the end of March 2018.

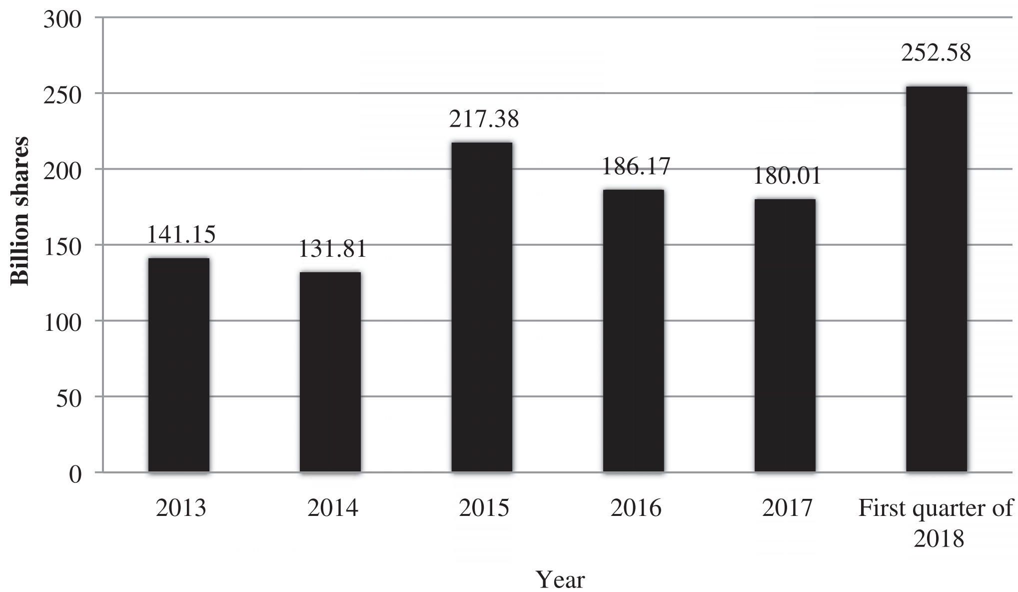
The charts below illustrate the average daily turnover value and average daily turnover volume of the Hong Kong securities market from 2013 to end of first quarter of 2018:

The average daily turnover value of the Hong Kong securities market from 2013 to 2018 (up to March 2018)



Source: website of the Stock Exchange (www.hkex.com.hk)

The average daily turnover volume of the Hong Kong securities market from 2013 to 2018 (up to March 2018)



Source: website of the Stock Exchange (www.hkex.com.hk)

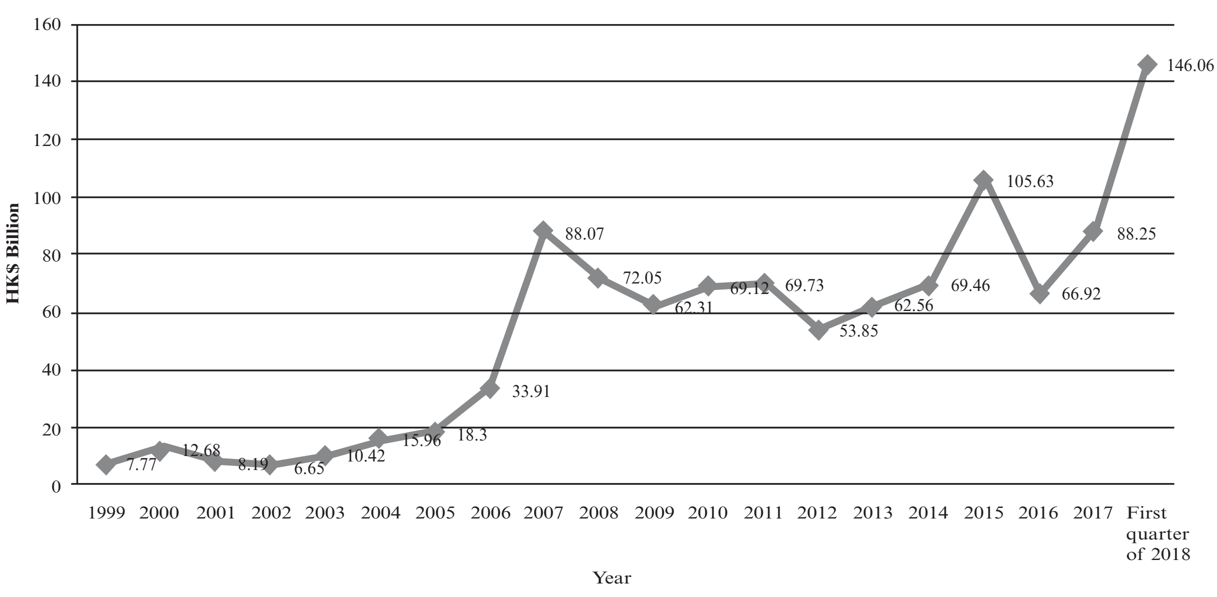
We noted from the above charts that the average daily turnover value of the Hong Kong securities market has increased from approximately HK$62.56 billion in 2013 to approximately HK$88.25 billion in 2017, representing a CAGR of approximately 8.98%. In addition, the average daily turnover volume of the Hong Kong securities market has increased from approximately 141.15 billion shares in 2013 to approximately 180.01 billion shares in 2017, representing a CAGR of approximately 6.27%. Despite the decrease in both average daily turnover value and turnover volume in 2016, the Hong Kong securities market restored strong and active movement of trading in 2017 in terms of average daily turnover value.

With reference to Stock Exchange's monthly market highlights published on the website of the Stock Exchange, we noted that the average daily turnover value of the Hong Kong securities market amounted to approximately HK$146.06 billion in the first quarter of 2018, representing an increase of approximately 65.51% as compared to that of 2017, which was approximately HK$88.25 billion. The average daily turnover volume of the Hong Kong securities market in the first quarter of 2018 was approximately 252.58 billion shares, representing an increase of approximately 40.31% comparing with approximately 180.01 billion shares as recorded in 2017.

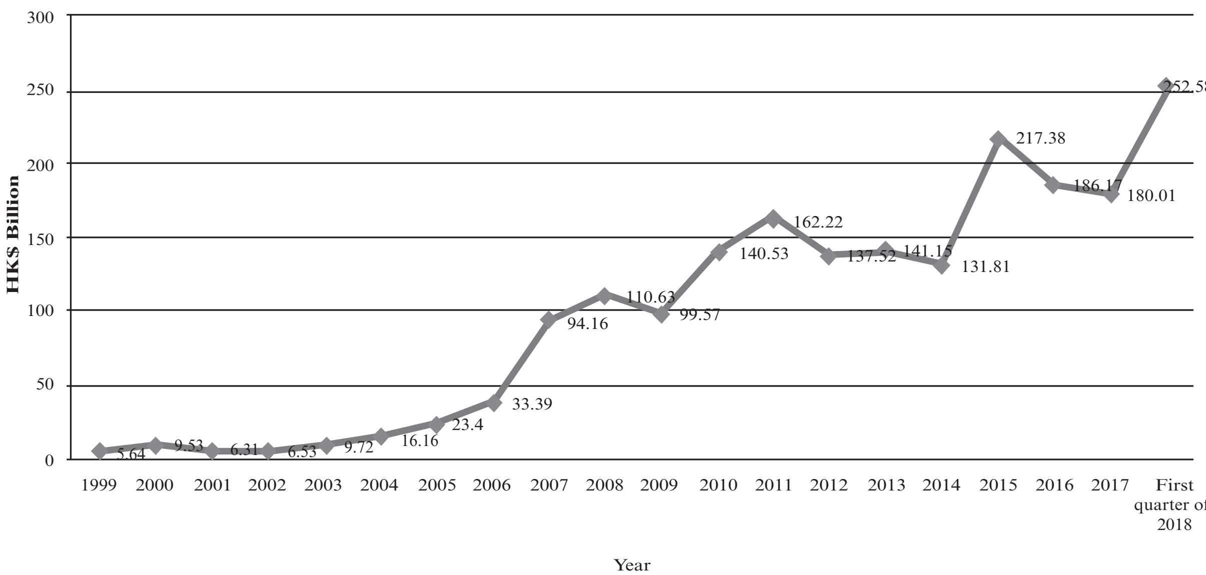
As stated in the 2017 annual report of the Stock Exchange, the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (altogether referred to as the "**Stock Connect**") continued to gain wider market acceptance in 2017. In 2017, the total trading volumes in both the Northbound and the Southbound on Stock Connect rose significantly compared to those recorded in 2016, with an increase of approximately 194% and approximately 170% respectively. As at the end of 2017, the net money inflow into the Mainland and into Hong Kong reached approximately RMB348 billion and approximately HK$726 billion respectively since the launch of the Stock Connect.

We noticed that the stock markets across the world, including Hong Kong, had experienced volatility in the first quarter of 2018. We further reviewed the performance of the Hong Kong securities market in terms of average daily turnover value and average daily turnover volume for a longer span. The following charts illustrate the average daily turnover value and average daily turnover volume of the Hong Kong securities market from 1999 to March 2018. It was demonstrated in the charts that notwithstanding fluctuations in the Hong Kong securities market from time to time, there was a long-term global trend of growth in each of the average daily turnover value and average daily turnover volume of the Hong Kong securities market during the period under review.

The average daily turnover value of the Hong Kong securities market from 1999 to 2018 (up to March 2018)



The average daily trading volume of the Hong Kong securities market from 1999 to 2018 (up to March 2018)



Having considered that: (i) increasing trends were recorded on the Hong Kong securities market with reference to its performance in terms of the average daily turnover value and the average daily turnover volume in the past five years; (ii) although the Hong Kong securities market were subject to volatility in the first quarter of 2018 as well as fluctuations from time to time since 1999, there was a long-term global trend of growth in each of the average daily turnover value and average daily turnover volume of the Hong Kong securities market during the period from 1999 to March 2018; and (iii) the implementation and continuing access to the Stock Connect, we are of the view that the prospect of Hong Kong securities market remains promising in the long-run.

4. Reasons for and benefits of the Acquisition

As disclosed in the Letter from the Board, the Group is principally engaged in trading of telecommunication products and electronic parts, provision of repair services for the telecommunications products and investment in financial assets. In addition, as set out in the 2017 Annual Report, the Group also commenced its money lending business during the 2017 Fifteen-month Period.

As summarised in above paragraph headed "1. Background of and financial information on the Group", the Group recorded net losses continuously for the FY2014, the FY2015, the FY2016, the 2017 Second Interim Period and the 2017 Fifteen-month Period. Upon CITIC Guoan Group becoming a substantial Shareholder which ultimately beneficially owned approximately 53.22% of the entire issued share capital of the Company in February 2016, the Company disclosed in the 2016 Annual Report that (a) it would like to pursue a multitude of investment opportunities with the aim of broadening and strengthening its income base by leveraging the support of CITIC Guoan Group and its strong ties with the PRC, and to look for collaborative opportunities that provide synergies with the Group or its parent company (i.e. CITIC Guoan Group); and (b) as part of the Group's long-term efforts to enhance shareholder value and in view of the competitive operating environment of the local telecommunications arena, it would seek to broaden its business horizons by pursuing viable investment opportunities. CITIC Guoan Group is a comprehensive and large enterprise group in the PRC with the wide scope of business comprising finance, telecommunications, tourism, resources development, wine, real estate, culture and healthcare.

The Company restated its plan to seek diversified development in various markets and business arenas in the 2017 Second Interim Report. In addition, it was also disclosed in the report that drawing on the strengths and with the support of CITIC Guoan Group, the Group would particularly take note of the business potential of the technology, trading and finance sections.

The Target Company is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. It provides financial services to the clients which consist of broking service (including securities and stock option broking), placing and underwriting services (such as acting as underwriter and placing agent for equity securities, which include initial public offerings on the Main Board or GEM, and placements/rights issue/open offers in Hong Kong), securities margin financing service and asset management service. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company. To facilitate a smooth handover, it is a condition precedent of the Sale and Purchase Agreement that there should be no change to the composition of the responsible officers of the Target Company (with at least one of the responsible officers being the director(s) of the Target Company) in the period between the date of the Sale and Purchase Agreement and the Completion, and immediately before Completion, the Vendors shall cause the responsible officers of the Target Company to enter into appointment letters with the Target Company (with at least one of the responsible officers for a term of not less than two years following the Completion) on terms to be agreed by the Purchaser in writing. In addition, pursuant to another condition precedent, there should be no material adverse change (or effect) to the financial position, business or prospects or results of operations of the Target Group in the period between the date of the Sale and Purchase Agreement and the Completion including, among other things, the Target Company should (i) continue to validly hold the licences granted by the SFC and accounts (if applicable); and (ii) satisfy the liquid capital requirement imposed by the SFC.

It was introduced in the Letter from the Board that the Target Company is one of the well-established securities brokerage companies in Hong Kong with more than 25 years' experience in providing a wide range of financial services including but not limited to the provision of securities brokerage service, and the Target Company has developed a strong connection and long term relationship with its clients. Accordingly, the Directors believe that the stable client base and network of the Target Company will be able to provide stable sources of income for the Enlarged Group. In addition, the Directors consider that the Acquisition will enable the Group to make a meaningful step in its strategic direction towards diversification of businesses and also allow the Group to leverage on the past experiences of CITIC Guoan Group and the Target Company to create the synergies on the brokerage business and other financial services business in Hong Kong in the future. Accordingly, the Directors (excluding Mr. SO Haw Herman and Mr. NG Man Kung who had abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder) are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

As summarised in the above paragraph headed "2. Background of and financial information on the Target Group", the Target Group recorded continuous growth in its revenue and net profit after taxation during the three financial years up to 28 February 2017. Furthermore, there were increases in revenue and net profit after taxation for the nine months ended 30 November 2017 as compared with the corresponding period in 2016. On that basis, it supports the view of the Directors that the Target Company will be able to provide stable sources of income for the Enlarged Group.

Having taken into account (i) the financial performance of the Group since the FY2014, in particular, the continued net loss recorded for each of the reporting financial years/ periods mentioned above; (ii) the Company's intention to diversify its business as repeatedly set out in its financial reports mentioned above; (iii) the support from and experience of CITIC Guoan Group as set out in the Letter from the Board; (iv) the business of the Target Group in providing the above mentioned financial services which consist of broking service, placing and underwriting services, securities margin financing service and asset management service; (v) the condition precedent of the Sale and Purchase Agreement that there should be no material adverse change up to the date of Completion, among other things, the Target Company should continue to validly hold the licences granted by the SFC and accounts (if applicable) and should satisfy the liquid capital requirement imposed by the SFC; (vi) the condition precedent of the Sale and Purchase Agreement relating to continued services of the responsible officers of the Target Group as mentioned above to facilitate a smooth handover; and (vii) the ability of the Target Group to generate revenue and profits with references to its historical financial performance as detailed above, we concur with the view of the Directors (excluding Mr. SO Haw Herman and Mr. NG Man Kung who had abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder) that the Acquisition is in the interests of the Company and the Shareholders as a whole.

5. The Sale and Purchase Agreement

Terms of the Sale and Purchase Agreement

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the entire issued share capital of the Target Company shall be acquired by the Purchaser upon Completion.

Consideration

The Consideration amounted to HK$420 million in total, which shall be satisfied in the following manners:

(i) an aggregate amount of HK$120 million (representing approximately 28.57% of the Consideration) shall be settled in cash, of which HK$20 million has been paid by the Purchaser upon the entering into of the Sale and Purchase Agreement as refundable deposit and HK$100 million (the "**Cash Payment Balance**") shall be payable by the Purchaser upon Completion; and

(ii) an aggregate amount of HK$300 million (representing approximately 71.43% of the Consideration) shall be settled by the issue of the Convertible Bonds to the Vendors (or their respective nominee(s)) upon Completion as follows:

(a) as to HK$100 million by the issue of 1st Tranche Convertible Bonds by the Company;

(b) as to HK$100 million by the issue of 2nd Tranche Convertible Bonds by the Company; and

(c) as to HK$100 million by the issue of the 3rd Tranche Convertible Bonds by the Company.

Based on the audited consolidated statement of financial position of the Group set out in the 2017 Annual Report, the cash and bank balances of the Group amounted to approximately HK$73.5 million as at 31 December 2017. We have been advised by the Company that the Cash Payment Balance in the amount of HK$100 million shall be funded by internal resources of the Group and loans to be raised from bank or immediate holding company of the Company.

As disclosed in the Letter from the Board, the Consideration was arrived at after arm's length negotiations among the Vendors and the Purchaser after taking into account a number of factors stated therein, and the Directors, having evaluated the Consideration after taking into account the quantitative factors (including the analysis of the price-to-earnings and price-to-book ratios of the companies which were considered by the Directors to be appropriate to be comparables in assessing the fairness and reasonableness of the Consideration, details of which are set out in the paragraph headed "Consideration" under the section head "The Sale and Purchase Agreement" of the Letter from the Board) and the qualitative factors and the potential benefits to be derived by the Group as detailed in the Letter from the Board, the Directors are of the view that the Consideration is fair and reasonable.

Conditions precedent

Please refer to the paragraph headed "Conditions precedent" under the section headed "Sale and Purchase Agreement" in the Letter from the Board for the details of conditions precedent of the Sale and Purchase Agreement.

If all of the conditions precedent are not fulfilled or waived by the Purchaser on or before the date falling on the expiry of 12 months after the date of the Sale and Purchase Agreement (or such other date as agreed by the parties to the Sale and Purchase Agreement in writing), the Sale and Purchase Agreement shall lapse and the Vendors shall immediately refund the cash deposit of HK$20 million in full (without interest) to the Purchaser and no party shall make any claim against any others in respect of the Sale and Purchase Agreement, except for any antecedent breach.

Comparables Analysis with regard to the Consideration

Price-to-earnings ratio (the "**P/E ratio**") and price-to-book ratio (the "**P/B ratio**") are the most widely adopted benchmarks for evaluating the value of a company. We noticed that the Directors also took into account both P/E ratio and P/B ratio in evaluating the fairness and reasonableness of the Consideration.

In order to assess the fairness and reasonableness of the Consideration, we have taken into account the P/E ratio and P/B ratio of a company considered to be comparable to the Target Group, which company (i) is listed on the Stock Exchange; (ii) is a licensed corporation licensed to carry out, among others, all of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; and (iii) generates at least 50% of its revenue from the provision of financial services in Hong Kong including securities brokerage, placing and underwriting and securities margin financing services as well as asset management service, which is similar to the principal business of the Target Group.

To the best of our knowledge and endeavour, we identified an exhaustive list of 22 listed companies in Hong Kong that met our selection criteria mentioned above (the "**Consideration Comparable(s)**"). Independent Shareholders should note that the Consideration Comparables are not identical to the Target Company in terms of operations and financial position. Nevertheless, we consider that the Consideration Comparables are fair and representative samples for comparison, due to the fact that their principal businesses and geographical source of revenue are similar to those of the Target Group.

The table below illustrates the details of the Consideration Comparables:

Stock Code	Name	Principal Activities	Market Capitalisation *(Note 1)* *(HK$)*	Net profit/(loss) attributable to the owners *(Note 2)* *(HK$)*	Net asset value *(Note 3)* *(HK$)*	Revenue *(Note 2)* *(HK$)*	P/E ratio *(times)*	P/B ratio *(times)*	Revenue to net asset value *(times)*	Profit to net asset value *(times)*
3329.HK *(Note 8)*	BOCOM International Holdings Company Limited	Provision of securities trading and brokerage services; corporate finance services; traditional asset management and portfolio management businesses; financial leverage for customers; and direct investment in debt, entity securities and companies	5,933,630,640	350,609,000	6,065,261,000	1,023,269,000	16.92	0.98	0.17	0.06
1428.HK *(Note 8)*	Bright Smart Securities & Commodities Group Limited	Provision of broking services in securities, as well as margin financing services to broking clients; broking services in commodities and futures contracts; and trading services in bullion contracts traded in overseas markets	4,514,808,179	271,910,000	2,333,616,000	562,517,000	16.60	1.93	0.24	0.12
510.HK	CASH Financial Services Group Limited	Broking businesses; investment banking; asset management; wealth management and direct market access (DMA) services and mobile trading platform	873,023,287	(51,198,000)	735,641,000	166,830,000	N/A *(Note 3)*	1.19	0.23	N/A *(Note 3)*

Stock Code	Name	Principal Activities	Market Capitalisation *(Note 1)* *(HK$)*	Net profit/(loss) attributable to the owners *(Note 2)* *(HK$)*	Net asset value *(Note 3)* *(HK$)*	Revenue *(Note 2)* *(HK$)*	P/E ratio *(times)*	P/B ratio *(times)*	Revenue to net asset value *(times)*	Profit to net asset value *(times)*
290.HK	China Fortune Financial Group Limited	Securities businesses and margin financing; proprietary trading of securities; provision of corporate finance services; provision of money lending and factoring services; and provision of consultancy services and insurance brokerage services	1,013,309,277	30,907,000	425,652,000	49,880,000	32.79	2.38	0.12	0.07
952.HK	China Oceanwide International Financial Limited	Provision of brokerage services, placing and underwriting services, wealth management services, corporate finance advisory services, fund management, discretionary portfolio management and portfolio management advisory services, financial information services, and investment holding and securities trading	6,346,490,204	(57,947,000)	5,716,350,000	333,227,000	N/A *(Note 3)*	1.11	0.06	N/A *(Note 3)*
111.HK *(Note 8)*	Cinda International Holdings Limited	Asset management; corporate finance and brokerage services	557,848,872	41,080,000	780,027,000	158,357,000	13.58	0.72	0.20	0.05
1141.HK	CMBC Capital Holdings Limited	Supply and procurement of metal minerals, investment and trading activities in listed equity securities, provision of short-term loan financing activities, trading of properties and provision of brokerage and related services	27,467,254,637	(1,042,098)	1,239,755,000	87,537,000	N/A *(Note 3)*	22.16 *(Note 6)*	0.07	N/A *(Note 3)*
717.HK *(Note 8)*	Emperor Capital Group Limited	Provision of margin financing and money lending services; broking services for securities, options, futures, insurances and other assets and wealth management products; placing and underwriting services; and corporate finance advisory services	4,044,507,434	659,185,000	5,134,110,000	1,241,000,000	6.14	0.79	0.24	0.13

Stock Code	Name	Principal Activities	Market Capitalisation *(Note 1)* *(HK$)*	Net profit/(loss) attributable to the owners *(Note 2)* *(HK$)*	Net asset value *(Note 3)* *(HK$)*	Revenue *(Note 2)* *(HK$)*	P/E ratio *(times)*	P/B ratio *(times)*	Revenue to net asset value *(times)*	Profit to net asset value *(times)*
227.HK	First Shanghai Investments Limited	Securities investment, securities broking, margin financing, corporate financing, underwriting and placements, as well as asset management; property development; investment and operation of residential, office, hotel and vacational village properties; and investment in pharmaceutical and healthcare industries	1,305,455,171	(49,909,000)	2,818,600,000	390,792,000	N/A *(Note 3)*	0.46	0.14	N/A *(Note 3)*
279.HK *(Note 8)*	Freeman FinTech Corporation Limited	Trading of securities and futures investment; provision of financing services in Hong Kong; insurance brokerage businesses and the provision of financial planning and related services; brokerage, placing, underwriting and margin financing of securities and futures in Hong Kong; holding investments for capital appreciation; and provision of corporate finance advisory services, among others	27,691,736,624	418,208,000	4,753,587,000	108,285,000	66.22	5.83	0.02	0.09
1469.HK *(Note 8)*	Get Nice Financial Group Limited	Provision of broking services, securities margin financing services, and corporate finance advisory services	4,500,000,000	274,060,000	3,933,288,000	406,258,000	16.42	1.14	0.10	0.07
1788.HK *(Note 8)*	Guotai Junan International Holdings Limited	Provision of brokerage services, corporate finance services, the asset management services, the loans and financing services, the investment holding and market making services and other rental and information channel services	18,111,902,037	1,025,879,000	10,674,468,000	2,519,187,000	17.66	1.70	0.24	0.10
665.HK	Haitong International Securities Group Limited	Provision of brokerage services, corporate finance services, fixed income, currency and commodities services, institutional equities services, and asset management services	26,514,139,373	1,680,225,000	23,244,177,000	5,350,817,000	15.78	1.14	0.23	0.07

Stock Code	Name	Principal Activities	Market Capitalisation *(Note 1)* *(HK$)*	Net profit/(loss) attributable to the owners *(Note 2)* *(HK$)*	Net asset value *(Note 3)* *(HK$)*	Revenue *(Note 2)* *(HK$)*	P/E ratio *(times)*	P/B ratio *(times)*	Revenue to net asset value *(times)*	Profit to net asset value *(times)*
993.HK	Huarong International Financial Holdings Ltd.	Broking and dealing of securities, provision of underwriting, sponsoring and financial advisory services, and provision of asset management services	8,935,280,367	550,914,000	3,279,706,000	727,066,000	16.22	2.72	0.22	0.17
231.HK	Ping An Securities Group (Holdings) Limited	Provision of property Leasing services, leasing of royalty rights, supermarket operation, securities dealing and the provision of financial services	1,398,233,849	(7,231,000)	1,608,101,000	50,479,000	N/A *(Note 3)*	0.87	0.03	N/A *(Note 3)*
218.HK *(Note 8)*	Shenwan Hongyuan (H.K.) Limited	Provision of brokerage services, corporate finance services, asset management services, financing and loans services and investment businesses	2,038,115,044	82,275,000	2,104,585,000	416,455,000	24.77	0.97	0.20	0.04
619.HK	South China Financial Holdings Limited	Broking of securities, commodities and futures; trading and investment of securities, foreign exchanges, bullions and futures; margin and personal loan financing services; corporate advisory and underwriting; wealth management segment and property investment	632,681,847	(56,703,000)	1,101,724,000	121,366,000	N/A *(Note 3)*	0.57	0.11	N/A *(Note 3)*
812.HK	Southwest Securities International Securities Limited	Brokerage and margin finance; wealth management; corporate finance and proprietary trading	600,540,221	(166,923,000)	189,420,000	92,038,000	N/A *(Note 3)*	3.17	0.49	N/A *(Note 3)*
211.HK	Styland Holdings Limited	Financial Services segment (engaged in the provision of securities dealing, brokerage, margin financing, corporate financing, asset management); mortgage financing; property development and investment segment and trading of securities	553,966,793	5,698,000	618,440,000	74,788,000	97.22 *(Note 4))*	0.90	0.12	0.01
188.HK	Sunwah Kingsway Capital Holdings Limited	Investment in securities; structured investment; brokerage; corporate finance and capital markets and asset management	568,694,403	(1,929,000)	1,005,798,000	118,419,000	N/A *(Note 3)*	0.57	0.12	N/A *(Note 3)*

Stock Code	Name	Principal Activities	Market Capitalisation *(Note 1)* *(HK$)*	Net profit/(loss) attributable to the owners *(Note 2)* *(HK$)*	Net asset value *(Note 3)* *(HK$)*	Revenue *(Note 2)* *(HK$)*	P/E ratio *(times)*	P/B ratio *(times)*	Revenue to net asset value *(times)*	Profit to net asset value *(times)*
821.HK	Value Convergence Holdings Limited	Brokerage and dealing of securities, provision of margin financing and money lending, placing and underwriting services, corporate financial advisory services and asset management services	1,398,525,619	(56,716,000)	689,422,000	56,283,000	N/A *(Note 3)*	2.03	0.08	N/A *(Note 3)*
376.HK	Yunfeng Financial Group Limited	Provision of brokerage services, securities placing and underwriting services, and finance consultancy and advisory services	12,262,031,554	(316,688,000)	4,265,643,000	46,120,000	N/A *(Note 3)*	2.87	0.01	N/A *(Note 3)*
				Minimum			6.14	0.46	0.01	0.01
				Median *(Notes 4, 5 and 6)*			16.60	1.14	0.13	0.07
				Maximum *(Notes 4, 5 and 6)*			66.22	5.83	0.49	0.17
				Average *(Notes 4, 5 and 6)*			22.10	1.62	0.16	0.08
	Target Group *(Note 7)*			23,800,000	420,000,000	28,111,000	17.65 *(Implied P/E ratio)*	3.50 *(Implied P/B ratio)*	0.23 *(Implied ratio)*	0.20 *(Implied ratio)*

Source: website of the Stock Exchange – www.hkex.com.hk

Notes:

(1) Based on the closing price of each Consideration Comparable as quoted on the Stock Exchange on the Last Trading Day.

(2) Based on the audited profit attributable to the owners and audited revenue as disclosed in the latest published annual report of each Consideration Comparable as at the Last Trading Day.

(3) Based on the net asset value as disclosed in the latest published annual report or results announcement or interim report of each Consideration Comparable as at the Last Trading Day.

(4) *Given losses were incurred by those companies according to their respective latest published annual reports as at the Last Trading Day, calculation of the P/E ratio and Profit to NAV (as the case maybe) were not applicable.*

(5) *Styland Holdings Limited has been excluded from our calculations with regard to the P/E ratios of the Consideration Comparables for analysis purpose as its P/E ratio represents approximately 5.9 times of the median of the Consideration Comparables, which we consider is extraordinary and not relevant for comparison.*

(6) *CMBC Capital Holdings Limited has been excluded from our calculations with regard to the P/B ratios of the Consideration Comparables for analysis purpose as its P/B ratio represents approximately 19.4 times of the median of the Consideration Comparables, which we consider is extraordinary and not relevant for comparison.*

(7) *The implied ratios of the Target Group were calculated based on (i) Consideration in the amount of HK$420 million; (ii) the guaranteed audited consolidated net profit after tax of the Target Group for the financial year ended 28 February 2018 of not less than HK$23.8 million as guaranteed by the Guarantors; (iii) the guaranteed audited consolidated net asset value of the Target Group as at the Completion Date of not less than HK$120 million; and (iv) the audited consolidated revenue of the Target Group in the amount of approximately HK$28.1 million for the financial year ended 28 February 2017.*

(8) *All those companies referred to as "**Further Analysis Comparables**" to be further discussed below.*

With reference to the above table, the P/E ratios of the Consideration Comparables range from a minimum of approximately 6.14 times to a maximum of approximately 66.22 times (the "**Market P/E Range**") with an average of approximately 22.10 times (the "**Comparable Average P/E Ratio**") and a median of approximately 16.60 times (the "**Comparable Median P/E Ratio**"). In addition, the P/B ratios of the Consideration Comparables range from a minimum of approximately 0.46 times to a maximum of approximately 5.83 times (the "**Market P/B Range**") with an average of approximately 1.62 times (the "**Comparable Average P/B Ratio**") and a median of approximately 1.14 times (the "**Comparable Median P/B Ratio**").

Based on the Consideration in the amount of HK$420 million and the guaranteed audited consolidated net profit after tax of the Target Group for the financial year ended 28 February 2018 of not less than HK$23.8 million as guaranteed by the Guarantors under the Sale and Purchase Agreement, the implied P/E ratio of the Target Company (the "**Implied P/E Ratio**") is approximately 17.65 times. Although the Implied P/E Ratio is higher than the Comparable Median P/E Ratio of 16.60 times, it falls within the Market P/E Range and is below the Comparable Average P/E Ratio of 22.10 times.

Based on the information on the website of the SFC, the Target Company is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities while all of the Consideration Comparables are licensed to carry out, in addition to these three regulated activities, one or more regulated activity(ies) (such as Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance)). In this regard, as part of our comparables analysis, we have reviewed the latest published annual reports of the Consideration Comparables as at the Last Trading Day and noted that the breakdown of revenue into income derived from each of the licensed regulated activities under the SFO of the Consideration Comparables are generally not available in their respective annual reports. On that basis, given the similar nature of Type 1 (dealing in securities) and Type 2 (dealing in futures contacts) regulated activities under the SFO (both regulated activities being carried out for the purposes of generating brokerage income, commission income, and/or margin financing charges), we would like to further analyze the P/E ratios of those Consideration Comparables which, based on their respective latest published annual reports as at the Last Trading Day, generated majority of its revenue from brokerage and related activities (including placing and underwriting of securities, and provision of margin financing). On that basis, among the 22 Consideration Comparables set out in the above table, a company which, according to the audited financial information set out in its latest published annual report as at the Last Trading Day, (i) generated at least 50% of its revenue from the provision of brokerage and related services (including placing and underwriting of securities, and provision of margin financing); and (ii) recorded a net profit during the reporting period is selected as a further analysis comparable, and there were a total of 8 companies (the "**Further Analysis Comparable(s)**", please also refer to Note (8) to the above table) meeting these selection criteria (the Further Analysis Comparables have been selected on a best effort basis as their annual reports did not set out breakdown of segment income into (A) licensed regulated activities related income and non-licensed regulated activities income under the SFO (for example, income from the financing segment of Emperor Capital Group Limited (stock code: 717.HK) included fees relating to margin financing and money lending); and/or (B) brokerage related income and non-brokerage related income (for example, income from the corporate finance and underwriting segment of BOCOM International Holdings Company Limited (stock code: 3329.HK) included underwriting and placing commission, sponsor fees and financial advisory fees and stabilisation profit)). The P/E ratios of the 8 Further Analysis Comparables ranged from a minimum of approximately 6.14 times to a maximum of approximately 66.22 times (accordingly, the Implied P/E Ratio of the Target Company of approximately 17.65 times is within such range of P/E ratios of the Further Analysis Comparables), with an average P/E ratio of approximately 22.29 times (which is higher than the Implied P/E Ratio of the Target Group of approximately 17.65 times). On that basis, the analysis of the P/E ratios of the 8 Further Analysis Comparables is in line with the analysis of the P/E ratios of the 22 Consideration Comparables. As mentioned above, there is no single Consideration Comparable/Further Analysis Comparable the business and operations of which are identical to those of the Target Group. Based on the audited financial information set out in its latest published annual report as at the Last Trading Day, we noticed that Get Nice Financial Group Limited (stock code: 1469.HK) generated approximately 99.55% of its revenue from broking (accounted for approximately 29.40% of its total revenue) and securities margin financing (accounted for approximately 70.15% of its total revenue) during the reporting period. The P/E ratio of Get Nice Financial Group Limited, as set out in the above table, is approximately 16.42 times which is close to the Implied P/E Ratio of the Target Group of 17.65 times.

Based on the Consideration of HK$420 million and the guaranteed audited consolidated net asset value of the Target Group as at the Completion Date of not less than HK$120 million as guaranteed by the Guarantors, the implied P/B ratio of the Target Group (the "**Implied P/B Ratio**") is 3.5 times. We noticed that the Implied P/B ratio lies within the Market P/B Range of approximately 0.46 times to approximately 5.83 times, and is higher than both of the Comparable Average P/B Ratio of approximately 1.62 times and the Comparable Median P/B Ratio of approximately 1.14 times. We further compared the performance of the Consideration Comparables as well as the Target Group in utilizing their respective assets in generating revenues and profits (if any). With reference to the above table, the implied revenue to net asset value ratio of the Target Company of approximately 0.23 times falls within the range of the revenue to net asset value ratios of the Consideration Comparables (from approximately 0.01 times to approximately 0.49 times), and is higher than the relevant median of approximately 0.13 times and the relevant average of approximately 0.16 times. In addition, the implied profit to net asset value ratio of the Target Group of approximately 0.20 times is above the range of the profit to net asset value ratios of the Consideration Comparables (from approximately 0.01 times to approximately 0.17 times), and is higher than the relevant median of approximately 0.07 times and the relevant average of approximately 0.08 times. On the basis that (i) the Target Company was able to better utilize its assets in generating profit and revenue than most of the Consideration Comparables as the implied revenue to net asset value ratio and the implied profit to net asset value ratio of the Target Group are respectively higher than the relevant medians and means as shown in the above table, (ii) the Target Group recorded audited consolidated net profit after tax continuously during each of the financial years ended 28 February 2015, 29 February 2016 and 28 February 2017 and the audited consolidated net profit after tax of the Target Group for the financial year ended 28 February 2018 has been guaranteed by the Guarantors to be not less than HK$23.8 million, while a number of the Consideration Comparables recorded losses according to their latest published annual reports as at the Last Trading Day, we consider that it is appropriate to place less reliance on the analysis relating to the P/B ratios.

Having considered (i) the Consideration which, according to the Company, was determined by the Purchaser and the Vendors after arm's length negotiations; (ii) the Implied P/E Ratio which falls within the Market P/E Range and is below the Comparable Average P/E Ratio; (iii) the development of Hong Kong securities market from 2013 to 2017 as set out in the section headed "Industry overview of the Hong Kong's securities market" above; and (iv) the positive financial impact of the Acquisition on the Enlarged Group after Completion as set out in the section headed "Possible financial impact of the Acquisition on the Enlarged Group" below, we concur with the Directors' view that the Consideration in the amount of HK$420 million is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

6. Convertible Bonds

Pursuant to the terms of the Sale and Purchase Agreement, part of the Consideration in the amount of HK$300 million shall be settled by issue of the Convertible Bonds by the Company to the Vendors.

Terms of the Convertible Bonds

Total principal amount

The total principal amount of the Convertible Bonds shall be HK$300 million, which consist of:

(i) the 1st Tranche Convertible Bonds with the principal amount of HK$100 million;

(ii) the 2nd Tranche Convertible Bonds with the principal amount of HK$100 million; and

(iii) the 3rd Tranche Convertible Bonds with the principal amount of HK$100 million.

Conversion Price and adjustment thereto

The Convertible Bonds are convertible at the initial Conversion Price of HK$0.26 per Conversion Share (subject to adjustment). As stated in the Letter from the Board, the Conversion Price was arrived at after arm's length negotiations among the Purchaser, the Vendors and the Company with references to, among other things, the prevailing market performance of the Shares and the future prospect of the Company upon Completion. As set out in the Letter from the Board and replicated in the sub-paragraph "Adjustment to the Conversion Price" of the paragraph headed "Analysis relating to the terms of the Convertible Bonds" below, the Conversion Price shall from time to time be adjusted upon occurrence of those events set out therein.

The initial Conversion Price of HK$0.26 per Conversion Share represents:

(i) a discount of approximately 3.7% (the "**Convertible Bond LTD Discount**") to the closing price of HK$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(ii) zero discount/premium to/over (the "**Convertible Bond 5-Day Average Discount-0%**") the average of the closing prices as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day, being in the amount of HK$0.26 per Share.

Maturity date

The 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds shall become mature respectively on the 12 months, 24 months and 36 months after the date of issue of the Convertible Bonds (consisting of the 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds) (respectively referred to as the "**1st Maturity Date**", the "**2nd Maturity Date**" and the "**3rd Maturity Date**").

Conversion of the Convertible Bonds and limitations thereon

The Convertible Bonds are convertible into the Conversion Shares at the then prevailing Conversion Price (which is initially set at HK$0.26 per Conversion Share, subject to adjustment).

The conversion rights attached to the 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds shall be exercisable from the date of issue of the Convertible Bonds (consisting of the 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds) up to the 1st Maturity Date, the 2nd Maturity Date and the 3rd Maturity Date respectively. Subject to the limitation mentioned herebelow, a holder of the Convertible Bonds may, during the conversion period, exercise the conversion rights attached to the whole or any part (in the minimum amount of HK$10 million or an integral multiple thereof) of the Convertible Bonds by giving written notice to the Company which sets out details of the intended exercise of the conversion rights attached to the Convertible Bonds and obtaining relevant prior written consent of the Board (which may not unreasonably defer or reject such intended exercise of conversion rights attached to the Convertible Bonds by the holder thereof). On the occurrence of any rejection by the Directors of exercise of conversion rights attached to the Convertible Bonds, the Company shall redeem the principal amount of such part of the Convertible Bonds having been rejected for conversion.

Holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds, and the Company shall not allow conversion of any portion of the outstanding principal amount of the Convertible Bonds, if such conversion will cause (i) holder(s) of the Convertible Bonds and parties acting in concert (as defined in the Takeovers Code) with it (them) immediately after such exercise be required to make general offer under Rule 26 of the Takeovers Code; or (ii) the Company to be unable to meet the public float requirements as required under Rule 8.08 of the Listing Rules.

Early redemption

The Convertible Bonds may not be repaid or redeemed before the respective maturity dates as detailed above. However, as mentioned above, on the occurrence of any rejection by the Directors of exercise of conversion rights attached to the Convertible Bonds, the Company shall redeem the principal amount of such part of the Convertible Bonds having been rejected for conversion.

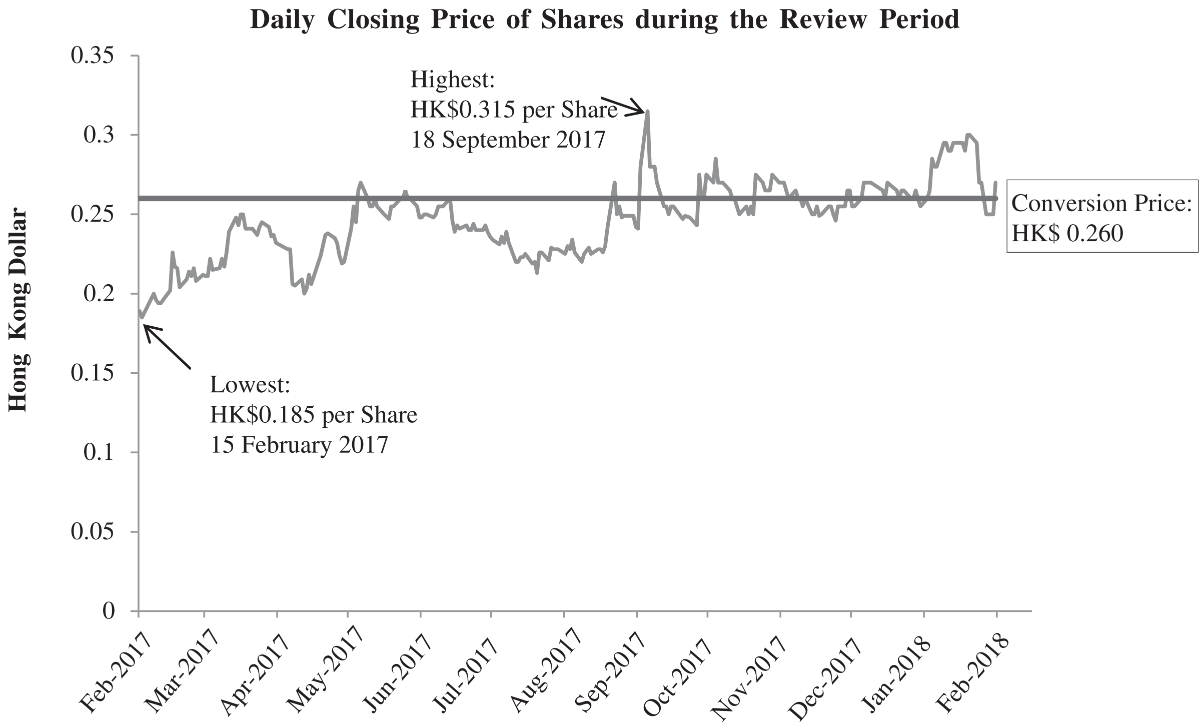
Interest rate

Interest is payable on the Convertible Bonds at the rate of 3.8% per annum on the principal amount of the Convertible Bonds outstanding, accruing from the date of issue of the Convertible Bonds on a daily basis and being payable annually in arrears on each anniversary of the issue date of the Convertible Bonds.

Analysis relating to the terms of the Convertible Bonds

Historical price performance of the Shares

To assess the fairness and reasonableness of the initial Conversion Price, we have compared the initial Conversion Price with reference to the historical price performance of the Shares. The chart below depicts the daily closing price level of the Shares as quoted on the Stock Exchange's website from 14 February 2017 to the Last Trading Day (both dates inclusive), being the 12-month period immediately preceding the Last Trading Day (the "**Review Period**"). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the initial Conversion Price.



Source: website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, we note that the closing prices of the Shares ranged from HK$0.185 per Share to HK$0.315 per Share, with an average of the closing prices of approximately HK$0.246 per Share. The initial Conversion Price of HK$0.260 per Conversion Share is within the range of the closing price of the Shares quoted on the Stock Exchange during the Review Period, and represents (i) a premium of approximately 5.7% over the average of the closing prices of HK$0.246 per Shares during the Review Period; (ii) a premium of approximately 40.5% over the lowest daily closing price of HK$0.185 per Share during the Review Period recorded on 15 February 2017; (iii) a discount of approximately 17.5% over the highest daily closing price of HK$0.315 per Share during the Review Period recorded on 18 September 2017; and (iv) a discount of approximately 3.7% to the closing price of HK$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day. In addition, the initial Conversion Price is the same as the average closing price of HK$0.260 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day.

Comparables Analysis

To further assess the fairness and reasonableness of the initial Conversion Price as well as of other principal terms of the Convertible Bonds, we have based on the information available from the Stock Exchange's website, on best endeavour basis, identified an exhaustive list of 31 transactions which involved issue and subscription of convertible bonds/notes as announced by companies listed on the Stock Exchange in a two-month period immediately preceding and including the Last Trading Day (the "**CB Comparable(s)**"). We consider that the selection of comparable companies within a two-month period to be sufficient and appropriate for our analysis as it has covered the recent market conditions and sentiments of the capital market of Hong Kong at which time the terms of the Convertible Bonds, including the initial Conversion Price, were determined.

Independent Shareholders should note that the CB Comparables are not identical to the Company in terms of market capitalisation, principal business, operations and financial position. Nevertheless, we consider that the CB Comparables could provide a general reference for the recent market practice of companies listed on the Stock Exchange which conducted similar types of transactions (i.e. the issue of convertible bonds/notes) under similar market conditions, and provide appropriate basis to assess the fairness and reasonableness of the terms of the Convertible Bonds.

The table below illustrates the relevant details of the CB Comparables relating to their issue/proposed issue of convertible bonds/notes:

Name of company	Stock code	Date of announcement of issue/proposed issue of the convertible bonds/notes	Premium/(discount) of conversion price over/to closing price per share on the last trading day prior to/on the date of announcement	Premium/(discount) of conversion price over/to average of the closing price per share for the last five trading days immediately prior to/on the date of announcement	Interest rate per annum payable under the convertible bonds/notes	Maturity period	Net profit/(loss) attributable to the owners *(Note 1)*
			(%)	*(%)*	*(%)*	*(years)*	*(RMB/HK$'000)*
Risecomm Group Holdings Limited	1679	2018/02/13	(8.01%)	(5.61%)	6.00%	2	1,491
New City Development Group Limited	0456	2018/02/09	(19.81%)	(18.80%)	7.00%	2	744
Earthasia International Holdings Limited	6128	2018/01/31	(22.28%)	(21.50%)	5.00%	3.25	(14,109)
China Evergrande Group *(Note 2)*	3333	2018/01/31	40.00%	36.19%	4.25%	5	18,834,000
Future Land Development Holdings Limited *(Note 2)*	1030	2018/01/30	28.00%	35.43%	2.25%	1	357,624
Powerlong Real Estate Holdings Ltd. *(Note 2)*	1238	2018/01/30	23.50%	26.95%	0.00% *(Note 3)*	1	1,490,321
China LNG Group Limited	0931	2018/01/29	N/A *(Note 4)*	N/A *(Note 4)*	2.00%	2	(71,428)
Green International Holdings Limited	2700	2018/01/26	4.29%	5.46%	5.00% *(Note 5)*	2	(58,221)
CIFI Holdings (Group) Co. Ltd. *(Note 2)*	0884	2018/01/26	30.07%	33.81%	0.00% *(Note 3)*	1	2,156,233
Hospital Corporation of China Limited	3869	2018/01/25	19.36%	27.52%	0.00%	3	(12,291)
China Success Finance Group Holdings Limited	3623	2018/01/25	49.66%	51.72%	6.00%	2	14,143
KVB Kunlun Financial Group Ltd.	6877	2018/01/25	5.70%	5.00%	7.50%	2	28,113
China Finance Investment Holdings Limited	0875	2018/01/23	17.65%	17.65%	5.00%	1	(3,893)
China Shandong Hi-Speed Financial Group Limited	0412	2018/01/23	11.60% *(Note 6)*	15.27% *(Note 6)*	6.00%	1.5	(240,073)
MIE Holdings Corporation	1555	2018/01/23	(3.33%)	(1.36%)	5.00% *(Note 3)*	3	(673,546)

Name of company	Stock code	Date of announcement of issue/proposed issue of the convertible bonds/notes	Premium/ (discount) of conversion price over/to closing price per share on the last trading day prior to/ on the date of announcement	Premium/ (discount) of conversion price over/to average of the closing price per share for the last five trading days immediately prior to/on the date of announcement	Interest rate per annum payable under the convertible bonds/notes	Maturity period	Net profit/(loss) attributable to the owners *(Note 1)*
			(%)	*(%)*	*(%)*	*(years)*	*(RMB/ HK$'000)*
Youyuan International Holdings Limited	2268	2018/01/23	41.67%	35.80%	4.50%	1	219,756
Tianyun International Holdings Limited	6836	2018/01/22	26.40%	25.60%	6.00%	1	52,346
China Huiyuan Juice Group Limited	1886	2018/01/22	2.21%	3.13%	0.00% *(Note 3)*	1	55,921
Country Garden Holdings Company Limited *(Note 2)*	2007	2018/01/17	15.61%	14.45%	0.00% *(Note 3)*	1	7,501,432
Morris Holdings Limited	1575	2018/01/05	29.82%	28.18%	2.60% *(Note 7)*	5	56,564
Echo International Holdings Group Limited	8218	2018/01/05	(9.63%)	(6.64%)	7.00%	5	(5,079)
V1 Group Limited	0082	2018/01/04	39.30%	47.90%	0.00%	4	(120,749)
Amax International Holdings Limited	0959	2017/12/29	(0.40%)	0.40%	0.00%	2.25	(13,797)
Sheng Yuan Holdings Limited	0851	2017/12/29	34.60%	36.70%	8.00%	2	(123,015)
China Environmental Technology Holdings Limited	0646	2017/12/29	40.14%	35.53%	8.00%	3	(20,750)
Green Leader Holdings Group Limited	0061	2017/12/28	(13.90%)	(19.50%)	6.50%	3	(116,684)
Concord New Energy Group Limited	0182	2017/12/28	61.76% *(Note 8)*	64.18% *(Note 8)*	3.20%	5	269,374
China VAST Industrial Urban Development Company Limited	6166	2017/12/27	12.83%	14.96%	6.00%	3	493,320
SMI Holdings Group Limited	0198	2017/12/19	(5.19%)	(5.66%)	4.00%	3	305,248
Titan Petrochemicals Group Limited	1192	2017/12/15	0.00%	0.36%	7.50%	1	(66,487)

Name of company	Stock code	Date of announcement of issue/proposed issue of the convertible bonds/notes	Premium/ (discount) of conversion price over/to closing price per share on the last trading day prior to/ on the date of announcement	Premium/ (discount) of conversion price over/to average of the closing price per share for the last five trading days immediately prior to/on the date of announcement	Interest rate per annum payable under the convertible bonds/notes	Maturity period	Net profit/(loss) attributable to the owners *(Note 1)*
			(%)	*(%)*	*(%)*	*(years)*	*(RMB/ HK$'000)*
Huajun Holdings Limited	0377	2017/12/13	13.33%	8.28%	10.00%	3	21,831
		Minimum	(22.28%)	(21.50%)	0.00%	1.0	
		Maximum	61.76%	64.18%	10.00%	5.0	
		Average	15.50%	16.38%	4.33%	2.4	
The Company							
– 1st Tranche Convertible Bonds			(3.70%)	0.00%	3.80%	1	
– 2nd Tranche Convertible Bonds			(3.70%)	0.00%	3.80%	2	
– 3rd Tranche Convertible Bonds			(3.70%)	0.00%	3.80%	3	

Source: website of the Stock Exchange (www.hkex.com.hk)

Notes:

(1) Based on the profit attributable to the owners for the period as disclosed in the latest published annual, half-year or quarterly report (whichever is most recent) of each CB Comparable before its publication of relevant announcement in relation to the issue of convertible note/bond.

(2) As disclosed in their respective announcements, application would be made by those Consideration Comparables (namely China Evergrande Group, Future Land Development Holdings Limited, Powerlong Real Estate Holdings Ltd, CIFI Holdings (Group) Co. Ltd. and Country Garden Holdings Company Limited) to the Singapore Exchange Securities Trading Limited for the listing and quotation of the relevant convertible notes/bonds on the Singapore Exchange Securities Trading Limited.

(3) According to the relevant announcements, the outstanding amount of such convertible bonds will be redeemed at a range from 100.75% to 136.20% of their respective principal amounts on their respective maturity dates.

(4) According to the announcement of China LNG Group Limited (stock code:931) dated 29 January 2018, the conversion price will be 95% of the volume weighted average price of its shares on the trading day immediately preceding the date of delivery of the relevant conversion notice by the noteholder.

(5) According to the announcement of Green International Holdings Limited (stock code:2700) dated 28 January 2018, three convertible bonds bearing interest rate of 3%, 6% and 6% per annum respectively were issued, an average of 5% per annum is used for the purpose of comparison.

(6) According to the announcement of China Shandong Hi-Speed Financial Group Limited (stock code:412) dated 23 January 2018, two convertible bonds with premium of 1.45% and 21.74% to the closing price on the date of the relevant subscription agreement and 4.79% and 25.75% to the average closing price in the 5 trading days immediately prior to the date of the relevant subscription agreement were issued, average premiums of 11.60% to the closing price on the date of the relevant subscription agreement and 15.27% to the average closing price in the 5 trading days immediately prior to the date of the relevant subscription agreement are used for the purpose of comparison.

(7) According to the announcement of Morris Holdings Limited (stock code:1575) dated 5 January 2018, the convertible loan will bear interest at a rate of 1.25% per annum above 6 months HIBOR, 1.35% per annum is used as the 6 months HIBOR for the purpose of comparison.

(8) According to the announcement of Concord New Energy Group Limited (stock code:182) dated 28 December 2017, three convertible bonds (i) each bearing interest at a rate of (a) 2% per annum for the first three years; and (b) 5% per annum thereafter were issued, an average of 3.2% per annum is used for the purpose of comparison; and (ii) with premium of 47.06%, 61.76% and 76.47% to the closing price on the date of the relevant convertible loan agreement and 49.25%, 64.18% and 79.10% to the average closing price in the 5 trading days immediately prior to the date of the relevant convertible loan agreement were issued, average premiums of 61.76% to the closing price on the date of the relevant convertible loan agreement and 64.18% to the average closing price in the 5 trading days immediately prior to the date of the relevant convertible loan agreement are used for the purpose of comparison.

As illustrated in the table above, the conversion prices of the CB Comparables were set at a range from a discount of approximately 22.28% to a premium of approximately 61.76% to/over the respective closing prices of their shares on the last trading day prior to/on the date of the relevant announcements (the "**CB Comparables LTD Range**"), with an average premium of approximately 15.50% (the "**CB Comparables LTD Average**") (and the relevant discount/premium represented by the conversion price of a CB Comparable to/over to the closing price of its shares on the last trading day prior to/on the date of the relevant announcement respectively referred to as "**CB Comparables LTD Discount**" and "**CB Comparables LTD Premium**"). The conversion prices of the CB Comparables to/over the respective average of the closing prices of their shares for the last five trading days immediately prior to/on the date of the relevant announcements ranged from a discount of approximately 21.50% to a premium of approximately 64.18% (the "**CB Comparables 5-Day Range**"), with an average premium of approximately 16.38% (the "**CB Comparables 5-Day Average**") (and the relevant discount/premium represented by the conversion price of a CB Comparable to/over to average for the closing prices of its shares for the last five trading days immediately prior to/on the date of the relevant announcement respectively referred to as "**CB Comparables 5-Day Discount**" and "**CB Comparables 5-Day Premium**"). We note that the Convertible Bond LTD Discount of 3.7% is below the CB Comparables LTD Average (with a premium of approximately 15.50%) and the Convertible Bond 5-Day Average Discount-0% is below the CB Comparables 5-Day Average (with a premium of approximately 16.38%). However, we also notice that the Convertible Bond LTD Discount and the Convertible Bond 5-Day Average Discount-0% respectively fall within the CB Comparables LTD Range (from a discount of approximately 22.28% to a premium of approximately 61.76%) and the CB Comparables 5-Day Range (from a discount of approximately 21.50% to a premium of approximately 64.18%). On that basis, we consider that the Convertible Bond LTD Discount and the Convertible Bond 5-Day Average Discount-0% are in line with the then prevailing market practice.

The interest rates of the CB Comparables ranged from nil to 10% per annum (the "**Interest Range**") with an average of approximately 4.33% per annum (the "**Average Interest Rate**"). The interest rate of the Convertible Bonds at 3.8% per annum therefore falls within the Interest Range and is approximately 12.24% lower than the Average Interest Rate. On that basis, we consider that the interest rate of the Convertible Bonds is in line with the then prevailing market practice.

The maturity period of the convertible bonds/notes of the CB Comparables ranged from 1 year to 5 years ("**Maturity Range**"). According to the terms of the Convertible Bonds, the maturity periods for the 1st Tranche Convertible Bonds, 2nd Tranche Convertible Bonds and 3rd Tranche Convertible Bonds are 1, 2 and 3 years respectively, which fall within the Maturity Range and are therefore considered to be in line with the prevailing market practice.

As mentioned above, although the Convertible Bond LTD Discount of 3.7% and the Convertible Bond 5-Day Average Discount-0% respectively are below the CB Comparables LTD Average (with a premium of approximately 15.50%) and the CB Comparables 5-Day Average (with a premium of approximately 16.38%) respectively, the Convertible Bond LTD Discount and the Convertible Bond 5-Day Average Discount-0% are in line with the then prevailing market practice as they fall within the CB Comparables LTD Range and the CB Comparables 5-Day Range respectively. We further reviewed the announcements relating to the issue of convertible notes/bonds by the CB Comparables. Among those CB Comparables (i) with CB Comparables LTD Discount of less than 3.7% (being the Convertible Bonds LTD Discount) or with CB Comparables LTD Premium, and/or (ii) with CB Comparables 5-Day Premium (as compared with the Convertible Bond 5-Day Average Discount-0%), we noticed that (A) a total of five CB Comparables would apply to the Singapore Exchange Securities Trading Limited for the listing and quotation of the relevant convertible notes/bonds on the Singapore Exchange Securities Trading Limited (while all other CB Comparables and the Company would not apply to any stock exchanges for listing of their respective convertible bonds/notes); (B) more than half of such CB Comparables would issue convertible bonds/notes with interest rates higher than 3.8% per annum, which is the interest rate payable under the Convertible Bonds; and (C) more than half of such CB Comparables recorded net profits according to their latest published annual, half-year or quarterly reports (whichever is most recent) before the announcement of their issues of convertible notes/bonds (as compared with the Group which recorded a net loss during the 2017 Second Interim Period). On that basis, we consider that it is appropriate for the CB Comparables as well as the Company to determine each term of their convertible bonds/notes (including the relevant conversion price and the interest payable under the convertible bonds/notes) after their discussion with the relevant subscribers/placing agents by taking into account, among other things, other terms of the convertible bonds/notes and their latest development (including but not limited to the financial performance).

Adjustments to the Conversion Price

As disclosed in the Letter from the Board, the Conversion Price will be subject to adjustments (the "**Adjustments**") upon the occurrence of any of the following events as summarised below: (i) an alteration to the nominal value of the Shares as a result of consolidation or subdivision or reclassification; (ii) issue of any Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), other than Shares paid up out of profits or reserves and issued in lieu (in whole or in part) of a cash dividend; (iii) paying or making any capital distribution to the Shareholders; (iv) issue of Shares to Shareholders by way of rights, or issue or grant to Shareholders by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90% of the market price per Share on the date of the announcement of the terms of the issue or grant; (v)(aa) issue wholly for cash and securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the market price at the date of the announcement of the terms of issue of such securities; (v)(bb) any modification of the rights of conversion, exchange or subscription attaching to any such securities as mentioned in (v)(aa) above so that the consideration per Share is less than 90% of the market price per Share on the date of announcement of the proposals for such modification; (vi) if and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue; and (vii) where the Company or any of its subsidiaries or any other company, person or entity of any securities (other than bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares issued or to be issued by the Company on conversion, exchange or subscription at a consideration per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue.

Based on our research of information published on the website of the Stock Exchange, we noted that similar conversion price adjustment mechanisms are commonly included in the terms of the convertible bonds/notes issued by other companies listed on the Stock Exchange and, having reviewed such adjustment mechanisms, we consider that the Adjustments are in line with the market practice.

Given that (i) Convertible Bond LTD Discount and the Convertible Bond 5-Day Average Discount-0%, (ii) the interest rate of the Convertible Bonds, (iii) the respective maturity dates of the 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds, and (iv) the Adjustments are in line with the then prevailing market practices, we consider that the terms of the Convertible Bonds are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

7. Dilution effect of the issue of the Conversion Shares

Details of changes of shareholding structure as a result of the issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds are set out in the section headed "Effect on the shareholding structure of the Company" of the Letter from the Board.

As set out in the Letter from the Board, the shareholding of the public Shareholders (excluding the Vendors) will be diluted from the current level of approximately 46.78% to (i) 44.57% upon full exercise of the conversion attached to the 1st Tranche Convertible Bonds; (ii) 42.55% upon full exercise of the conversion attached to the 1st Tranche Convertible Bonds and the 2nd Tranche Convertible Bonds; and (iii) 40.72% upon full exercise of the conversion attached to the 1st Tranche Convertible Bonds, the 2nd Tranche Convertible Bonds and the 3rd Tranche Convertible Bonds.

As set out in the Letter from the Board and replicated hereabove, holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds, and the Company shall not allow conversion of any portion of the outstanding principal amount of the Convertible Bonds, if such conversion will cause (i) holder(s) of the Convertible Bonds and parties acting in concert (as defined in the Takeovers Code) with it (them) immediately after such exercise be required to make general offer under Rule 26 of the Takeovers Code; or (ii) the Company to be unable to meet the public float requirements as required under Rule 8.08 of the Listing Rules.

Having considered (i) reasons for and benefits of the entering into of the Sale and Purchase Agreement and the issue of the Convertible Bonds for settlement of part of the Consideration; (ii) that the terms of the Sale and Purchase Agreement which are considered to be fair and reasonable; and (iii) that the terms of the Convertible Bonds which are considered to be fair and reasonable, we are of the view that the aforesaid level of dilution to the shareholding interest of the public Shareholders (excluding the Vendors) is acceptable.

8. Possible financial impact of the Acquisition on the Group

(i) Net asset value

Upon Completion, the Target Company will become an indirect-wholly-owned subsidiary of the Company and all assets and liabilities of the Target Group will be consolidated into those of the Group. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to the Circular, it is expected that as comparing with the financial position of the Group as at 31 December 2017, the total assets of the Enlarged Group would have been increased by approximately HK$831.2 million from approximately HK$432.9 million to approximately HK$1,264.0 million, the total liability of the Enlarged Group would have been increased by approximately HK$731.0 million from approximately HK$53.8 million to approximately HK$784.8 million and the net assets of the Enlarged Group would have been increased by approximately HK$100.2 million from approximately HK$379.1 million to approximately HK$479.3 million.

(ii) Earnings

As disclosed in the 2017 Annual Report, the Group's net loss after tax for the fifteen months ended 31 December 2017 was approximately HK$45.8 million. Upon Completion, the results of the Target Group will be consolidated into the financial statements of the Group. It was set out in the financial information on the Target Group in Appendix II to the Circular that the Target Group recorded an audited net profit after tax of approximately HK$6.6 million, HK$8.9 million, HK$15.5 million and HK$15.2 million for the financial years ended 28 February 2015, 29 February 2016, 28 February 2017 and nine months ended 30 November 2017 respectively. As set out in the Letter from the Board, the Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group, and we, after considering the historical financial information on the Target Group and the Guaranteed Profit of the Target Company for the financial year ended 28 February 2018 (being not less than HK$23.8 million), concur with such view of the Directors.

(iii) Working Capital

As an aggregate amount of HK$120 million of the Consideration will be settled in cash, the cash position and the working capital of the Group are expected to decrease as a result of the Acquisition. We were advised by the Company that the cash portion of the Consideration will be settled by internal resources of the Group and loans to be raised from bank or immediate holding company of the Company.

We notice from the financial information on the Target Group set out in Appendix II to the Circular that (i) an amount of HK$10 million was due to a related company; (ii) an amount of HK$5 million was due to immediate holding company; and (iii) an amount of approximately HK$5 million was due to a director of the Target Company, by the Target Group as at 30 November 2017. We were advised by the Company that all such amounts due by the Target Group to its related company, immediate holding company and director in the total amount of approximately HK$20 million have been repaid and replaced by a loan from a director of the Target Company, principal amount of which amounted to approximately HK$20 million as at the Latest Practicable Date (details of such loan from a director of the Target Company is set out in the paragraph headed "Loan from the director" under the section headed "2. Statement of Indebtedness" in the Financial Information of the Group in Appendix I to the Circular). In addition, as at 30 November 2017, the Target Group had banking facilities granted by two banks to the extent of approximately HK$25 million (the "**Target Group Banking Facilities**") and secured by the fixed deposits in the amount of approximately HK$10 million and personal guarantees provided by a director of the Target Company. We were advised by the Company that the Group has been in negotiation with the Hong Kong branch of a bank in respect of the grant to the Group of a bank facility of approximately HK$150 million (the "**Proposed Bank Facility**") to be secured by the Group's property (details of such property, which was acquired by the Company in 2017, was set out in the Company's circular dated 3 March 2017) and as at the Latest Practicable Date, the Proposed Bank Facility has not yet been granted to the Group. The Company further advised that the Group intends (i) to apply the Proposed Bank Facility to fully repay the principal of the abovementioned loan from a director of the Target Company of HK$20 million and all related interest and to settle the balance of the cash portion of the Consideration in the amount of HK$100 million upon Completion; and (ii) subject to negotiation with the relevant banks, the Group intends to replace the personal guarantees provided by a director of the Target Company in respect of the Target Group Banking Facilities by corporate guarantee from the Company upon Completion.

As set out in the section headed "Working capital statement of the Enlarged Group" in the Financial information of the Group in Appendix I to the Circular, the Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Enlarged Group's financial resources, including internally generated funds and presently available credit facilities, the Enlarged Group has sufficient working capital for its present requirements for the next 12 months from the date of this circular. We were further advised by the Directors that they have made such opinion statement relating to the Enlarged Group's working capital after taking into account the Proposed Bank Facility and the intended application of the Proposed Bank Facility to fully repay the principal of abovementioned loan from a director of the Target Company of HK$20 million and all related interest and to settle the balance of the cash portion of the Consideration in the amount of HK$100 million upon Completion.

Independent Shareholders should note that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position/ results of the Group will be upon Completion.

RECOMMENDATION

Having considered the aforementioned principal factors and reasons, particularly with regard to:

(i) the Acquisition is in line with the Group's current business strategy of businesses diversification and the Board believes that the Acquisition can allow the Group to leverage on the past experiences of CITIC Guoan Group and the Target Company to create the synergies on the brokerage business and other financial services business in Hong Kong in the future;

(ii) the Target Group recorded a continuous growth in revenue and profits for the three consecutive years ended 28 February 2017 and the development of Hong Kong securities market in terms of the average daily turnover value and the average daily turnover volume from 2013 to 2017;

(iii) the Consideration is agreed on an arm's length basis between the Vendors and the Purchaser after considering (1) the business prospects of the Target Company, (2) the benefit from the Acquisition to the Group; (3) the unaudited net asset value of the Target Group as at 30 November 2017; and (4) the related liquid capital requirement, the Guaranteed NAV and Guaranteed Profit relating to the Target Group according to the Sale and Purchase Agreement;

(iv) the Consideration is fair and reasonable with reference to the P/E ratios of the Consideration Comparables; and

(v) the terms of the Convertible Bonds (including the conversion price) are fair and reasonable with references to the historical price performance of the Shares, and the respective conversion prices, interest rates, the maturity dates and the adjustment mechanism with regard to the conversion prices of the CB Comparables, we are of the opinion that although the entering into of the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, we concur with the view of the Directors that the terms of the Sale and Purchase Agreement (including the Consideration and issue of the Convertible Bonds to settle part of the Consideration) are on normal commercial terms and fair and reasonable and the transactions contemplated thereunder (including the Acquisition and the issue of the Convertible Bonds) are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the transactions contemplated under the Sale and Purchase Agreement.

Yours faithfully,
For and on behalf of
Celestial Capital Limited
Daphne Ng
Managing Director

Ms. Daphne Ng is a licensed person and responsible officer of Celestial Capital Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in the corporate finance industry.

1. FINANCIAL SUMMARY OF THE GROUP

Details of the audited consolidated financial statements of the Group for the years ended 30 September 2014, 2015 and 2016 and the audited financial statements of the Group for the fifteen months ended 31 December 2017 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (https://guoanintl.com/zh/home-zh/).

(i) The audited financial information of the Group for the year ended 30 September 2014 is disclosed in the annual report of the Company for the year ended 30 September 2014 published on 29 January 2015, from pages 31 to 69:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0129/LTN20150129310.pdf

(ii) The audited financial information of the Group for the year ended 30 September 2015 is disclosed in the annual report of the Company for the year ended 30 September 2015 published on 6 January 2016, from pages 31 to 75:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0106/LTN20160106749.pdf

(iii) The audited financial information of the Group for the year ended 30 September 2016 is disclosed in the annual report of the Company for the year ended 30 September 2016 published on 19 January 2017, from pages 38 to 111:

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0119/LTN20170119133.pdf

(iv) The audited financial information of the Group for the fifteen months ended 31 December 2017 is disclosed in the annual report of the Company for the fifteen months ended 31 December 2017 published on 30 April 2018, from pages 45 to 139:

http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0430/LTN20180430031.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of this indebtedness statement, the indebtedness of the Enlarged Group was as follows:–

The Group

Bank borrowings

The Group had outstanding bank loans from financial institution with aggregate principal amount of HK$4,500,000, non-guaranteed, secured by the Group's pledged bank deposits, interest bearing at HIBOR plus 2.9% per annum and repayable in June 2018.

Other payables

The Group had a non-guaranteed, unsecured amount due to a former director of the Company, Mr. Sy Ethan, Timothy, amounting to approximately HK$31,198,000. The amount was interest-free and repayable on demand.

Loan from ultimate holding company

The Group had a non-guaranteed, unsecured loan from ultimate holding company, namely CITIC Guoan Group, amounting to approximately HK$3,602,000. The amount was interest-free and repayable on or before 31 December 2018.

The Target Group

Bank overdraft

The Target Group had a non-guaranteed, unsecured bank overdraft of approximately HK$42,000 as at 31 March 2018. All unsecured bank overdraft is charged at prevailing market rate and repayable on demand.

Loan from the director

The Target Group had a non-guaranteed, unsecured loan from the director of HK$20,000,000 as at 31 March 2018. The amount is interest bearing at 2.5% per annum and repayable in May 2018.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 March 2018. To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Enlarged Group since 31 March 2018 and up to the Latest Practicable Date.

3. WORKING CAPITAL STATEMENT OF THE ENLARGED GROUP

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

4. MATERIAL ADVERSE CHANGE

As at 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 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in (i) trading of telecommunications products; (ii) provision of repair services for telecommunications products; (iii) trading of electronic parts; and (iv) investments in financial assets.

The Group has recently taken steps to strengthen its balance sheet and internal resources. It is now ready to seek diversified development in various markets and business arenas. Drawing on the strengths and with the support of CITIC Guoan Group, the Group will particularly take note of the business potential of the trading, finance and technology sectors. Business developments will be pursued prudently upon evaluation of different projects' potential return against the risks involved.

By market, the Group will seek to invest in the growth cycle in Southeast Asia. The region has continued to be the world leader in growth, and the PRC's Belt and Road Initiative is expected to stimulate growth in Asia further by increasing trade activity and infrastructure development. In addition to lending new dynamism to the growth paths of the Asian countries, the Belt and Road Initiative has the potential to reignite global growth. The management of the Company believes that the outlook for the region will remain robust despite some headwinds in the near term.

Major mobile phone vendors and network operators have reported declining handset sales in Hong Kong due to a reduced demand for new smartphones. The local telecommunications market, being highly saturated and competitive, will remain challenging. The Group will continue to adopt a prudent strategy for this business, with low inventory levels and stringent cost control.

The Group is now on a new, solid platform to seek valuable business opportunities, to the long-term benefit of the Shareholders. The Group will deploy resources to identify and invest in new additions to its business portfolio which will contribute to further value generation in future. The long-term goal remains to build a framework for sustainable growth.

The Target Company is one of the well-established securities brokerage firm in Hong Kong since August 1992 by providing a wide range of financial services including but not limited to the provision of securities brokerage services.

The Directors consider that the Acquisition will enable the Group to make a meaningful step in its strategic direction towards diversification of businesses and also allow the Group to leverage on the past experiences of CITIC Guoan Group and the Target Company to create the synergies on the brokerage business and other financial services business in Hong Kong in the future.

For details of the business prospects of the Target Group, please refer to the section headed "Management Discussion and Analysis of the Target Group" in Appendix III of this circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUOAN INTERNATIONAL LIMITED

Introduction

We report on the historical financial information of Yicko Securities Limited (the "Target Company") and its subsidiary (together, the "Target Group") set out on pages 93 to 156, which comprises the consolidated statements of financial position of the Target Group as at 28 February 2015, 29 February 2016, 28 February 2017 and 30 November 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 28 February 2015, 29 February 2016, 28 February 2017 and the nine months ended 30 November 2017 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 93 to 156 forms an integral part of this report, which has been prepared for inclusion in the circular of Guoan International Limited (the "Company") dated 24 May 2018 (the "Circular") in connection with the proposed acquisition of the Target Group by Exquisite Honor Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

Directors' responsibility for Historical Financial Information

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

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements for each of the years ended 28 February 2015, 29 February 2016, 28 February 2017 and management account for the nine months period ended 30 November 2017 of the Target Group ("Historical Financial Statements"). The directors of the Target Company are responsible for the preparation of the Historical Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Target Group as at 28 February 2015, 29 February 2016, 28 February 2017 and 30 November 2017 and of its financial performance and its cash flows of the Target Group for the Track Record Period in accordance with the basis of preparation set out in Section I and Note 2.1 of Section II to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statements of cash flows for the nine months ended 30 November 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Section I and Note 2.1 of Section II to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making enquiries, 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 purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Section I and Note 2.1 of Section II to the Historical Financial Information.

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

Adjustments

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

Pan-China (H.K.) CPA Limited
Certified Public Accountants
11/F., Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

LEE PING KAI
Practising Certificate No. P02976

24 May 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The Historical Financial Information in this report was prepared by the directors of the Company based on previously issued consolidated financial statements of the Target Group for the years ended 28 February 2015, 29 February 2016, 28 February 2017 and management accounts for nine months period ended 30 November 2017 of the Target Group. The previously issued consolidated financial statements of the Target Group were audited by Pan-China (H.K.) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

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

		Year ended			Nine months ended	
	Section II	**28 February 2015**	**29 February 2016**	**28 February 2017**	**30 November 2016**	**30 November 2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	(5)	18,896	19,821	28,111	18,081	24,801
Other income	(6)	2,144	2,019	737	631	2,848
Total income		21,040	21,840	28,848	18,712	27,649
Other operating expenses	(7)	(1,322)	(1,345)	(1,285)	(928)	(3,045)
Administrative expenses	(8)	(12,069)	(10,077)	(9,181)	(6,588)	(6,433)
Finance costs	(10)	(302)	(5)	(88)	(44)	(13)
Total expenses		(13,693)	(11,427)	(10,554)	(7,560)	9,491
Profit before tax		7,347	10,413	18,294	11,152	18,158
Income tax expense	(11)	(699)	(1,515)	(2,843)	(1,783)	(2,983)
Profit for the year/period		6,648	8,898	15,451	9,369	15,175
Other comprehensive income, net of income tax		–	–	–	–	–
Total comprehensive income for the year/period		6,648	8,898	15,451	9,369	15,175
Attributable to: Equity holders of the Target Company		6,648	8,898	15,451	9,369	15,175

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section II *Notes*	As at 28 February 2015 *HK$'000*	As at 29 February 2016 *HK$'000*	As at 28 February 2017 *HK$'000*	As at 30 November 2017 *HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	(12)	1,325	728	297	269
Other assets	(13)	5,045	2,843	3,644	4,938
Deferred tax assets	(24)	–	–	57	51
		6,370	3,571	3,998	5,258
CURRENT ASSETS					
Financial assets at fair value through profit or loss	(14)	1,038	9,358	11,769	53
Trade and other receivables	(15)	100,229	131,893	150,180	235,315
Amount due from fellow subsidiaries	(16)	350	483	649	762
Amount due from ultimate holding company	(17)	42	53	55	68
Bank balances – segregated accounts		507,879	593,369	190,885	198,299
Bank balances – general accounts		19,121	26,878	15,757	18,570
Cash on hand		3	3	3	3
		628,662	762,037	369,298	453,070
CURRENT LIABILITIES					
Bank overdraft	(19)	835	75	1,380	318
Trade and other payables	(20)	560,841	662,120	244,077	310,369
Amount due to a related company	(21)	–	–	–	10,000
Amount due to immediate holding company	(22)	6,725	5,000	5,018	5,000
Amount due to a director	(23)	22,292	4,975	13,013	5,083
Tax payable		527	795	1,724	4,299
		591,220	672,965	265,212	335,069

	Section II Notes	As at 28 February 2015 HK$'000	As at 29 February 2016 HK$'000	As at 28 February 2017 HK$'000	As at 30 November 2017 HK$'000
NET CURRENT ASSETS		37,442	89,072	104,086	118,001
TOTAL ASSETS LESS CURRENT LIABILITIES		43,812	92,643	108,084	123,259
NON-CURRENT LIABILITIES					
Deferred tax liabilities	(24)	(77)	(10)	–	–
NET ASSETS		43,735	92,633	108,084	123,259
EQUITY					
Equity attributable to the owner of the Target Company:					
Share capital	(25)	10,000	50,000	50,000	50,000
Retained earnings		33,735	42,633	58,084	73,259
TOTAL EQUITY		43,735	92,633	108,084	123,259

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Target Company		
	Section II	**Share capital**	**Retained earnings**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
At 1 March 2014		10,000	27,087	37,087
Total comprehensive income for the year		–	6,648	6,648
At 28 February 2015 and 1 March 2015		10,000	33,735	43,735
Capital injection	*(25)*	40,000	–	40,000
Total comprehensive income for the year		–	8,898	8,898
At 29 February 2016 and 1 March 2016		50,000	42,633	92,633
Total comprehensive income for the year		–	15,451	15,451
At 28 February 2017 and 1 March 2017		50,000	58,084	108,084
Total comprehensive income for the period		–	15,175	15,175
At 30 November 2017		50,000	73,259	123,259
(Unaudited)				
At 1 March 2016		50,000	42,633	92,633
Total comprehensive income for the period		–	9,369	9,369
At 30 November 2016		50,000	52,002	102,002

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended			Nine months ended	
	Section II	28 February 2015	29 February 2016	28 February 2017	30 November 2016	30 November 2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating profit before income tax		7,347	10,413	18,294	11,152	18,158
Adjustments for:						
Loss/(gain) on change in fair value on listed investments	(5)	(300)	3,685	(3,483)	(4,449)	(11)
Loss on change in fair value on trading of options	(5)	151	–	–	–	–
Dividend income	(5)	(46)	(1,056)	(974)	(974)	(330)
Bank interests income	(5)	(222)	(576)	(217)	(148)	(278)
Depreciation	(12)	665	610	562	402	192
Bank interests paid	(10)	40	5	88	44	13
Other interests paid	(10)	262	–	–	–	–
Operating profit before changes in working capital		7,897	13,081	14,270	6,027	17,744
(Increase)/decrease in financial assets at fair value through profit or loss		273	(12,005)	1,072	(77)	11,727

		Year ended			Nine months ended	
	Section II	28 February 2015	29 February 2016	28 February 2017	30 November 2016	30 November 2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Increase)/decrease in trade and other receivables		9,775	(31,664)	(18,287)	(20,536)	(85,135)
Increase in amount due from fellow subsidiaries		(56)	(133)	(166)	(107)	(113)
Increase in amount due from ultimate holding company		(8)	(11)	(2)	(2)	(13)
(Increase)/decrease in amount held in bank balances – segregated accounts		(395,711)	(85,490)	402,484	269,406	(7,414)
Increase/(decrease) in trade and other payables		380,895	101,279	(418,043)	(285,590)	66,292
Increase/(decrease) in amount due to immediate holding company		–	(1,725)	18	18	(18)
Increase/(decrease) in amount due to a director		3,019	(17,317)	8,038	8,051	(7,930)
Cash generated from/(used in) operations		6,084	(33,985)	(10,616)	(22,810)	(4,860)
Hong Kong profits tax paid		(40)	(1,314)	(1,981)	(269)	(402)
Net cash generated from/(used in) operating activities		6,044	(35,299)	(12,597)	(23,079)	(5,262)

		Year ended			Nine months ended	
	Section II	28 February 2015	29 February 2016	28 February 2017	30 November 2016	30 November 2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Payment to acquire property, plant and equipment	(12)	(1,907)	(13)	(131)	(1)	(164)
Refund/(payment) of reserve fund deposits with SEHK Option Clearing House Limited		(1,455)	2,202	(801)	(679)	(1,294)
Bank interests received	(5)	222	576	217	148	278
Dividend received	(5)	46	1,056	974	974	330
Net cash (used in)/generated from investing activities		(3,094)	3,821	259	442	(850)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from capital injection from shareholder		–	40,000	–	–	–
Cash advance from a related company		–	–	–	–	10,000
Bank interests paid	(10)	(40)	(5)	(88)	(44)	(13)
Other interest paid	(10)	(262)	–	–	–	–
Net cash (used in)/generated from financing activities		(302)	39,995	(88)	(44)	9,987

		Year ended			Nine months ended	
	Section II	28 February 2015	29 February 2016	28 February 2017	30 November 2016	30 November 2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		2,648	8,517	(12,426)	(22,681)	3,875
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		15,641	18,289	26,806	26,806	14,380
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/ PERIOD	(18)	18,289	26,806	14,380	4,125	18,255

Reconciliation of liabilities arising from financing activities:

This section sets out an analysis of the reconciliation of liabilities arising from financing activities for the period from 1 March 2017 to 30 November 2017.

	Amount due to a related company
	HK$'000
Balance as at 1 March 2017	–
Cash advanced from	10,000
Balance as at 30 November 2017	10,000

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Yicko Securities Limited (the "Target Company") is a company incorporated in Hong Kong with limited liability. The Target Company is a wholly-owned subsidiary of Elitemind Investments Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is Yale International Holdings Limited, a company incorporated in the British Virgin Islands.

The Target Company's registered office and principal place of business are located at 19th Floor, Tung Ning Building, 125-127 Connaught Road, Central, Hong Kong.

The principal activities of the Target Company and its subsidiary (together, the "Target Group") are securities brokerage and trading, investment holdings and provision of management services and asset management. Details of its subsidiary's activity are disclosed in note (28) to the Historical Financial Information of the Target Group.

The Target Company is a registered dealer under the Hong Kong Securities and Futures Ordinance and trading participant of The Stock Exchange of Hong Kong Limited (the "SEHK").

The Target Company is licensed for the following regulated activities under the Hong Kong Securities and Futures Ordinance:

Type 1(b)	:	Dealing in securities and it provides securities margin financing
Type 4	:	Advising on securities
Type 9	:	Asset management

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial information of the Target Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), including Hong Kong Accounting Standards ("HKASs"). The financial information has been prepared under the historical cost, except for certain financial instruments which are measured at fair value.

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

The Historical Financial Information relating to the years ended 28 February 2015, 29 February 2016, 28 February 2017 and the nine months ended 30 November 2017 does not constitute Target Company's statutory annual consolidated financial statements for those years and period. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Target Company is a private company, the Target Company is not required to deliver its statutory consolidated financial statements to the Registrar of Companies, and has not done so.

The Target Company's auditor has reported on those consolidated financial statements for the years ended 28 February 2015, 29 February 2016 and 28 February 2017. These auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

(a) Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Target Group

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

– Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12

– Annual improvements to HKFRSs 2014-2016 cycle

– Disclosure initiative – amendments to HKAS 7

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

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

(2) New standards and interpretations not yet adopted

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

HKFRS 9, 'Financial instruments'

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

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

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

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

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

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

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

HKFRS 15, 'Revenue from contracts with customers'

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

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

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

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

– rights of return HKFRS 15 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation.

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

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

HKFRS 16, 'Leases'

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Target Group's operating leases. As at 30 November 2017, 28 February 2017, 29 February 2016 and 28 February 2015, the Target Group has non-cancellable operating lease commitments of HK$1,913,000, HK$173,000, HK$1,445,000 and HK$148,000 respectively, which may give rise to right-of-use assets and lease liabilities of similar amounts under the new standard.

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

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

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target Company and entity (including structured entities) controlled by the Target Company and its subsidiary. Control is achieved where the Target Group:

– 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.

When the Target Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Group considers all relevant facts and circumstances in assessing whether or not the Target Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Target Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Target Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Target Group has, or does not have, the current ability to directly the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 year are included in the consolidated statements 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.

Profit or loss and each item of other comprehensive income are attributed to the owner of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiary are accounted for by the Target Company on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

(c) Foreign currencies

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

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables and is recognised when it is probable that the economic benefits will flow to the Target Group and when revenue can be measured reliably, on the following bases:

(i) securities, futures and options contracts trading profits or losses, on a trade date basis;

(ii) commission and brokerage income, on a trade date basis;

(iii) assets management fee income is recognised when the services are rendered;

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(v) handling service income from rendering of services, as the underlying services have been provided; and

(vi) dividend income, when the shareholders' right to receive payment has been established.

(e) Income tax

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally 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.

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.

Current and deferred tax for the year/period

Current and deferred tax are recognised in profit or loss, except when it relates 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.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	10% to 30%
Computer software and notebook	50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful live and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

(g) Other assets

Other assets represent admission fee and statutory deposits with The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and The SEHK Options Clearing House Limited. Other assets are stated at cost less any provision deemed necessary by the directors in respect of impairment in value other than those of a temporary nature.

(h) Trading right in The Stock Exchange of Hong Kong Limited

Trading right represents the right to trade on or through The Stock Exchange of Hong Kong Limited. The costs of trading right are written off to the profit or loss in the year of acquisition.

(i) Impairment

At the end of the each reporting period, the Target Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Target Group 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.

(1) Financial assets

The Target Group's financial assets are mainly classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and 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 period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and point 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 interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or 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 it in the near future; or

– on initial recognition it is 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 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 Financial Instruments: Recognition and Measurement permits the entire combined contract 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 other gains or losses. Fair value is determined in manner described in note 3(d) to the Historical Financial Information.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, other assets, amount due from fellow subsidiaries/ultimate holding company, and bank and cash balances) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment loss on financial assets below), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such case, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after 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 default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of 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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, 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.

(2) Financial liabilities and equity

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.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

– it has been acquired principally for the purpose of repurchasing it in the near term; or

– on initial recognition it is 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 liability other than a financial liability held for trading 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 liability 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 companying 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 to be designated as at FVTPL.

Financial liabilities 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 does not include any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to related company/immediate holding company/director) are subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial in which case they are stated at cost.

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 period. 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.

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.

(3) Derecognition

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 financial asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Group retains substantially all the risks and rewards of the 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.

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

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Target Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statements of cash flows.

(l) Leases

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Target Group. All other leases are classified as operating leases.

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised in the statement of financial position as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Related parties

(1) 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.

(2) An entity is related to the Target Group if any of the following conditions applies:

(i) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities 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 the Target Group.

(vi) the entity is controlled or jointly controlled by a person identified in (1).

(vii) a person identified in (1)(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).

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

(o) Employee benefits

(1) Retirement benefits schemes

Salaries, annual bonuses, paid annual leave and leave passage are accrued in the year/period in which the associated services are rendered by employees of the Target Group. Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the consolidated statement of profit or loss as incurred and the assets of the scheme are held separately from those of the Target Group.

When an employee leaves the scheme, the Target Group's mandatory contributions vest fully with the employee.

(2) Long service payments

Certain of the Target Group's employees have completed the required number of years of service to the Target Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Target Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision has been recognised in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Target Group as at the end of the reporting period, who will be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified.

(p) Provisions and contingent liabilities

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

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

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Target Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Interest rate risk

The Target Group's exposure on cash flow interest rate risk mainly arises from its variable-rate deposits with banks. The Target Group currently does not have an interest rate hedging policy. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Variable-rate financial assets				
Bank balances	2,286	2,825	1,737	2,488

Sensitivity analysis

As at 30 November 2017, 28 February 2017, 29 February 2016 and 28 February 2015, if interest rate at the date had been 50 basis points higher/lower with all other variables held constant, the Target Group's profit for the period/year and equity for the period/year would have been approximately HK$10,000, HK$7,000, HK$12,000 and HK$10,000 increase/decrease respectively.

Foreign exchange risk

The Target Group has adopted the Hong Kong dollars as its functional and presentation currency and currently does not have a foreign exchange rate hedging policy in respect of commercial transactions denominated in foreign currencies.

The majority of the Target Group's assets and liabilities are denominated in HKD and Renminbi ("RMB").

The Target Group's foreign exchange risk relates primarily to bank fixed deposit and bank balances and account payables denominated in RMB. The management continuously monitors the foreign exchange rate exposure and will consider hedging significant foreign exchange rate exposure should the need arise.

The carrying amounts of the Target Group's foreign currency denominated assets and liabilities at the end of the reporting period are as follows:

	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Bank balances – general accounts (RMB)	12,773	988	920	799
Liabilities				
Trade payables (RMB)	–	–	–	659

Sensitivity analysis

The following table indicates the instantaneous change in the Target Group's profit after tax that would arise if foreign exchange rates to which the Target Group has significant exposure at the end of the reporting period had changed at the date, assuming all other risk variables remained constant.

	Year ended						Nine months ended	
	28 February 2015		29 February 2016		28 February 2017		30 November 2017	
	Strengthening/ (weakening) of functional currency against foreign currency	Increase/ (decrease) in profit for the year	Strengthening/ (weakening) of functional currency against foreign currency	Increase/ (decrease) in profit for the year	Strengthening/ (weakening) of functional currency against foreign currency	Increase/ (decrease) in profit for the year	Strengthening/ (weakening) of functional currency against foreign currency	Increase/ (decrease) in profit for the period
		HK$'000		HK$'000		HK$'000		HK$'000
RMB	5%	533	5%	41	5%	38	5%	6
RMB	(5%)	(533)	(5%)	(41)	(5%)	(38)	(5%)	(6)

Results of analysis as presented in the above table represent instantaneous effects on the Target Group's profit after tax and equity measured in the Renminbi, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure those financial instruments held by the Target Group which expose the Target Group to foreign currency risk at the end of the reporting period.

Price risk

The Target Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Target Group's equity price risk is mainly concentrated on quoted investments in The Stock Exchange of Hong Kong Limited. In addition, the management monitors the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate adopted is 15% in the current year as a result of the volatile financial market.

At 30 November 2017, 28 February 2017, 29 February 2016 and 28 February 2015, if equity prices had been 15% higher/lower, the profit would have been approximately HK$7,000, HK$1,474,000, HK$1,172,000 and HK$130,000 increase/decrease respectively.

This is mainly due to the changes in fair value of listed investment held-for trading.

(ii) Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Target Group thereby suffers financial loss. The carrying amounts of trade and other receivables and bank balances included in the statements of financial position represent the Target Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. The Target Group monitors the trade receivables on an ongoing basis and only trades with creditworthy counterparties whose collaterals pledged with the Target Group were sufficient to recover the outstanding balances. In addition, all the Target Group's cash and bank balances are deposited with major banks in Hong Kong. The Target Group has policies in place for the control and monitoring of such credit risk.

The credit risk on liquid funds is limited because the majority of the counterparties are reputable banks or banks with high credit-ratings assigned by international credit-rating agencies.

As at 30 November 2017, 28 February 2017, 29 February 2016 and 28 February 2015, credit risks are concentrated as 10%, 17%, 12% and 18%; and 44%, 57%, 41% and 54% of the total trade receivables are due from the Target Group's largest customer and the five largest customers respectively. However, the management considers, based on the strong financial background and good creditability of those debtors, as well as sufficient investment portfolio being held as collateral by the Target Group, there are no significant credit risks.

(iii) Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The Target Group relies on funds generated from operations as a significant source of liquidity.

Liquidity tables

The following tables detail the Target Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have 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 tables include both interest and principal cash flows.

	On demand or within 1 year	Total undiscounted cash flows	Total carrying amount
	HK$'000	*HK$'000*	*HK$'000*
As at 30 November 2017			
Non-derivative financial liabilities			
Bank overdraft	318	318	318
Trade and other payables	310,369	310,369	310,369
Amount due to a related company	10,000	10,000	10,000
Amount due to immediate holding company	5,000	5,000	5,000
Amount due to a director	5,083	5,083	5,083
	330,770	330,770	330,770
As at 28 February 2017			
Non-derivative financial liabilities			
Bank overdraft	1,380	1,380	1,380
Trade and other payables	244,077	244,077	244,077
Amount due to immediate holding company	5,018	5,018	5,018
Amount due to a director	13,013	13,013	13,013
	263,488	263,488	263,488

	On demand or within 1 year	Total undiscounted cash flows	Total carrying amount
	HK$'000	*HK$'000*	*HK$'000*
As at 29 February 2016			
Non-derivative financial liabilities			
Bank overdraft	75	75	75
Trade and other payables	662,120	662,120	662,120
Amount due to immediate holding company	5,000	5,000	5,000
Amount due to a director	4,975	4,975	4,975
	672,170	672,170	672,170
As at 28 February 2015			
Non-derivative financial liabilities			
Bank overdraft	835	835	835
Trade and other payables	560,841	560,841	560,841
Amount due to immediate holding company	6,725	6,725	6,725
Amount due to a director	22,292	22,292	22,292
	590,693	590,693	590,693

(b) Capital management

The Target Group's objectives when managing capital are:

– to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

– to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

As a licensed corporation under Hong Kong Securities and Futures Ordinance, the Target Company is required to maintain at all times the regulatory requirements on its paid-up share capital and liquid capital at a level not less than the minimum amount as stipulated by the Hong Kong Securities and Futures (Financial Resources) Rules.

The management has a capital policy in place and the capital level is monitored on an ongoing basis to ensure that the regulatory capital requirements are met.

The Target Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the nine months ended 30 November 2017 and years ended 28 February 2017, 29 February 2016 and 28 February 2015.

The Target Group monitors capital on the basis of gearing ratio, which is calculated as total debts over total equity. The Target Group's strategy is to maintain the gearing ratio at a satisfactory level. The Target Group's gearing ratio as at 30 November 2017 was 2.72 (28 February 2017: 2.45, 29 February 2016: 7.26 and 28 February 2015: 13.52).

(c) Categories of financial instruments

	At fair value through profit or loss	**Loans and receivables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 30 November 2017			
Assets			
Held-for-trading investments	53	–	53
Other assets	–	4,938	4,938
Trade and other receivables	–	235,315	235,315
Amount due from fellow subsidiaries	–	762	762
Amount due from ultimate holding company	–	68	68
Bank balances – segregated accounts	–	198,299	198,299
Bank balances – general accounts	–	18,570	18,570
Cash on hand	–	3	3
Total	53	457,955	458,008

	Financial liabilities at amortised cost
	HK$'000
As at 30 November 2017	
Liabilities	
Bank overdraft	318
Trade and other payables	310,369
Amount due to a related company	10,000
Amount due to immediate holding company	5,000
Amount due to a director	5,083
Total	330,770

	At fair value through profit or loss	Loans and receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 28 February 2017			
Assets			
Held-for-trading investments	11,769	–	11,769
Other assets	–	3,644	3,644
Trade and other receivables	–	150,180	150,180
Amount due from fellow subsidiaries	–	649	649
Amount due from ultimate holding company	–	55	55
Bank balances – segregated accounts	–	190,885	190,885
Bank balances – general accounts	–	15,757	15,757
Cash on hand	–	3	3
Total	11,769	361,173	372,942

	Financial liabilities at amortised cost
	HK$'000
As at 28 February 2017	
Liabilities	
Bank overdraft	1,380
Trade and other payables	244,077
Amount due to immediate holding company	5,018
Amount due to a director	13,013
Total	263,488

	At fair value through profit or loss	**Loans and receivables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 29 February 2016			
Assets			
Held-for-trading investments	9,358	–	9,358
Other assets	–	2,843	2,843
Trade and other receivables	–	131,893	131,893
Amount due from fellow subsidiaries	–	483	483
Amount due from ultimate holding company	–	53	53
Bank balances – segregated accounts	–	593,369	593,369
Bank balances – general accounts	–	26,878	26,878
Cash on hand	–	3	3
Total	9,358	755,522	764,880

	Financial liabilities at amortised cost
	HK$'000
As at 29 February 2016	
Liabilities	
Bank overdraft	75
Trade and other payables	662,120
Amount due to immediate holding company	5,000
Amount due to a director	4,975
Total	672,170

	At fair value through profit or loss	Loans and receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 28 February 2015			
Assets			
Held-for-trading investments	1,038	–	1,038
Other assets	–	5,045	5,045
Trade and other receivables	–	100,229	100,229
Amount due from fellow subsidiaries	–	350	350
Amount due from ultimate holding company	–	42	42
Bank balances – segregated accounts	–	507,879	507,879
Bank balances – general accounts	–	19,121	19,121
Cash on hand	–	3	3
Total	1,038	632,669	633,707

	Financial liabilities at amortised cost
	HK$'000
As at 28 February 2015	
Liabilities	
Bank overdraft	835
Trade and other payables	560,841
Amount due to immediate holding company	6,725
Amount due to a director	22,292
Total	590,693

(d) Fair value measurement

The table below analyses the Target Group's financial instruments carried at fair value as at 30 November 2017, 28 February 2017, 29 February 2016 and 28 February 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

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

The following table presents the Target Group's assets and liabilities that are measured at fair value at 30 November 2017, 28 February 2017, 29 February 2016 and 28 February 2015:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 November 2017				
Financial assets at fair value through profit or loss				
– Listed investments	53	–	–	53
As at 28 February 2017				
Financial assets at fair value through profit or loss				
– Listed investments	11,769	–	–	11,769
As at 29 February 2016				
Financial assets at fair value through profit or loss				
– Listed investments	9,358	–	–	9,358
As at 28 February 2015				
Financial assets at fair value through profit or loss				
– Listed investments	1,038	–	–	1,038

4. Critical accounting estimates and judgements

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

(a) Useful lives and residual value of property, plant and equipment

The Target Group's management determines the residual values, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions and may vary significantly as a result of technical innovations resulting in higher depreciation charges and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

At 30 November 2017, the carrying amount of the Target Group's property, plant and equipment amounted to HK$269,000 (28 February 2017: HK$297,000, 29 February 2016: HK$728,000 and 28 February 2015: HK$1,325,000).

(b) Impairment of trade receivables

The provisioning policy for impairment of trade receivables of the Target Group is based on the evaluation by management of the collectability of the loans and receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers are to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment will be required.

At 30 November 2017, the carrying amount of the Target Group's trade receivables after provision for impairment amounted to HK$235,212,000 (28 February 2017: HK$150,041,000, 29 February 2016: HK$131,611,000 and 28 February 2015: HK$99,960,000. No provision for impairment has been recognised in profit or loss for the nine months ended 30 November 2017 (28 February 2017, 29 February 2016 and 28 February 2015: Nil).

5. REVENUE

(a) Analysis of the Target Group's revenue is as follows:

	Year ended			Nine months ended	
	28 February 2015	29 February 2016	28 February 2017	30 November 2016	30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Commission and brokerage income	12,622	9,163	5,039	4,174	4,356
Less: Commissions paid	(754)	(815)	(455)	(358)	(507)
	11,868	8,348	4,584	3,816	3,849
Commission income	984	6,856	9,387	2,121	11,786
Asset management income	–	–	–	–	669
Interests income from					
– clients	5,275	6,564	8,625	6,209	8,170
– banks	222	576	217	148	278
– other sources	3	2	3	2	3
(Loss)/gain on trading of listed investments	(290)	111	819	343	(298)
Gain/(loss) on change in fair value on listed investments	300	(3,685)	3,483	4,449	11
Gain/(loss) on trading of options	639	(7)	19	19	3
Loss on change in fair value on trading options	(151)	–	–	–	–
Dividends income	46	1,056	974	974	330
	18,896	19,821	28,111	18,081	24,801

(b) Segment information

For the years ended 28 February 2015, 29 February 2016, 28 February 2017 and the nine months ended 30 November 2017, the directors of the Target Group, being the chief operating decision markers of the Target Group, assessed the operating performance and allocates the resources of the Target Group as a whole as the Target Group is primarily engaged in the securities brokerage and trading, investment holdings and provision of management services and asset management. Accordingly, there is only one operating and reportable segment.

(c) Geographical segments

The geographical location of customers is based on the location at which the services were provided. During the years ended 28 February 2015, 29 February 2016 and 28 February 2017 and the nine months ended 30 November 2016 and 30 November 2017, the Target Group's revenue is mainly derived from customers in Hong Kong.

(d) Information about major customers

At the end of the reporting period, the following respective external customers contributed more than 10% of total revenue of the Target Group.

		Year ended			Nine months ended	
		28 February 2015	**29 February 2016**	**28 February 2017**	**30 November 2016**	**30 November 2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	*(i)*	–	3,415	–	–	–
Customer B	*(ii)*	–	–	5,439	–	–
Customer C	*(iii)*	–	–	–	–	9,900

Notes:

(i) Customer A did not contribute more than 10% of total revenue of the Target Group during the years ended 28 February 2015, 28 February 2017 and the nine months ended 30 November 2016 and 30 November 2017.

(ii) Customer B did not contribute more than 10% of total revenue of the Target Group during the years ended 28 February 2015, 29 February 2016 and the nine months ended 30 November 2016 and 30 November 2017.

(iii) Customer C did not contribute more than 10% of the total revenue of the Target Group during the years ended 28 February 2015, 29 February 2016, 28 February 2017 and the nine months ended 30 November 2016.

6. OTHER INCOME

	Year ended			Nine months ended	
	28 February 2015	**29 February 2016**	**28 February 2017**	**30 November 2016**	**30 November 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CCASS service income	1,577	1,025	507	427	430
Handling charges for dividend collection	206	346	217	194	159
Management fee income	349	180	–	–	–
Service charges income	12	45	12	10	2,259
Sundry income	–	423	1	–	–
	2,144	2,019	737	631	2,848

7. OTHER OPERATING EXPENSES

	Year ended			Nine months ended	
	28 February 2015	**29 February 2016**	**28 February 2017**	**30 November 2016**	**30 November 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank charges	153	133	105	57	64
CCASS settlement charges	489	579	604	463	2,769
Depreciation *(note 12)*	665	610	562	402	192
Sundry expenses	15	23	14	6	20
	1,322	1,345	1,285	928	3,045

8. ADMINISTRATIVE EXPENSES

	Year ended			Nine months ended	
	28 February 2015	**29 February 2016**	**28 February 2017**	**30 November 2016**	**30 November 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditor's remuneration	228	248	308	231	246
Directors' remuneration *(note 9a)*	1,113	353	276	204	183
Donations	51	105	1	–	–
Exchange loss	325	678	49	–	–
Legal and professional fees	161	197	8	8	8
Rent and rates	1,119	1,089	1,304	973	1,056
Salaries and allowances	4,326	3,706	3,785	2,656	2,655
Mandatory provident fund contributions	185	179	163	120	113
Other expenses	4,561	3,522	3,287	2,396	2,172
	12,069	10,077	9,181	6,588	6,433

9. DIRECTORS' REMUNERATION

(a) Directors emoluments are as follows:

Year ended 28 February 2015

Name of directors	**Directors' fee**	**Salaries, allowances and other benefits**	**Retirement scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chong Chin	300	–	12	312
Chong Yvonne	180	–	9	189
Ng Wilson	286	–	14	300
Yao Sze Ling	300	–	12	312
	1,066	–	47	1,113

Year ended 29 February 2016

Name of directors	Directors' fee	Salaries, allowances and other benefits	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chong Chin	–	–	10	10
Chong Yvonne *(note i)*	30	–	2	32
Ng Wilson	285	–	14	299
Yao Sze Ling	–	–	12	12
	315	–	38	353

Year ended 28 February 2017

Name of directors	Directors' fee	Salaries, allowances and other benefits	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chong Chin	–	–	–	–
Ng Wilson *(note ii)*	125	–	6	131
Yao Sze Ling	–	–	12	12
Chong Alvin *(note iii)*	–	126	7	133
	125	126	25	276

Nine months ended 30 November 2016 (unaudited)

Name of directors	Directors' fee	Salaries, allowances and other benefits	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chong Chin	–	–	–	–
Ng Wilson *(note ii)*	125	–	6	131
Yao Sze Ling	–	–	9	9
Chong Alvin *(note iii)*	–	61	3	64
	125	61	18	204

Nine months ended 30 November 2017

Name of directors	Directors' fee	Salaries, allowances and other benefits	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Chong Chin	–	–	–	–
Yao Sze Ling	–	–	9	9
Chong Alvin	–	166	8	174
	–	166	17	183

Notes:

(i) Chong Yvonne resigned on 30 April 2015.
(ii) Ng Wilson resigned on 8 August 2016.
(iii) Chong Alvin was appointed on 8 August 2016.

(b) Individuals with highest emoluments

During the year/period ended 28 February 2015, 29 February 2016, 28 February 2017, 30 November 2016 and 30 November 2017, 3, 1, 0, 0 (unaudited) and 1 of the five individuals with highest emoluments are directors whose emoluments are disclosed in note 9(a) respectively. The aggregate of emoluments in respect of remaining 2, 4, 5, 5 (unaudited) and 4 individuals are as follows:

	Year ended			Nine months ended	
	28 February 2015	29 February 2016	28 February 2017	30 November 2016	30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other emoluments	880	1,135	1,436	1,025	900
Retirement scheme contributions	28	52	57	42	23
	908	1,187	1,493	1,067	923

The emoluments of the 2, 4, 5, 5 (unaudited) and 4 individuals with the highest emoluments are within the followings bands:

	Year ended			Nine months ended	
	28 February 2015	29 February 2016	28 February 2017	30 November 2016	30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Nil - HK$1,000,000	2	4	5	5	4

10. FINANCE COSTS

	Year ended			Nine months ended	
	28 February 2015	**29 February 2016**	**28 February 2017**	**30 November 2016**	**30 November 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank interest paid	40	5	88	44	13
Other interests paid	262	–	–	–	–
	302	5	88	44	13

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided in the Historical Financial Information at the rate of 16.5% (for the nine months ended 30 November 2016 and years ended 28 February 2017, 29 February 2016 and 28 February 2015: 16.5%) on the estimated assessable profits of the Target Group.

	Year ended			Nine months ended	
	28 February 2015	**29 February 2016**	**28 February 2017**	**30 November 2016**	**30 November 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hong Kong Profits Tax					
– Current tax	567	1,602	2,927	1,800	3,000
– Tax reduction	–	(20)	(20)	(20)	(20)
– Under/(over) provision in previous year	–	–	3	3	(3)
Deferred taxation relating to the origination and reversal of temporary difference *(note 24)*	132	(67)	(67)	–	6
	699	1,515	2,843	1,783	2,983

The income tax expense for the year/period can be reconciled to the profit before tax per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended			Nine months ended	
	28 February 2015	**29 February 2016**	**28 February 2017**	**30 November 2016**	**30 November 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before tax	7,347	10,413	18,294	11,152	18,158
Taxation at the rate of 16.5% (30 November 2016, 28 February 2017, 29 February 2016 and 28 February 2016: 16.5%)	1,212	1,718	3,019	1,840	2,996
Tax effect of:					
– Expenses not deductible for taxation purposes	51	–	–	48	5
– Income not taxable for taxation purposes	(58)	(185)	(161)	(161)	(54)
– Tax losses not recognised	2	2	2	2	2
– Utilisation of previous unrecognised tax losses	(508)	–	–	–	–
– Tax reduction	–	(20)	(20)	(20)	(20)
– Under provision	–	–	3	74	54
Income tax expense	699	1,515	2,843	1,783	2,983

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Computer software and notebook *HK$'000*	Total *HK$'000*
Cost:					
At 1 March 2014	254	640	1,710	687	3,291
Additions	19	–	1,743	145	1,907
Disposals	(212)	(563)	(125)	(603)	(1,503)
At 28 February 2015 and 1 March 2015	61	77	3,328	229	3,695
Additions	–	13	–	–	13
At 29 February 2016	61	90	3,328	229	3,708
Additions	130	1	–	–	131
Disposals	–	–	(1,015)	–	(1,015)
At 28 February 2017 and 1 March 2017	191	91	2,313	229	2,824
Additions	–	120	–	44	164
At 30 November 2017	191	211	2,313	273	2,988
Accumulated depreciation and impairment losses:					
At 1 March 2014	237	616	1,710	645	3,208
Charge for the year	12	15	523	115	665
Written back on disposal	(212)	(563)	(125)	(603)	(1,503)
At 28 February 2015 and 1 March 2015	37	68	2,108	157	2,370
Charge for the year	7	8	523	72	610
At 29 February 2016 and 1 March 2016	44	76	2,631	229	2,980
Charge for the year	33	6	523	–	562
Written back on disposal	–	–	(1,015)	–	(1,015)
At 28 February 2017 and 1 March 2017	77	82	2,139	229	2,527
Charge for the period	24	20	131	17	192
At 30 November 2017	101	102	2,270	246	2,719
Net carrying amount:					
As at 28 February 2015	24	9	1,220	72	1,325
As at 29 February 2016	17	14	697	–	728
As at 28 February 2017	114	9	174	–	297
As at 30 November 2017	90	109	43	27	269

13. OTHER ASSETS

	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Admission fee paid to Hong Kong Securities Clearing Company Limited	100	100	100	100
Dealer's deposit with the Hong Kong Securities and Futures Commission	50	50	50	50
Deposits with the Compensation Fund of The Stock Exchange of Hong Kong Limited	100	100	100	100
Fidelity Fund with The Stock Exchange of Hong Kong Limited	100	100	100	100
Contribution to the Central Clearing and Settlement System Guarantee Fund	100	100	100	100
Reserve Fund deposits with SEHK Option Clearing House Limited	4,595	2,393	3,194	4,488
Trading right in The Stock Exchange of Hong Kong Limited *(Note)*	–	–	–	–
	5,045	2,843	3,644	4,938

Note: The Target Group holds two shares of trading rights on The Stock Exchange of Hong Kong Limited. The costs of trading right were written off to the profit or loss in the year of acquisition and residual value of these trading rights is HK$2 at the end of each reporting period.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Held for trading:				
– Listed investments in Hong Kong, at fair value	1,038	9,358	11,769	53

The fair values of listed investments are determined on the basis of quoted market bid price at the end of the reporting period.

15. TRADE AND OTHER RECEIVABLES

	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Account receivables:				
(a) Cash clients	2,223	2,887	4,272	2,329
(b) Margin clients	49,970	83,077	107,625	136,443
(c) Futures and options clients	1,647	17,426	910	37,659
(d) Clearing houses	46,120	28,221	37,234	58,781
Sundry debtors	9	96	7	7
Deposits for Stamp Duty	75	75	30	30
Other deposits and prepayments	185	111	102	66
	100,229	131,893	150,180	235,315

The settlement terms of account receivables arising from the ordinary course of business of dealing in securities in Hong Kong market are within two days after trade date. The balances are repayable on demand after the settlement date.

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

	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 2 days	1,705	2,624	4,124	1,943
3 – 5 days	445	182	147	357
6 – 30 days	1	1	–	28
Over 30 days	72	80	1	1
	2,223	2,887	4,272	2,329

Interest is charged on overdue cash clients at prime rate specified by a designated bank plus 5% per annum.

As at 30 November 2017, account receivables from cash clients included balance due for more than 2 days which amounted to HK$386,000 (28 February 2017: HK$148,000, 29 February 2016: HK$263,000 and 28 February 2015: HK$518,000) were past due and no impairment was recognised. Those account receivables had no history of default and the management believes that the amounts are recoverable.

No ageing analysis for account receivables from margin clients is disclosed as in the opinion of directors of Target Company, the ageing analysis does not give additional value in view of the nature of securities brokerage business.

Interest is charged on overdue margin clients at prime rate specified by a designated bank plus 4.5% per annum.

Account receivables from margin clients are secured by the underlying pledged securities. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Target Group. The margin ratios are reviewed and determined periodically. As at 30 November 2017, the Target Group had no account receivables past due and not impaired (28 February 2017, 29 February 2016 and 28 February 2015: Nil). As at 30 November 2017, the fair value of marketable securities pledged by securities margin clients was HK$519,822,000 (28 February 2017: HK$379,251,000, 29 February 2016: HK$377,430,000 and 28 February 2015: HK$307,739,000).

Account receivables from futures and options clients and clearing houses are outstanding balances within two days and settled after the reporting date.

16. AMOUNT DUE FROM FELLOW SUBSIDIARIES

Name of borrower	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Yicko Finance Limited	46	–	–	–
Yicko Group Limited	292	329	354	354
Yicko Holdings Limited	12	17	22	32
Yicko Sunshine Limited	–	137	273	376
	350	483	649	762

The amount due from fellow subsidiaries are unsecured, interest-free and repayable on demand. No provision has been made for the outstanding amount due.

17. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

Name of borrower	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Yale International Holdings Limited	42	53	55	68

The amount due from ultimate holding company is unsecured, interest-free and repayable on demand. No provision has been made for the outstanding amount due.

18. CASH AND CASH EQUIVALENTS

	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank balances				
– general accounts	19,121	26,878	15,757	18,570
Cash on hand	3	3	3	3
Bank overdraft *(note 19)*	(835)	(75)	(1,380)	(318)
	18,289	26,806	14,380	18,255

19. BANK OVERDRAFT

	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdraft, repayable on demand				
– secured	–	–	1,068	–
– unsecured	835	75	312	318
	835	75	1,380	318

At 28 February 2015, 29 February 2016, 28 February 2017 and 30 November 2017, the Target Group had banking facilities granted by two banks to the extent of approximately HK$25,150,000 and secured by the fixed deposits in the amount of HK$10,200,000 (28 February 2017: HK$10,178,000, 29 February 2016: HK$10,154,000 and 28 February 2015: HK$11,897,000) of the Target Group as at 30 November 2017 and personal guarantees provided by a director of the Target Company.

20. TRADE AND OTHER PAYABLES

	As at 28 February 2015	As at 29 February 2016	As at 28 February 2017	As at 30 November 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Account payables:				
(a) Cash clients	42,637	50,383	33,092	92,184
(b) Margin clients	464,192	526,376	154,472	92,695
(c) Futures and options clients	45,483	69,156	47,487	115,468
(d) Clearing houses	–	5,758	–	–
(e) Others	759	788	825	847
Sundry creditors and accrued charges	7,770	9,659	8,201	9,175
	560,841	662,120	244,077	310,369

The account payables balances are repayable on demand. Account payables to clients also included unsettled trade from business of dealing in securities.

The Target Group has a practice to satisfy all the requests for payments immediately within the credit period. There are no overdue account payables as of the years/period ended dates.

The settlement terms of account payables arising from the ordinary course of business of dealing in securities in Hong Kong market are within two days after trade date. The balances are repayable on demand after the settlement date. Interest is payable to any individual cash client with the balance over HK$100,000 at 0.01% per annum.

21. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company, Yieldwin Limited is unsecured, interest-free and repayable on demand.

22. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company, Elitemind Investments Limited is unsecured, interest-free and repayable on demand.

23. AMOUNT DUE TO A DIRECTOR

The amount due to a director of the Target Company is unsecured and has no fixed repayment terms. The amount due to a director of the Target Company was interest bearing at the rate of 6% per annum for the period from 1 March 2014 to 30 April 2014 and no interest was charged effective from 1 May 2014 and onward.

24. DEFERRED TAX ASSETS/(LIABILITIES)

	Decelerated/(accelerated) tax depreciation			
	As at 28 February 2015	**As at 29 February 2016**	**As at 28 February 2017**	**As at 30 November 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/ period	55	(77)	(10)	57
(Charged)/credited to consolidated statements of profit or loss and other comprehensive income *(note 11)*	(132)	67	67	(6)
At the end of the year/period	(77)	(10)	57	51

25. SHARE CAPITAL

	No. of shares	Amount
	'000	*HK$'000*
As at 28 February 2015		
Issued and fully paid:		
At 1 March 2014 and 28 February 2015	10,000	10,000
As at 29 February 2016		
Issued and fully paid:		
At 1 March 2015	10,000	10,000
Capital injection *(Note)*	40,000	40,000
At 29 February 2016	50,000	50,000
As at 28 February 2017		
Issued and fully paid:		
At 1 March 2016 and 28 February 2017	50,000	50,000
As at 30 November 2017		
Issued and fully paid:		
At 1 March 2017 and 30 November 2017	50,000	50,000

Note: On 26 August 2015, 40,000,000 ordinary shares were issued at the amount of HK$1 each to an existing member for cash to provide additional working capital to the Target Company. These shares rank pari passu in all respects with the then existing shares.

26. RELATED PARTY TRANSACTIONS

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

(a) In addition to the transactions and balances detailed elsewhere in these consolidated financial information, the Target Group had the following transactions with related parties during the year/period.

		Year ended			Nine months ended	
		28 February 2015	**29 February 2016**	**28 February 2017**	**30 November 2016**	**30 November 2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Brokerage income received from	*(i)*					
– related parties		572	844	297	245	293
– directors		629	499	201	169	124
Management fee received from related parties	*(ii)*	349	180	–	–	–
Commissions paid to	*(iii)*					
– related parties		174	168	100	44	63
– a director		1	1	18	58	26
Other interest paid to						
– a director	*(iv)*	261	–	–	–	–

Notes:

(i) The Target Group provided brokerage services, and received commission and brokerage income from its related parties/directors in accordance with the terms of the signed brokerage service agreements.

(ii) The Target Group provided management service, including general operating and administrative expenses to related parties.

(iii) The Target Group paid the commission to related parties/a director at the rate of range from 20% to 43% based on commission income received.

(iv) The amount due to Chong Chin, a director of Target Company was interest bearing at the rate of 6% per annum for the period from 1 March 2014 to 30 April 2014 and no interest was charged effective from 1 May 2014 and onward.

(b) At the end of the reporting period, included in account receivables/account payables are the amount due from/to certain related parties as follows:

	Notes	As at 28 February 2015 HK$'000	As at 29 February 2016 HK$'000	As at 28 February 2017 HK$'000	As at 30 November 2017 HK$'000
Assets					
Amount due from fellow subsidiaries included in:					
– cash clients receivables	*(i)*	–	128	–	35
– margin clients receivables	*(ii)*	–	107	–	3,695
Amount due from family members of the directors of Target Company included in:					
– cash clients receivables	*(i)*	–	–	120	–
– margin clients receivables	*(ii)*	53	28	299	874
Amount due from related parties included in:					
– margin clients receivables	*(ii)*	1,107	–	3,010	3,119
– futures and options clients receivables	*(iii)*	–	1,807	–	6,836
Amount due from directors of Target Company included in:					
– cash clients receivables	*(i)*	–	31	–	–
– margin clients receivables	*(ii)*	1	1,740	–	135
– futures and option clients receivables	*(iii)*	1,405	11,424	–	15,107
		2,566	15,265	3,429	29,801

	Notes	As at 28 February 2015 *HK$'000*	As at 29 February 2016 *HK$'000*	As at 28 February 2017 *HK$'000*	As at 30 November 2017 *HK$'000*
Liabilities					
Amount due to fellow subsidiaries included in:					
– cash clients payables	*(iv)*	–	235	294	57
– margin clients payables	*(v)*	1,311	33	20,093	6,754
– futures and options clients payables	*(iv)*	834	3,383	4,093	3,571
– sundry creditors and accrued charges	*(iv)*	172	189	189	189
Amount due to family members of the directors of Target Company included in:					
– cash clients payables	*(iv)*	1,348	411	1,715	5
– margin clients payables	*(v)*	7,096	854	886	1,397
– futures and options clients payables	*(iv)*	2,168	2,458	1,817	7,148
– sundry creditors and accrued charges	*(iv)*	–	28	28	28
Amount due to immediate holding company of Target Company included in:					
– margin clients payables	*(v)*	72	7	4	3
– sundry creditors and accrued charges	*(iv)*	313	313	313	313
Amount due to related parties included in:					
– cash clients payables	*(iv)*	1,832	57	47	33
– margin clients payables	*(v)*	11,780	4,624	5,868	5,046
– futures and options clients payables	*(iv)*	10,134	5,493	7,310	14,843
– sundry creditors and accrued charges	*(iv)*	1,652	1,830	1,830	1,830
Amount due to directors of Target Company included in:					
– cash clients payables	*(iv)*	4,658	48	–	–
– margin clients payables	*(v)*	6,427	1,453	6,180	1,787
– futures and options clients payables	*(iv)*	7,498	18,943	7,481	29,916
– sundry creditors and accrued charges	*(iv)*	2,248	2,248	2,248	2,048
		59,543	42,607	60,396	74,968

Notes:

(i) The cash clients receivables are unsecured, bear interest on overdue at prime rate specified by a designated bank plus 5% per annum and repayable within two days after the trade day.

(ii) The margin clients receivables are secured by the underlying pledged securities, bear interest on overdue at prime rate specified by a designated bank plus 4.5% per annum and repayable on demand.

(iii) The futures and options clients receivables are unsecured, interest-free and repayable within two days after the trade day.

(iv) Except for any individual cash client with the balance over HK$100,000 are interest bearing at the rate of 0.01% per annum, all the cash clients payables, futures and options clients payables, and sundry creditors and accrued charges are unsecured, interest-free and repayable on demand.

(v) The margin clients payables are unsecured, interest-free and repayable on demand.

At the end of each reporting period, related parties were controlled by certain directors of the Target Company.

27. OPERATING LEASE COMMITMENT

As at 28 February 2015, 29 February 2016, 28 February 2017 and 30 November 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 28 February 2015	**As at 29 February 2016**	**As at 28 February 2017**	**As at 30 November 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	148	1,272	173	1,380
2 to 5 years	–	173	–	533
	148	1,445	173	1,913

The operating lease commitment represented rental agreement signed by Yicko Group Limited, a fellow subsidiary of the Target Company.

The leases typically run for an initial period of two years. None of leases includes contingent rental.

28. PARTICULARS OF A SUBSIDIARY

The Target Company had established the following subsidiary on 2 July 1993, and the details of the subsidiary are as follows. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation and operation	Issued and paid-up capital	Equity interest held directly by the Target Company	Principal activity
Yicko Nominees Limited	Hong Kong	HK$10,000	100%	Provision of nominee services

29. EVENTS AFTER REPORTING DATE

In February 2018, the Target Company had registered a new business, namely "Yicko Lecture Room", to develop financial market tutorial services business.

III. SUBSEQUENT FINANCIAL STATEMNTS

No audited consolidated financial statements have been prepared by the Target Group in respect of any period subsequent to 30 November 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Target Group in respect of any period subsequent to 30 November 2017.

Set out below is the management discussion and analysis on the Target Group for the three years ended 28 February 2015, 29 February 2016 and 28 February 2017 and the nine months ended 30 November 2017. The following financial information is based on the audited financial information of the Target Group as set out in Appendix II to this circular.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP FOR EACH OF THE YEARS ENDED 28 FEBRUARY 2015, 29 FEBRUARY 2016 AND 28 FEBRUARY 2017 AND THE NINE MONTHS ENDED 30 NOVEMBER 2017

I. BUSINESS REVIEW

The Target Group is a participant of The Stock Exchange of Hong Kong Limited and licensed to carry out the following regulated activities under the Securities and Futures Ordinance of Hong Kong:

Type 1(b) license	:	Dealing in securities and provision of securities margin financing
Type 4 license	:	Advising on securities
Type 9 license	:	Asset management

During the period, the Target Group was principally engaged in the provision of: (i) brokerage services; (ii) underwriting and placing services; and (iii) asset management services.

Segment Information

For the nine months ended 30 November 2017, the Target Group recorded an increase in the commission income from (i) brokerage services; (ii) underwriting and placing services; and (iii) asset management services, as compared with the same period of 2016.

For each of the financial years ended 28 February 2015, 29 February 2016 and 28 February 2017, the Target Group recorded a decline in commission income from brokerage services, while revenue from underwriting and placing services substantially increased.

The Target Group has been putting extra effort in developing its business. Nevertheless, the Target Group's performance depends 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 with the stock market environment. Brokerage income will continue to be directly correlated with the overall stock market trading volume while underwriting and placing income may continue to be correlated with market fund raising activities, the number of underwriting and placing exercises that the Target Group is involved in, and/or the size of fund the customers intended to raise.

In addition, the Target Group's interest income from clients will be subject to customers' investment and financing needs. For each of the financial years ended 28 February 2015, 29 February 2016 and 28 February 2017 and the nine months ended 30 November 2017, the Target Group's interest income from clients increased on a yearly basis.

For each of the financial years ended 28 February 2015, 29 February 2016 and 28 February 2017 and the nine months ended 30 November 2017, the Target Group recorded an increase in profit after tax.

Prospects

After the onset of the Shenzhen-Hong Kong Stock Connect Scheme in December 2016 and the easing of PRC funds to invest in Hong Kong, the capital market of the PRC would be more open to international investors. As a major international financial centre close to the PRC market, Hong Kong will play an important role in this regard and is expected to benefit from it.

The Target Group remains cautiously optimistic regarding maximising potential in the capital market and driving long-term solid business growth. With the improving market sentiment and investment appetite in 2017, the Target Group expects that the brokerage income, underwriting and placing income and interest income from clients of the Target Group will continue to increase steadily.

II. FINANCIAL REVIEW

Revenue

The Target Group's revenue is mainly generated from (i) commission income from brokerage services; (ii) commission income from underwriting and placing and other services; (iii) interest income from clients; (iv) provision of assets management services; and (v) investment in listed securities.

For the nine months ended 30 November 2017, the revenue of the Target Group amounted to approximately HK$24,801,000, representing an increase of approximately HK$6,720,000 or approximately 37.2% compared with that of approximately HK$18,081,000 for the nine months ended 30 November 2016. The increase in revenue was mainly due to (i) an increase in commission income from brokerage services of approximately HK$182,000; (ii) an increase in commission income from underwriting and placing and other services of approximately HK$9,665,000; (iii) an increase in interest income from clients of approximately HK$1,961,000; (iv) a decrease in profit from trading of listed securities and options of approximately HK$657,000; and (v) an increase in asset management income of approximately HK$669,000.

For the year ended 28 February 2017, the revenue of the Target Group amounted to approximately HK$28,111,000, representing an increase of approximately HK$8,290,000 or approximately 41.8% compared with that of approximately HK$19,821,000 for the year ended 29 February 2016, primarily due to: (i) a decrease in commission income from brokerage services of approximately HK$4,124,000; (ii) an increase in commission income from underwriting and placing and other services of approximately HK$2,531,000; (iii) an increase in interest income from clients of approximately HK$2,061,000; and (iv) an increase in gain on change in fair value of listed investments of approximately HK$7,168,000.

For the year ended 29 February 2016, the revenue of the Target Group amounted to approximately HK$19,821,000, representing an increase of approximately HK$925,000 or approximately 4.9% compared with the year ended 28 February 2015 of approximately HK$18,896,000. The increase was mainly due to (i) a decrease in commission income from brokerage services of approximately HK$3,459,000; (ii) an increase in commission income from underwriting and placing and other services of approximately HK$5,872,000; (iii) an increase in interest income from clients of approximately HK$1,289,000; and (iv) a decrease in loss on change in fair value of listed investments and options of approximately HK$3,834,000.

Other income

The Target Group recorded other income amounting to approximately HK$2,848,000 for the nine months ended 30 November 2017, representing an increase of approximately HK$2,217,000 or approximately 351.3% compared with that of approximately HK$631,000 for the nine months ended 30 November 2016. The significant increase was mainly due to an increase in service charges income of approximately HK$2,249,000.

For the year ended 28 February 2017, the other income of the Target Group amounted to approximately HK$737,000, representing a decrease of approximately HK$1,282,000 or approximately 63.5% compared with that of approximately HK$2,019,000 for the year ended 29 February 2016, primarily due to (i) a decrease in management fee income of approximately HK$180,000; (ii) a decrease in CCASS service income of approximately HK$518,000; (iii) a decrease in handling charges for dividend collection of approximately HK$129,000; and (iv) a decrease in sundry income related to the reversal of over-provision for long service payment of approximately HK$423,000.

For the year ended 29 February 2016, the other income amounted to approximately HK$2,019,000, representing a slight decrease of HK$125,000 or 5.8% compared with that of approximately HK$2,144,000 for the year ended 28 February 2015. The decrease was due to (i) a decrease in management fee income of approximately HK$169,000; (ii) a decrease in CCASS service income of approximately HK$552,000; (iii) increase in handling charges for dividend collection of approximately HK$140,000; and (iv) an increase in sundry income related to the reversal of over-provision for long service payment of approximately HK$423,000.

Other operating expenses and administrative expenses

For the nine months ended 30 November 2017, the Target Group recorded other operating expenses amounting to approximately HK$3,045,000 and administrative expenses amounting to approximately HK$6,433,000, respectively.

The other operating expenses of the Target Group amounted to approximately HK$1,322,000, approximately HK$1,345,000 and approximately HK$1,285,000 for the financial year ended 28 February 2015, 29 February 2016 and 28 February 2017, respectively.

The administrative expenses of the Target Group amounted to approximately HK$12,069,000, approximately HK$10,077,000 and approximately HK$9,181,000 for the financial year ended 28 February 2015, 29 February 2016 and 28 February 2017, respectively.

The decrease in other operating expenses and administrative expenses for the year ended 28 February 2017 as compared to those for two years ended 29 February 2016 and 28 February 2015 was mainly due to strict control of the Target Group over daily expenses.

Profit for the year/period

The Target Group recorded net profit for the financial years ended 28 February 2015, 29 February 2016 and 28 February 2017 of approximately HK$6,648,000, approximately HK$8,898,000 and approximately HK$15,451,000, respectively, and each of the nine months ended 30 November 2016 and 2017 of approximately HK$9,369,000 and approximately HK$15,175,000, respectively.

The net profit of the Target Group for the year ended 29 February 2016 increased by approximately 33.8% as compared to that of the year ended 28 February 2015 and the net profit of the Target Group for the year ended 28 February 2017 increased by approximately 73.6% as compared to that of the year ended 29 February 2016.

III. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 November 2017, the Target Group had aggregate liabilities of (i) amount due to its immediate holding company of approximately HK$5,000,000; (ii) amount due to a related company of approximately HK$10,000,000; and (iii) amount due to a director of approximately HK$5,083,000, with a total amount of approximately HK$20,083,000 (collectively, the "Debts") and the ratio of Debts to shareholders' equity of approximately 16.3%.

As at 30 November 2017, the Target Group had net current assets of approximately HK$118,001,000 (30 November 2016: approximately HK$94,163,000). As at 28 February 2017, net current assets of the Target Group were approximately HK$104,086,000 (29 February 2016: approximately HK$89,072,000; 28 February 2015: approximately HK$37,442,000).

As at 30 November 2017, the current ratio of the Target Group (being the ratio of net current assets to net current liabilities) was approximately 1.35 times (30 November 2016: 1.24 times). The increase was mainly due to an increase in trade receivables from clients and a decrease in the segregated accounts of bank balance and trade payables to clients.

As at 28 February 2017, current ratio of the Target Group was approximately 1.39 times (2016: approximately 1.13 times; 2015: approximately 1.06 times). The increase from approximately 1.13 times as at 29 February 2016 to approximately 1.39 times as at 28 February 2017 was mainly due to an increase in the trade receivables from clients and a decrease in the segregated accounts of bank balance and trade payables to clients. The increase from approximately 1.06 times as at 28 February 2015 to approximately 1.13 times as at 29 February 2016 was due to (i) an increase in share capital of the Target Company by cash; (ii) an increase in trade receivables from clients, bank balance, trade payables to clients; and (iii) a decrease in amount due to a director and immediate holding company.

The capital of the Target Group comprises ordinary shares only. Total equity attributable to owners of the Target Group was approximately HK$123,259,000 as at 30 November 2017 and approximately HK$108,084,000 as at 28 February 2017. The increase in total equity was due to the profit recorded by the Target Group for the period of approximately HK$15,175,000.

Total equity attributable to owners of the Target Group was approximately HK$108,084,000 as at 28 February 2017 and approximately HK$92,633,000 as at 29 February 2016. The increase was due to the profit recorded by the Target Group for this period of approximately HK$15,451,000.

Total equity attributable to owners of the Target Group was approximately HK$92,633,000 as at 29 February 2016 and approximately HK$43,735,000 as at 28 February 2015. The increase in total equity was due to the profit recorded by the Target Group for this period of approximately HK$8,898,000 and the further issue of 40,000,000 ordinary shares of the Target Company at a consideration of HK$40,000,000.

IV. CHARGES ON ASSETS

At 28 February 2015, 29 February 2016, 28 February 2017 and 30 November 2017, the Target Group had banking facilities granted by two banks to the extent of approximately HK$25,150,000 which were secured by fixed deposits in the amount of approximately HK$10,200,000 (28 February 2017: approximately HK$10,178,000, 29 February 2016: approximately HK$10,154,000 and 28 February 2015: approximately HK$11,897,000) of the Target Group as at 30 November 2017 and personal guarantees provided by a director of the Target Company.

V. 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.

VI. INVESTMENT IN FINANCIAL ASSETS

The Target Group held financial assets at fair value through profit or loss amounting to approximately HK$53,000 as at 30 November 2017 (30 November 2016: approximately HK$13,884,000) and approximately HK$11,769,000 as at 28 February 2017 (29 February 2016: approximately HK$9,358,000; 28 February 2015: approximately HK$1,038,000). The management of the Target Company makes decisions on careful investment, holding or disposal as a whole in view of the then prevailing stock market atmosphere and the individual performance of the listed companies.

VII. EMPLOYEE AND REMUNERATION POLICY

Staff costs mainly comprises staff salary, bonus, allowance, directors' remuneration and mandatory provident fund contributions and is one of the major expense items of the Target Group.

For the nine months ended 30 November 2017, total staff costs of the Target Group amounted to approximately HK$2,951,000 (2016: approximately HK$2,980,000), representing approximately 31.1% (2016: approximately 39.6%) of other operating expenses and administrative expenses of the Target Group.

Total staff costs for the year ended 28 February 2017 amounted to approximately HK$4,224,000 (2016: approximately HK$4,238,000; 2015: approximately HK$5,624,000), representing a decrease of approximately HK$14,000 or approximately 0.3% compared with that for the year ended 29 February 2016, and it decreased by approximately HK$1,386,000 or approximately 24.6% from 2015 to 2016. Such change was mainly due to strict control of the Target Group over daily expenses.

There were 26, 28, 22 and 22 staff employed by the Target Company as at 28 February 2015, 29 February 2016, 28 February 2017 and 30 November 2017, respectively.

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

VIII. MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

There were no material acquisitions and disposals of subsidiaries and associated companies of the Target Company and no significant investments made during the years ended 28 February 2015, 29 February 2016 and 28 February 2017 and the nine months ended 30 November 2017. The Target Company has no future plans for material investments or capital assets.

IX. CAPITAL COMMITMENTS

As at 28 February 2015, 29 February 2016, 28 February 2017 and 30 November 2017, the Target Group did not have any material capital commitment.

X. OPERATING LEASE COMMITMENTS

As at 28 February 2015, 29 February 2016, 28 February 2017 and 30 November 2017, the total future minimum lease payments payable under non-cancellable operating leases were approximately HK$148,000, HK$1,445,000, HK$173,000 and HK$1,913,000, respectively.

XI. CONTINGENT LIABILITIES

As at 28 February 2015, 29 February 2016, 28 February 2017 and 30 November 2017, the Target Company did not have material contingent liabilities.

1 UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an unaudited pro forma consolidated statement of financial position of the Enlarged Group (the "Unaudited Pro Forma Consolidated Statement of Financial Position") which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed acquisition of the entire equity interest in the Target Group as if the Acquisition had been completed on 31 December 2017.

The unaudited pro forma consolidated statement of financial position is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2017 which has been extracted from the published annual results announcement of the Company for the fifteen months ended 31 December 2017 dated 15 March 2018; and (ii) the audited consolidated statement of financial position of the Target Group as at 30 November 2017 as extracted from the accountants' report as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable; and (ii) factually supportable as if the Acquisition had been undertaken as at 31 December 2017.

The Unaudited Pro Forma Consolidated Statement of Financial Position has been prepared by the directors of the Company based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Consolidated Statement of Financial Position does not purport to describe the financial position of the Enlarged Group that would have been attained had the Acquisition been completed as at 31 December 2017, nor purport to predict the future financial position of the Enlarged Group.

Consolidated Statement of Financial Position

	The Group as at 31 December 2017	The Target Group as at 30 November 2017		Pro forma adjustments for the Acquisition			Pro forma Enlarged Group after the Acquisition
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS							
Property, plant and equipment	322,763	269					323,032
Goodwill	–	–	3	392,854			392,854
Available-for-sale financial	5,950	–					5,950
Loan and interest receivable	10,167	–					10,167
Other assets	–	4,938					4,938
Deferred tax assets	–	51					51
	338,880	5,258					736,992
CURRENT ASSETS							
Inventories	1,131	–					1,131
Financial assets at fair value through profit or loss	240	53					293
Trade receivables	4,114	235,212					239,326
Repayments, deposits and other receivables	9,774	103					9,877
Amount due from fellow subsidiaries	–	762	4		(762)		–
Amount due from ultimate holding company	–	68	4		(68)		–
Tax recoverable	126	–					126
Amount due from related companies	–	–	4		830		830
Pledged bank deposits	5,084	–					5,084
Bank balances – segregated accounts	–	198,299					198,299
Cash and bank balances	73,511	18,573	3(a)(i)	(20,000)			72,084
	93,980	453,070					527,050
CURRENT LIABILITIES							
Bank borrowings	4,500	–					4,500
Bank overdraft	–	318					318
Trade payables	1,209	301,194					302,403
Accrued charges and other payables	43,904	9,175	8	3,500			56,579
Amount due to a related company	–	10,000	4		5,000		15,000

	The Group as at 31 December 2017	The Target Group as at 30 November 2017		Pro forma adjustments for the Acquisition			Pro forma Enlarged Group after the Acquisition
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to immediate holding company	–	5,000	3(a)(i)	100,000			100,000
			4		(5,000)		
Amount due to ultimate holding company	3,602	–					3,602
Amount due to a related party	–	–	5			5,083	5,083
Amount due to a director	–	5,083	5			(5,083)	–
Tax payable	–	4,299					4,299
	53,215	335,069					491,784
NET CURRENT ASSETS	40,765	118,001					35,266
TOTAL ASSETS LESS CURRENT LIABILITIES	379,645	123,259					772,258
NON-CURRENT LIABILITIES							
Deferred tax liabilities	552	–	3(a)(ii)	1,499			2,051
Convertible bonds	–	–	3(a)(ii)	290,917			290,917
	552	–					292,968
NET ASSETS	379,093	123,259					479,290
EQUITY							
Equity attributable to the owner of the Target Company:							
Share capital	77,489	50,000	3	(50,000)			77,489
Retained earnings	301,604	73,259	3	(73,259)			401,801
			3(a)(ii)	105,196			
			3(a)(ii)	(1,499)			
			8	(3,500)			
TOTAL EQUITY	379,093	123,259					479,290

Notes

1. The financial information of the Group is extracted from the audited consolidated statement of financial position of the Group as at 31 December 2017 as set out in the Company's published annual results announcement for the fifteen months ended 31 December 2017.

2. The financial information of the Target Group as at 30 November 2017 is extracted from the accountants' report of the Target Group as set out in Appendix IIA to this circular.

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

   Pro forma goodwill arising on the Acquisition:

	HK$'000
Consideration *(note (a))*	516,113
Less: Estimated fair value of net identifiable assets acquired	(123,259)
Goodwill arising from the Acquisition	392,854

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

	HK$'000
Cash of the Company *(note a(i))*	20,000
Cash advanced by immediate holding company of the Company *(note a(i))*	100,000
Convertible Bonds *(note a(ii))*	396,113
Total consideration	516,113

The Consideration for the Acquisition shall be HK$420,000,000 (subject to adjustment), which shall be satisfied in the following manner:

(i) an aggregate amount of HK$120,000,000 shall be settled in cash, of which HK$20,000,000 was paid by the Purchaser upon signing of the Sale and Purchase Agreement as refundable deposit and HK$100,000,000 shall be payable by the Purchaser upon Completion; and

(ii) an aggregate amount of HK$300,000,000 shall be settled by the issue of the Convertible Bonds to the Vendors (or their respective nominee(s)) upon Completion as follows:

(b) as to HK$100,000,000 by the issue of the 1st Tranche Convertible Bonds by the Company with annualised effective interest rate of 4.54%;

(c) as to HK$100,000,000 by the issue of the 2nd Tranche Convertible Bonds by the Company with annualised effective interest rate of 5.37%; and

(d) as to HK$100,000,000 by the issue of the 3rd Tranche Convertible Bonds by the Company with annualised effective interest rate of 5.84%.

The amortised cost of the liability component of the Convertible Bonds and the fair values of the equity component of the Convertible Bonds are determined by the Directors by reference to a professional valuation conducted by Grant Sherman Appraisal Limited, details of which are as follows:

	HK$'000
Liability component	290,917
Equity component	105,196
	396,113

	HK$'000
Face value of the financial instruments	300,000
Less: Carrying amount of the financial instruments	(290,917)
Temporary difference (residual value)	9,083
Deferred tax liabilities at a tax rate of 16.5%	1,499

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

4. Following the Completion, the amount due from/(to) the following parties as at 30 November 2017 by the Target Group shall be reclassified as amount due from/(to) related companies as Mr. Chong Chin, father-in-law of Mr. So Haw Herman, an executive Director of the Company, have equity interest in those companies.

	HK$'000
Yicko Group Limited	354
Yicko Holdings Limited	32
Yicko Sunshine Limited	376
Yale International Holdings Limited	68
	830
Elitemind Investments Limited	(5,000)

5. Following the Completion, the amount to a director of the Target Company, Mr. Chong Chin, as at 30 November 2017 by the Target Group shall be reclassified as amount due to a related party as Mr. Chong Chin is the father-in-law of Mr. So Haw Herman, an executive Director of the Company.

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

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

8. The adjustment represents the estimated transaction costs, including mainly legal and professional fees of approximately HK$3,500,000 to be incurred by the Company and recognised in the Statement of Profit or Loss, upon the completion of the Acquisition.

2 ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

To The Directors of Guoan International Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Guoan International Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2017 and related notes as set out on pages 164 to 170 of the circular dated 24 May 2018 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 164 to 170 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the entire equity interest in Yicko Securities Limited and its subsidiary ("**Target Group**") by the Company ("**Proposed Transaction**") on the Group's financial position as at 31 December 2017 as if the Proposed Transaction had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the fifteen months ended 31 December 2017.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the significant event or transaction on unadjusted financial information of the Group as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction as at 31 December 2017 would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and

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

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

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

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

Opinion

In our opinion:

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

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

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

Pan-China (H.K.) CPA Limited
Certified Public Accountants
11/F., Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

LEE PING KAI
Practising Certificate No. P02976

24 May 2018

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

a) Directors' and chief executive's interests in the Company

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Interest in the Shares

Name	Capacity	Number of Shares held	Approximate percentage of interest
Road Shine Developments Limited *(Note)*	Beneficial owner	4,123,816,337	53.22
Guoan (HK) Holdings Limited *(Note)*	Interest of controlled corporation	4,123,816,337	53.22
CITIC Guoan Group *(Note)*	Interest of controlled corporation	4,123,816,337	53.22

Note: Road Shine Developments Limited is held as to 100% by Guoan (HK) Holdings Limited, which in turn is held as to 100% by CITIC Guoan Group. Under the SFO, each of Guoan (HK) Holdings Limited and CITIC Guoan Group is deemed to be interested in all the Shares held by Road Shine Developments Limited.

3. COMPETING INTERESTS

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

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 Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. LITIGATION

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

7. EXPERTS AND CONSENTS

The following sets out the qualifications, of the experts who have given opinions, letters or advice included in this circular:

Name	Qualifications
Pan-China (H.K.) CPA Limited	Certified Public Accountants
Celestial Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising in corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had, since 31 December 2017 (the date to which the latest published audited financial statements of the Group were made up), been acquired, disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(i) a sale and purchase agreement dated 26 January 2017 entered into between Capital Ring Enterprises Limited (being a wholly-owned subsidiary the Company, as purchaser) and First Choice Properties Limited (a company incorporated in the British Virgin Islands, as the vendor) in relation to the acquisition of one share in the issued share capital of Eagle Faith Investments Limited (representing 100% of its issued share capital) and the shareholder loan owing by Eagle Faith Investments Limited at a consideration of HK$318,000,000 (subject to adjustment);

(ii) an underwriting agreement dated 26 January 2017 entered into between Yicko Securities Limited and the Company in relation to the issue by way of rights on the basis of one (1) rights share for every two (2) existing shares held on 31 March 2017 at the subscription price of HK$0.170 per rights share payable in full on acceptance;

(iii) a deed of variation dated 9 March 2017 entered into between the Company, Capital Ring Enterprises Limited and First Choice Properties Limited in relation to the sale and purchase agreement dated 26 January 2017, pursuant to which, inter alia, the date of the extraordinary general meeting was amended from no later than 9 March 2017 to 23 March 2017; and

(iv) the Sale and Purchase Agreement.

9. GENERAL

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

(ii) The company secretary of the Company is Mr. WONG Man Yiu who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants.

(iii) The registered office of the Company is P.O. Box 309, Ugland House, George Town, Grand Cayman KY1-1104, Cayman Islands and the head office and principal place of business of the Company is located at 15th Floor of Tower II, Admiralty Centre, No. 18 Harcourt Road, Hong Kong.

(iv) The Company's Hong Kong branch share registrar is Tricor Abacus Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(v) The Company's share transfer agent in Singapore is Boardroom Corporate & Advisory Services Pte. Ltd. (formerly known as Lim Associates (Pte) Ltd) at 50 Raffles Place,#32-01 Singapore Land Tower, Singapore 048623.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's head office and principal place of business in Hong Kong at 15th Floor of Tower II, Admiralty Centre, No. 18 Harcourt Road, Hong Kong up to and including the date of the EGM:

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

(ii) the Sale and Purchase Agreement;

(iii) the letter from the Independent Board Committee, the text of which is set out on pages 39 to 40 of this circular;

(iv) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 41 to 85 of this circular;

(v) the annual reports of the Company for each of the three years ended 30 September 2014, 2015 and 2016 and for the fifteen months ended 31 December 2017;

(vi) the accountant's report of the Target Group, the text of which is set out in Appendix II to this circular;

(vii) the report from Pan-China (H.K.) CPA Limited, Certified Public Accountants on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(viii) the written consents referred to in the paragraph headed "7. EXPERTS AND CONSENTS" in this Appendix;

(ix) the material contracts referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this Appendix;

(x) copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules, which has been issued since the date of the latest published audited accounts; and

(xi) this circular.

Guoan International Limited
國安國際有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 143)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Guoan International Limited (the "Company") will be held at Empire Room 1, 1/F, Empire Hotel Hong Kong – Wan Chai, 33 Hennessy Road, Wan Chai, Hong Kong on Thursday, 14 June 2018 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

"**THAT**

1. the conditional agreement dated 13 February 2018 and entered into between, inter alia, Elitemind Investments Limited and Mr. Chong Chin as vendors and Exquisite Honor Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser (the "Sale and Purchase Agreement", a copy of which has been produced to the meeting marked "A" and initialed by the chairman of the meeting for identification purpose) in relation to the sale and purchase of the entire issued shares of Yicko Securities Limited for a total consideration of HK$420,000,000 (subject to adjustment) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

2. the creation and issue of the convertible bonds (the "Convertible Bonds") in the aggregate principal amount of HK$300,000,000 by the Company pursuant to the terms and conditions of the Sale and Purchase Agreement be and are hereby approved;

3. the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue such number of new shares of the Company (the "Conversion Shares") as may be required to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds; and

4. any one director or (if the affixing of the common seal is necessary) any two directors of the Company be authorized for and on behalf of the Company to negotiate, agree, sign, execute, perfect and deliver all documents and agreements and do all such acts and things as he/they may in his/their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder including but not limited to the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares and all matters incidental or ancillary thereto."

By Order of the Board
Guoan International Limited
DU Jun
Chairman

Hong Kong, 24 May 2018

Notes:

1. Shareholders who are entitled to vote at the above meeting are those whose names appear as shareholders on the register of members of the Company as at the close of business on 8 June 2018. In order to qualify for the entitlement to attend and vote at the above meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with (i) the Hong Kong branch share registrar and transfer office of the Company, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. (Hong Kong time) on 8 June 2018 if you are shareholders in Hong Kong; or (ii) the office of the Company's share transfer agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. (formerly known as Lim Associates (Pte) Ltd) at 50 Raffles Place,#32-01 Singapore Land Tower, Singapore 048623 by 8 June 2018 (Singapore time) on 5:00 p.m. if you are shareholders in Singapore.

2. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.

3. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited with (i) the Company's head office and principal place of business in Hong Kong at 15th Floor of Tower II, Admiralty Centre, No. 18 Harcourt Road, Hong Kong if you are shareholders in Hong Kong; or (ii) the office of the Company's share transfer agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. (formerly known as Lim Associates (Pte) Ltd) at 50 Raffles Place,#32-01 Singapore Land Tower, Singapore 048623 if you are shareholders in Singapore, as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be).

4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjourned meeting should they so wish, and in such event, the form of proxy shall be deemed to have been revoked.

As at the date of this notice, the Board comprises nine Directors, of which two are Executive Directors, namely Mr. HUANG Zhen Qian and Mr. SO Haw Herman, four are Non-executive Directors, namely Mr. DU Jun, Mr. LI Xiang Yu, Mr. CUI Ming Hong and Mr. YANG Li Ming, and three are Independent Non-executive Directors, namely Mr. WONG Chun Man, Mr. TSE Yung Hoi and Mr. NG Man Kung.