THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

UKF

UKF (HOLDINGS) LIMITED
英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01468)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF EGM

Placing Agent

SUN INTERNATIONAL SECURITIES LIMITED

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

A notice convening the EGM to be held at Conference Room B, TKP Conference Centre Central, 23/F, Euro Trade Centre, 21-23 Des Voeux Road Central, Central, Hong Kong on Monday, 14 November 2016 is set out on pages 112 to 113 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the 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 EGM or any adjournment thereof if you so wish.

26 October 2016

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

"Announcements"	the announcements of the Company dated 31 July 2016, 26 August 2016, 30 September 2016, 5 October 2016 and 24 October 2016
"Board"	the board of Directors
"Business Day"	a day (other than Saturday and days on which a tropical cyclone warning No.8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
"Company"	UKF (Holdings) Limited, a limited company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares
"Completion Date"	within 5 Business Days after all the Conditions have been fulfilled or waived (or such other date as the Vendor and the Purchaser may agree in writing prior to Completion)
"Consideration Share(s)"	the 660,000,000 Shares to be allotted and issued by the Company under the Specific Mandate to the Vendor at the Issue Price in satisfaction of part of the Consideration payable by the Company to the Vendor under the SPA
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the SPA and the Placing Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares and the Placing Shares under the Specific Mandate
"Employees"	the existing employees of the Target Company, a complete list of whom has been delivered to the Purchaser on or prior to the signing of the SPA
"Enlarged Group"	the Company and its subsidiaries immediately after Completion

"Exchange Participant"	has the meaning given to it under the rules of the Stock Exchange and "Exchange Participantship" shall be construed accordingly
"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 Third Party(ies)"	third party(ies) not connected to any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them as defined in the Listing Rules
"Issue Price"	HK$0.18 per Consideration Share
"Latest Practicable Date"	24 October 2016, being the last practicable date for the purpose of ascertaining certain information for inclusion of this circular
"Last Trading Day"	29 July 2016, being the last trading day for the Shares before the date of the Placing Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	27 January 2017 (or such later date as the parties may agree)
"Placee(s)"	any person(s) procured by or on behalf of the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent's obligations under the Placing Agreement
"Placing"	the placing of the Placing Shares by or on behalf of the Placing Agent, on a best effort basis, to the Placee(s) pursuant to the Placing Agreement
"Placing Agent"	Sun International Securities Limited, a licensed corporation to carry on regulated activities Type 1 (dealing in securities), Type 2 (dealing in future contracts) and Type 4 (advising on securities) under the SFO, and the placing agent of the Company under the Placing
"Placing Agreement"	the placing agreement dated 29 July 2016 entered into between the Company and the Placing Agent in respect of the Placing

"Placing Completion Date"	the date of completion of the Placing Agreement which shall not be later than the third Business Day following the satisfaction of the condition specified in the Placing Agreement or such other date as the Company and the Placing Agent shall agree
"Placing Price"	HK$0.18 per Placing Share
"Placing Shares"	Up to 210,000,000 new Shares to be issued by the Company pursuant to the Placing Agreement
"PRC"	People's Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular
"Promissory Note"	promissory note in the amount of HK$145,500,000 to be executed by the Company
"Purchaser"	Pearl Bay Investments Limited, a limited company incorporated under the laws of British Virgin Islands, and a wholly owned subsidiary of the Company
"Responsible Officers"	Mr. Ko Wai Chun and Mr. Ng Siu Hong, being the responsible officers (as defined in the SFO) of the Target Company
"Sale Shares"	a total of 90,000,000 shares of the Target Company, which represent 100% of the issued share capital of the Target Company
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shareholder's Loan"	shareholder's loan in the sum of HK$25,000,000 indebted by the Target Company to the Vendor
"SPA"	the conditional sale and purchase agreement dated 30 July 2016 entered into between the Purchaser, the Vendor and the Vendor's Guarantor in respect of the Target Company

"Specific Mandate"	the specific mandate proposed to be granted to the Directors by the Shareholders at the EGM for the allotment and issue of the Consideration Shares and the Placing Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Great Roc Capital Securities Limited 鴻鵬資本證券有限公司, a limited liability company incorporated under the Laws of Hong Kong, and a licensed corporation to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) under the SFO (which has been effective from 12 August 2016)
"Trading Right"	the one exchange trading right of the Stock Exchange legally and beneficially owned by the Target Company
"Transaction"	the transactions contemplated under the SPA
"Vendor"	Excel Blaze Limited, a limited liability company incorporated in the British Virgin Islands
"Vendor's Guarantor"	Mr. Yan Kam Cheong
"%"	per cent

UKF (HOLDINGS) LIMITED
英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01468)

Executive Directors:
Mr. Wong Chun Chau *(Chairman)*
Ms. Kwok Yin Ning

Independent Non-executive Directors:
Ms. Mak Yun Chu
Mr. Tang Tat Chi
Mr. Hung Wai Che

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters, head office and principal place of business in Hong Kong:
Room 902, 9th Floor,
Harbour Centre, Tower 2
8 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

26 October 2016

To the Shareholders

Dear Sir/Madam,

**(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND
(3) NOTICE OF EGM**

(A) INTRODUCTION

Reference is made to the Announcements.

The Board is pleased to announce that, the Purchaser entered into the SPA on 30 July 2016 with the Vendor and the Vendor's Guarantor in respect of the acquisition of the entire issued share capital of the Target Company, which is a licensed corporation to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) (which has been effective from 12 August 2016) under the SFO.

Completion of the SPA is subject to and conditional upon fulfilment (or waiver, where applicable) of certain conditions precedent as more particularly set out in the sub-section headed "Conditions Precedent" below. Upon completion of the Transaction, the Target Company will become an indirect wholly owned subsidiary of the Company. Accordingly, the consolidated financial results of the Target Company will be consolidated into the financial statements of the Company.

On 29 July 2016 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 210,000,000 Placing Shares. The Placing Shares are expected to be placed by the Placing Agent to not less than six Placees, who and whose ultimate beneficial owner(s) shall be Independent Third Parties, at a price of HK$0.18 per Placing Share.

The 210,000,000 Placing Shares represent (i) approximately 6.94% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 6.49% of the existing issued share capital of the Company as enlarged by the Placing Shares (assuming the Placing is completed in full). The aggregate nominal value of the Placing Shares will be HK$2,100,000.

Assuming the Placing Shares are placed in full under the Placing Agreement, the gross proceeds from the Placing will be HK$37,800,000 and the net proceeds from the Placing will be approximately HK$37,000,000 (after deduction of commission and other expenses of the Placing). The net proceeds are intended to be applied to the business development of the Target Company. If the Transaction is not materialized, the net proceeds are intended to be applied for funding and developing its money lending business of the Company.

The Consideration Shares and the Placing Shares will be issued pursuant to the Specific Mandate to be obtained at the EGM.

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

The EGM will be convened for the purpose of considering and, if thought fit, approving, (i) the SPA and the transactions contemplated thereunder; (ii) the Placing Agreement and the transaction contemplated thereunder; and (iii) the issue of the Consideration Shares and the Placing Shares under the Specific Mandate. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has a material interest in the SPA and the Placing Agreement who will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the SPA and the Placing Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide the Shareholders with (i) further information on the Target Company, the SPA and the transactions contemplated thereunder, including the issue of the Consideration Shares under the Specific Mandate; (ii) the financial information of the Target Company; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) further details of the Placing Agreement and the proposed grant of the Specific Mandate; and (v) the notice of the EGM, in accordance with the requirements under the Listing Rules.

(B) THE TRANSACTION

The Purchaser entered into the SPA on 30 July 2016 with the Vendor and the Vendor's Guarantor in respect of the acquisition of the entire issued share capital of the Target Company, which is a licensed corporation to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) (which has been effective from 12 August 2016) under the SFC. The Target Company, the Vendor and the Vendor's Guarantor had been known to the Company through business associates since 2013.

THE SPA

A summary of the principal terms of the SPA is set out below:

Date: 30 July 2016

Parties: The Purchaser

The Vendor

The Vendor's Guarantor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be acquired

90,000,000 Sale Shares in the Target Company, representing the entire issued share capital of the Target Company and HK$25,000,000 interest free Shareholder's Loan indebted by the Target Company to the Vendor.

Consideration

The aggregate consideration for the Sale Shares and the Shareholder's Loan shall be HK$264,300,000 (the "**Consideration**"), in respect of which the Purchaser shall procure the Company to pay the Consideration to the Vendor in the following manner:

(a) HK$118,800,000 (equivalent to approximately 44.95% of the Consideration) shall be satisfied by the issue of 660,000,000 Consideration Shares by the Company at the price of HK$0.18 per Consideration Share to the Vendor; and

(b) HK$145,500,000 (equivalent to approximately 55.05% of the Consideration) shall be satisfied by the Promissory Note to be issued by the Company to the Vendor.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to:

(i) the audited net asset value of the Target Company of approximately HK$120.0 million as at 29 February 2016 and cash and bank balances of approximately HK$95.4 million as at 29 February 2016. Taking into account the nature of the business model of the Target Group, the Directors believe that the strong financial position would enable the Target Company to further expand its business;

(ii) the proven track record of the Target Company. The Target Company recorded net profit after tax for the last three consecutive financial years. The net profit after tax for the year ended 29 February 2016 increased by more than 80% as compared to that for the year ended 28 February 2015. The Directors believe that the profitable track records of the Target Group would provide a stable income stream to the Enlarged Group;

(iii) the business prospect of the Target Company. The Target Company carries on regulated activities under the SFO and the future growth opportunities in the financial service industry given the increasing demand for financial services in Hong Kong due to the increasing cooperation between the stock markets in Hong Kong and the PRC such as the launch of the Stock Connect program. According to the Stock Exchange fact report for the year ended 31 December 2015, the average daily turnover of the Hong Kong securities market in 2015 reached a ten-year high of approximately HK$105.6 billion. A total of 124 Initial public offerings ("**IPO**") were launched, raising approximately HK$263.1 billion. The Stock Exchange continues to perform well in IPO fundraising, ranking the first worldwide in 2015 and in the top 5 position worldwide for the past 13 consecutive years. The amount of funds raised in the Hong Kong secondary market in 2015 also reached a ten-year high of approximately HK$852.6 billion. The Directors are optimistic on the growth opportunities in the financial services industry and believe that the Transaction will enable the Company to have a new stable revenue steam;

(iv) The implied price-to-book multiple of the Transaction of approximately 2.0, which is calculated based on the Consideration of HK$264.3 million, the Shareholder's Loan of HK$25 million and the Target Company's audited net asset of approximately HK$120.0 million as at 29 February 2016. The Directors have conducted a research on the website of the Stock Exchange on a best effort basis, and identified the recent comparable acquisitions by scrutinizing acquisitions for licensed corporations published within one year preceding the date of the SPA by relevant licence, i.e. Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO in Hong Kong by companies listed on the Stock Exchange. Acquisitions for licensed corporations with not only Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, but also other regulated activities was excluded. The Directors consider the comparable acquisitions, based on the above criteria, serve as a fair and representative sample for the purpose of forming a meaningful comparison to the Consideration. The Directors also consider the period of selecting the comparable acquisitions (i.e. since one year preceding the date of the SPA) to be a more recent and reasonable sampling period to select comparable acquisitions in forming a meaningful comparison with the Consideration. Comparison with the said multiple of the Transaction is set out in the following table:

Date of announcement	Stock code	Company	Target Company	License Status	P/B Ratio for the Comparable Acquisition	P/E Ratio for the Comparable Acquisition	Net Profit/ (loss) after tax *(HK$)*
15/01/2016	33	Harmonic Strait Financial Holdings Limited	Treasure Securities Limited	Type 1	1.84	248.84	109,307
15/12/2015	8192	Global Energy Resources International Group Limited	Hing Lee Securities Limited	Type 1	1.78	N/A	(809,000)
27/08/2015	245	China Seven Star Holdings Limited (1)	YGD Securities (HK) Limited	Type 1	3.60	N/A	(7,253,691)
21/08/2015	1046	Universe International Holdings Limited	Win Fung Securities Limited	Type 1 and 4	2.00	5.06	14,416,000
				Average	**2.305**		

Note:

(1) Pursuant to a sales and purchase agreement dated 14 June 2015, China Seven Star Holdings Limited has conditionally agreed to acquire 100% equity interest of YGD Securities (HK) Limited through its wholly-owned subsidiary at a total consideration of HK$9 million plus the net asset value of YGD Securities (HK) Limited as at 30 June 2015. The total consideration is not expected to exceed HK$30 million. The price to book ratio in above table is calculated based on the maximum consideration of HK$30 million. The acquisition was completed on 29 September 2015 at a total consideration of HK$22,656,000. The adjusted price to book ratio based on actual consideration paid is 2.72.

Having considered the above aforesaid factors and given that (i) the Target Company's implied price-to-book multiple falls within the range of the historical price-to-book multiples of the comparable acquisitions of approximately 1.78 times to 3.6 times; (ii) the implied price-to-book multiple of the Transaction of approximately 2.0 times is below the average of the historical price-to-book multiples of the comparable acquisitions; and (iii) the net profit after tax for the Target Company of approximately HK$27.40 million for the year ended 28 February 2016 was substantially higher than the target companies of the comparable acquisitions, the Directors consider the Consideration is fair and reasonable.

(v) The implied price-to-earnings multiple of the Transaction of approximately 8.7, which is calculated based on the Consideration of HK$264.3 million, the Shareholder's Loan of HK$25 million and the Target Company's audited net profit after tax of approximately HK$27.40 million for the year ended 29 February 2016. The Directors have compared the said multiple of the Transaction to recent comparable transactions in Hong Kong listed in above table.

Although two of the target companies of the comparable acquisitions was loss making and price-to-earnings ratio of one of the target companies of the comparable acquisitions was 248.84 (due to the its minimal profit) which is above the implied price-to-earnings ratio of the Transaction, the Directors consider the analysis remains relevant and meaningful that there are four comparable transactions identified based on the criteria. Given that the Target Company's implied price-to-earnings multiple falls within the range of the historical price-to-earnings multiples of the comparable acquisitions of approximately 5.06 times to 248.84 times and more importantly, the Target Company was profit generating, and the profit was indeed substantially higher than the target companies of the comparable acquisitions, the Directors consider the Consideration is fair and reasonable.

The Directors respectfully submitted that the Consideration was determined with reference to various quantitative and qualitative factors as disclosed above. The primary quantitative consideration factor is the analysis on price-to-book multiples while the analysis on price-to-earning multiples is served as a reference only. Quantitative consideration factors includes primarily the business prospect of the Target Company. The Directors would like to emphasise that the Consideration was not determined with reference solely on one of the many factors. In light of the aforesaid, the Directors consider that the Consideration is fair and reasonable and is in the interest of the Shareholders as a whole.

Conditions Precedent

Completion shall be subject to and conditional upon the fulfilment (or waiver, if applicable) of the following conditions (the "**Condition(s)**"):

(i) the result of a due diligence exercise to be carried out by the Purchaser on the Target Company being satisfactory to the Purchaser (in its absolute discretion) in all respects;

(ii) all necessary consents, confirmations, permits, approvals, licences and authorisations having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong (including but not limited to the SFC and the Stock Exchange) or otherwise required from any third parties (including from any banks which have granted banking facilities to the Target Company) in connection with the transactions contemplated under the SPA (including but not limited to the necessary consent obtained from the SFC for the Purchaser to become the substantial shareholder of the Target Company), the implementation of and all other matters incidental to the SPA (including the non-revocation of the Trading Right and the Exchange Participantship held by the Target Company) as a result of the transactions contemplated under the SPA and all the conditions and requirements as the SFC and the Stock Exchange shall stipulate in relation to the Trading Right and the Exchange Participantship held by the Target Company respectively having been duly complied with;

(iii) all other necessary waivers, consents and approvals (if required) in relation to the Purchaser, its holding company(ies) and its (their) shareholders and directors from the relevant governmental or regulatory authorities in Hong Kong and other applicable jurisdictions required for the SPA and the transactions contemplated therein being obtained;

(iv) the Employees having entered into new employment contracts with the Target Company (to come into effect upon Completion) on such terms as are satisfactory to the Purchaser;

(v) the Responsible Officers remaining as the responsible officers (as defined in the SFO) of the Target Company and having entered into new service contracts with the Target Company (to come into effect upon Completion) on such terms as are satisfactory to the Purchaser;

(vi) no legal or disciplinary proceedings being instituted against the Target Company or any of its directors or officers by any regulatory authority prior to Completion;

(vii) all warranties of the SPA remaining true and accurate as at Completion and the Vendor having performed or complied, in all material respects, with its covenants and agreements contained therein and required to be performed or complied with by the Vendor at or prior to the Completion Date; and

(viii) the Target Company's Type 1 licence not having been revoked or made conditional.

The Purchaser shall have the discretion to waive all or any part of the conditions set out above (other than Conditions (ii) and (iii)) and any waiver so granted may be subject to such conditions as the Purchaser may deem fit.

Condition (viii) is waivable to provide the Company more flexibility as while the licence is important to the business of the Target Company, it is not the sole asset. The Company also obtains the knowledge in the industry and the client base of the Company. Given that it would be the Company's choice if such condition could not be fulfilled, the Company has the flexibility and absolute discretion to decide whether or not to proceed with the transaction, the Directors considered that it would be in the interest of the Company and its shareholders to allow such condition to be waivable instead of giving up a right and option that it currently has under the agreement. In addition, the Company did not acquire the Target Company in the view that the Target Company will obtain Type 4 licence. The Company may still proceed to completion even if such Type 4 licence had not been obtained. Hence, the parties consider that it is not necessary and does not reflect the commercial terms agreed between the parties to revise the conditions to include such licence and it is still fair and reasonable and in the interest of the Company and its shareholders as a whole for not including such licence as condition.

Save as so waived, the parties shall use their respective best endeavours to ensure that the Conditions shall be fulfilled as soon as possible after execution of the SPA, and in any event no later than the Long Stop Date. As at the Latest Practicable Date, none of the Conditions have been fulfilled or waived and the Purchaser has no intention to waive any of the conditions precedent above. The Company will consider to waive the above conditions precedent as and when appropriate based on the relevant circumstances and such waiver shall not any post material disadvantage to the Group's interest after the Completion.

Completion

Completion shall take place within five Business Days after all Conditions have been fulfilled or waived or on such other date as the Purchaser and the Vendor may agree in writing prior to the Completion.

CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price, credited as fully paid, in the manner as set out in the sub-section headed "Consideration" of this circular. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares, including the right to all dividends, distributions and other payments made or to be made on the record date which falls on or after the date of such allotment and issue.

According to the annual report of the Company for year ended 31 March 2016, the cash and cash equivalents of the Group as at 31 March 2016 was approximately HK$66.1 million. The Directors are of the view that the Company does not have sufficient financial resources to satisfy the entire amount of the Consideration solely by cash. The Directors considered that the issue of the Consideration Shares as part payment for the Consideration is an appropriate settlement term as no financing cost would be incurred and the shareholders base would be enhanced. In addition, the Issue Price represents a premium of approximately 90.27% over the audited net assets per Shares as at 31 March 2016, and accordingly the net assets value per Share would be enhanced as a result of the issue of the Consideration Shares.

The Directors had considered to settle the Consideration by other settlement method. However, the Directors are of the view that (i) debt financing would not be beneficial to the Group as it would increase the gearing level of the Group and the Group would have to incur interest expenses which would impose additional financial burden on the Group; and (ii) equity financing such as a rights issue or an open offer would be relatively difficult and the underwriting commission would be costly given the size of the Company, the historical financial performance of the Company and the recent market sentiments. Rights issue or open offer would involve issuance of prospectus and other administrative steps and the process would be relatively time consuming as compared to the Placing. The Directors have been reviewing the market conditions of the financial services sector and related businesses and are of the view that such sectors and businesses are expected to have positive potential growth especially after the launch of the Shenzhen-Hong Kong Stock Connect program linking the two exchanges had been approved. The Directors considered it imperative to obtain the necessary funds to further develop the Target Company as soon as possible so as to ride on such opportunity.

The Directors are therefore of the view that the issue of the Consideration Shares is fair and reasonable and is in the interest of the Company and its shareholders as a whole, and the dilution effect on shareholding of the existing Shareholders is acceptable.

The Issue Price of HK$0.18 per Consideration Share represents:

(a) a discount of approximately 7.69% to the latest closing price of HK$0.195 per Share as quoted on the Stock Exchange on the date of the SPA;

(b) a discount of approximately 9.27% to the average closing price of HK$0.1984 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the SPA; and

(c) a premium of approximately 90.27% over the audited net assets value per Share of approximately HK$0.0946, which was calculated based on the audited net asset value of the Company of approximately HK$286,125,629 as at 31 March 2016 and divided by the total number of issued Shares of 3,024,445,215 as at the Latest Practicable Date.

The Issue Price was determined by the Board after arm's length negotiation between the parties with reference to the prevailing market price of the Shares and the current market conditions. The Directors consider the issue price is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The 660,000,000 Consideration Shares represent (i) approximately 21.82% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 17.91% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. Based on the closing price of the Shares of HK$0.195 per Share on 29 July 2016, the business day immediately preceding to the date of the SPA, the Consideration Shares have a market value of HK$128,700,000 and the aggregate nominal value of the Consideration Shares is HK$6,600,000. The Transaction will not result in change in control of the Company.

INFORMATION ABOUT THE VENDOR AND THE TARGET COMPANY

The Vendor is an investment holding company which is wholly owned by the Vendor's Guarantor. The Target Company is a financial services provider in the Hong Kong securities industry founded in 2011, which is licensed to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) (which has been effective from 12 August 2016) regulated activities under the SFO. The Target Company is also a Stock Exchange participant and is currently holding the trading rights on the Stock Exchange. In order for the Target Company to carry on regulated activities along with providing securities margin financing, it must satisfy the requirement under the Securities and Futures (Financial Resources) Rules of a minimum paid-up share capital of HK$10,000,000 and a minimum liquid capital of HK$3,000,000 or 5% of the Target Company's total adjusted liabilities, whichever is higher. In addition, its staffs who carry out regulated activities are required to be and remain as a licensed person by the SFC and the Target Company must comply with all applicable laws, regulations and codes and to satisfy the SFC, the Stock Exchange and/or other regulatory authorizes to ensure the Target Company and its relevant staff remain fit to maintain their licences.

Services provided by the Target Company

The financial services provided by the Target Company include the provision of securities broking services, the provision of margin financing and acting as underwriter or placing agent in fund raising activities such as IPO and placing of shares for corporate clients.

The Target Company's revenue comprises three major components: (i) commission income from securities brokerage services; (ii) commission income from placing and underwriting services; and (iii) interest income from margin financing. The following table sets out the revenue generated from each of the core services for the financial year ended 28 February 2014, 28 February 2015, 29 February 2016 and the five months ended 31 July 2016:

	For the year ended						For the five months ended	
	28 February 2014		28 February 2015		29 February 2016		31 July 2016	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*
Brokerage commission from dealing in securities	6,605,025	25.4%	8,708,368	31.6%	19,950,650	44.2%	3,592,521	24.9%
Underwriting, sub-underwriting, placing and sub-placing commission	11,979,439	46.1%	11,840,774	42.9%	18,265,587	40.5%	7,550,888	52.3%
Interest income from clients	7,393,010	28.4%	7,004,802	25.4%	6,937,415	15.4%	3,288,032	22.8%

Details of the financial services provided by the Target Company are set out as follows:

(i) Securities dealing and brokerage services

Commission from securities dealing and brokerage services was one of the Target Company's key sources of revenue which accounted for approximately 25.4%, 31.6% , 44.2% and 24.9% of total revenue for the financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and the five months ended 31 July 2016 respectively. The Target Company offers securities dealing and brokerage services principally for securities in Hong Kong which include stocks and debt instruments.

The Target Company's customer base for broking services are mainly institutional, corporate, individuals and high-net-worth customers. Each of the Target Company's customers has to maintain a securities trading account with the Target Company before he/she could place the trading orders. Trading orders from customers are usually placed through phone or online trading platform. The securities trading account holders are provided with their own user names and passwords to log into the online trading platform of the Target Company for carrying out trading activities. For those trading orders placed by phone, all relevant phone communications with customers are recorded by telephone recording system of the Target Company.

The Target Company has a standard commission policy and it charges clients the higher of a) 0.25% of the transaction value; or b) a minimum commission of HK$88 for any transactions. Lower commission rates will be offered to clients based on the assessment conducted by the account executives and senior management of the Target Company on the clients' background and the historical transaction value/volume. The commission rates offered to clients during the year ended 29 February 2016 was in a range of 0.01% to 0.25% with an average of 0.15%.

(ii) Securities margin financing services

The Target Company provides securities margin financing services to its customers who would like to purchase securities on the secondary market or apply for shares in connection with IPOs in return for interest income. The Target Company's securities margin financing services offer funding flexibility to its customers by assisting them to leverage their investments.

For margin financing business, the Target Company only accepts securities listed on the Stock Exchange as collateral for margin loans. The margin financing amount for its margin clients is determined based on (a) the margin ratio for each specific securities; and (b) the credit line/ trading limits of each specific client.

The margin ratio for each specific securities is based on the risk assessment review on each securities. The approved margin ratios of applicable securities are in a range from 10% to 60%, which represent the maximum percentage of financing that margin clients can get against the value of collateralized shares in their accounts.

(iii) Placing and underwriting services

Placing and underwriting commission was one of the largest source of income of the Target Company, which contributed approximately 46.1%, 42.9%, 40.5% and 52.3% of the total revenue for the financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and the five months ended 31 July 2016 respectively.

The Target Company participated in different kinds of fund raising exercises for companies listed on the Stock Exchange by acting as the joint bookrunner, joint lead manager, joint global coordinator, underwriter, sub-underwriter, placing agent or sub-placing agent. Those fund raising exercises included placing and IPO of shares of newly-listed companies, placing of new shares of listed companies under general mandate or specific mandate, issue of new shares of listed companies by way of rights issue or open offer, issue of unlisted warrants and unlisted debt securities by listed companies. The Target Company specialized in small-to-medium sized offerings of growth companies.

The Target Company had ten underwriting transactions and five placing transactions for the year ended 29 February 2016. The commission rates that the Target Company charged on placing and underwriting activities ranged from 0.01% to 1.5% depending on the transaction value of each transaction for the year ended 29 February 2016.

As at the Latest Practicable Date, the Target Company has not committed any material non-compliance in respect of the applicable laws and regulations.

Financial Performance of the Target Company

The audited total assets and net assets of the Target Company as at 29 February 2016 were approximately HK$321,446,000 and HK$119,980,000 respectively. Set out below is the audited financial information of the Target Company for the financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and the five months ended 31 July 2016 as extracted from the audited statements of profit or loss and other comprehensive income set out in Appendix II to this circular:

	For the year ended			For the five months ended
	28 February 2014	**28 February 2015**	**29 February 2016**	**31 July 2016**
	HK$('000)	*HK$('000)*	*HK$('000)*	*HK$('000)*
Revenue	26,013	27,577	45,154	14,431
Net profit before taxation	18,413	17,387	32,694	10,328
Net profit after taxation	15,390	14,530	27,376	8,631

Upon completion of the Transaction, the Target Company will become an indirect wholly owned subsidiary of the Company. Accordingly, the financial results of the Target Company will be consolidated into the financial statements of the Company.

Management of the Target Company

The biographies of the Responsible Officers and the existing senior management of the Target Company are as follows:

Mr. Ko Wai Chun ("**Mr. Ko**") was appointed as an executive director of the Target Company on 28 Aug 2013. Mr. Ko is an MBA graduate of North Texas State University and holds a Bachelor Degree of Computer Science degree from University of Texas at Arlington in the United States. He joined the Target Company as the head of dealing department and a Responsible Officer of the Target Company in July 2011. He has approximately 16 years of experience in the financial services industry. Prior to joining the Target Company, he was an associate director of Vision Finance (Securities) Limited. Mr. Ko is currently licensed with SFC as a Responsible Officer of the Target Company for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities.

Mr. Ng Siu Hong ("**Mr. Ng**") was appointed as an executive director of the Target Company in Jan 2014. He has solid financial knowledge and holds a Bachelor Degree in Economics and Finance from the City University of Hong Kong. Mr. Ng has accumulated extensive experiences in securities and finance industry for approximately 10 years who has previously worked for UOB Kay Hian (HK) Ltd. and Phillip Securities (HK) Ltd. He processes profound knowledge and experience in handling numerous capital raising and financing services. Mr. Ng is currently licensed with SFC as a Responsible Officer of the Target Company for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities.

It is intended that the employee contracts of the Responsible Officers will be renewed on Completion.

The Vendor's Guarantor is the chairman of the board of directors of the Target Company and responsible for the strategic planning and development of the Target Company. He did not participate in the management of the daily operation of the Target Company and he currently has no intention to participate in the operation of the Target Company after the Transaction.

As at the date of this submission, the Company has no intention to change the board compositions because of the Transaction.

REASONS AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in the trading of fur skins, fur skin brokerage and mink farming.

As disclosed in the annual report of the Company for the year ended 31 March 2016, the fur industry experienced a very difficult time, and the revenue of the Group for the year ended 31 March 2016 decreased by approximately 27.14%, which was mainly attributable to a substantial drop of approximately 50% (compared to the figure in 2015) in average fur skin price recorded in the first round of auctions held at 4 major auction houses during the season. The Group recorded net loss for the year ended 31 March 2016.

The Group's fur skin brokerage and finance business is expected to be difficult as the Group's commission income will be adversely affected by the extremely low fur skin price, and more importantly, amid the intense price competition, other fur skin brokers has reduced their brokerage fee by half in order to fight for customers. As at the Latest Practicable Date, the Company has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, to dispose of/downsize the existing business but will continue to operate it. The Company intends to continue the existing businesses. However, if the market of fur trading and mink farming goes gloomy for a prolonged period of time, the Company will have to consider all necessary measures in response to the market trend.

In view of the above, the Group has been exploring other business opportunities to generate additional income. In this connection, the Group has recently obtained a money lender's licence under Money Lenders Ordinance (Cap 163 Laws of Hong Kong) to conduct money lending business with a view to diversifying its business into the financial services industry.

The Directors consider that the Transaction will enable the Group to further expand its business in the financial services industry and further broaden revenue sources of the Group promptly under an established financial institution. The Directors consider that the SPA is on normal commercial terms, and that such terms are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. The Company believes that it will be more time and cost efficient to acquire an existing business than to start a new business as acquisition of the Target Company will also enable the Company to acquire the customer base, the goodwill and all other infrastructure and facilities of the Target Company.

The Directors are optimistic on the growth opportunities in the financial services industry given the increasing demand for financial services in Hong Kong with the increasing cooperation between the stock markets in Hong Kong and the PRC such as the launch of the Stock Connect program. With the potential development of the Shenzhen-Hong Kong Stock Connect, Hong Kong's securities market and, in particular, licensed corporations which are carrying on Type 1 (dealing in securities) regulated activity under the SFO, are expected to benefit from this in which more capital will flow into the securities market of Hong Kong which in turn drive the demand for securities brokerage, margin financing, share placements and underwriting services. In addition, the Target Company has recently obtained Type 4 licence (advising on securities) in around August 2016 from the SFC. The Company's intention is to develop the Target Company to offer integrated sales and trading and investment advisory services.

The Directors consider that the Group as well as the Enlarged Group is expected to generate sufficient cash flow to support the existing operation as well as develop new business. The Company has considered several means of fund raising, namely bank borrowing, share placement, issuing bonds or convertible and rights issue. Given the financial performance of last year, it becomes difficult to have borrowings from banks while, issuing bonds or convertible will have to incur interest expense. Rights issue may not be an ideal option as it may take longer time than share placement which is considered the most convenient yet lowest financial cost fund raising method according to the Company's current situation. Depending on future financial needs, the Company may raise further funds to develop its businesses.

In order to expand into the securities market, the Company has employed a senior business development director who has more than ten years of experience in Stock Exchange and SFC. He is experienced in license applications and compliance and the Company believed that the senior business development director would be helpful in expanding the Company's securities business. The Company will also retain the responsible officers of the Target Company by renewing their employment contracts.

There are certain risks involved in the Target Company's operations which are beyond the Company's control. They can be broadly categorized into (i) risks relating to business and operations of the Target Company, (ii) risks relating to the industry in which the Target Company operates, (iii) risks relating to economic and political conditions in Hong Kong.

(i) RISKS RELATION TO BUSINESS AND OPERATIONS OF THE TARGET COMPANY

The Target Company's business is subject to the performance of the Hong Kong securities market and the performances of its competitors which are beyond the control of the Company and the Company cannot assure that historical level of income of the Target Company can be sustained

The main services provided by the Target Company mentioned above are highly dependent on the activeness of the financial market in Hong Kong. Any sudden downturn in the global or local economic and sudden change in political environment, which are beyond control of the Company, may adversely affect the financial market sentiment. Severe fluctuation in market and economic sentiments may also lead to a prolonged period of sluggish market activities which would in turn incur adverse impact on the Target Company's business and operating performance. As such, the revenue and profitability of the Target Company may fluctuate and there is no assurance that the Target Company will be able to maintain its historical financial results under difficult or unstable economic conditions.

The Target Company is subject to extensive regulatory requirements, the non-compliance with which could cause the Target Company to incur fines, restriction on its activities or even suspension or revocation of some or all of its licences for carrying on its business activities

The Hong Kong financial market in which the Target Company operate is highly regulated. There are changes in rules and regulations from time to time in relation to the regulatory regime for the financial services industry, including but not limited to, the SFO, the Companies Ordinance, the Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong), the Listing Rules, the GEM Listing Rules, the trading rules of the Stock Exchange and The Hong Kong Codes on Takeovers and Mergers and Share Repurchases. Any such changes might result in an increase in cost of compliance, or might restrict the Target Company's business activities. In case the Target Company fails to comply with the applicable rules and regulations from time to time, it might result in fines, restrictions on the Target Company's activities or even suspension or revocation of some or all of its licences for carrying on its business activities. Accordingly, the Target Company's business operation and financial results might be materially and adversely affected.

Furthermore, the Target Company is required to be, and continuously to be, licensed with the relevant regulatory authorities including without limitation, as licensed corporations under the SFO. In this respect, the Target Company have to ensure continuous compliance with all applicable laws, regulations, codes and guidelines, and to satisfy the SFC, the Stock Exchange and/or other regulatory authorities that the Target Company remain fit and proper to be licensed. If there is any change or tightening of the relevant laws, rules, regulations, codes and guidelines, it may adversely affect the Target Company's operation and business.

In addition, the Target Company may be subject to regulatory inspections from time to time. If the results of the inspections reveal serious misconduct, the SFC may make further investigations and take disciplinary actions including revocation or suspension of licences, public or private reprimand or imposition of pecuniary penalties against the Target Company, and its directors, responsible officers or licensed representatives. Any of such disciplinary actions taken against the Target Company, its directors, responsible officers, licensed representatives and/or staff may have an adverse impact on the Target Company's business operation and financial results.

The Target Company's brokerage services involve active interactions between its staff and customers and therefore subject to human errors, which the Target Company has to bear the losses resulting therefrom

During the course of providing securities dealing and brokerage services, trading errors (such as incorrect input of customers' instructions, including stock code, number of shares or buy/sell orders or incorrect input of account numbers) may occur. Upon discovery of any trading errors, the Target Company will have to take immediate actions to close out error trade positions and recognize gains or losses from such error trades, if any. In the event that the trading errors are not effectively prevented or controlled, or rectification measures could not cover the loss incurred, the Target Company may be subject to material losses and the financial results would be adversely affected.

The Target Company is exposed to business risks from its placing and underwriting business in case the securities underwritten by the Target Company are undersubscribed or the placing exercises failed to complete

Placing and underwriting commission was one of the largest income source of the Target Company, which accounted for approximately 46.05%, 42.94%, 40.45% and 52.32% of the Target Company's total revenue for the financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and the five months ended 31 July 2016 respectively.

Some of the Target Company's underwriting service was conducted on a fully underwritten basis, whereby the Target Company was obliged to take up the undersubscribed securities up to the maximum of its underwriting commitment. The Target Company was also involved in a number of placing exercises as placing agents or sub-placing agents. Depending on the terms of the particular placing agreements, the placing exercises were either on a fully underwritten basis or on a best effort basis. If the securities underwritten by the Target Company are undersubscribed and the Target Company fails to procure subscribers to take up all of the undersubscribed securities, the Target Company will be required to purchase all of the undersubscribed portion for its own account, which would materially and adversely affect the Target Company's liquidity.

The Target Company's financial position would also be adversely affected if the underwritten securities so taken up by the Target Company become illiquid and/or their market value drops. In the case of placing of securities on a best effort basis, if the securities are undersubscribed or if market conditions become volatile, the placing may not be completed in full or may be cancelled. Commission from such placing engagements may reduce or in the worst case the Target Company may have no commission at all.

Moreover, the Target Company's placing and underwriting business is subject to various external factors which are beyond control, including the number and the size of IPOs in the market, and the activeness of the secondary market for fund-raising exercises under the prevailing financial market environment. There is no assurance that the performance of the Target Company's placing and underwriting business will not be affected by such external factors.

The Target Company may be subject to substantial risks if its customers default on payments or if the value of the relevant securities collaterals are insufficient to cover the outstanding balances due to significant market volatility

During the course of provision of securities dealing and brokerage services, the Target Company's customers are required to settle their securities transactions two trading days after the trade date (T+2). If the Target Company's customers do not have sufficient cash to do so, the Target Company is required to settle the same with CCASS on behalf of its customers. As such, the liquidity position of the Target Company will be adversely affected.

The Target Company also provide margin financing to its customers with their listed securities as collaterals. The Target Company will assign a margin ratio for each individual securities ranging from 10% to 60%. The margin financing amount for its margin clients is determined based on i) the margin ratio for each specific securities; and ii) the credit line/trading limits of each specific client. There is a risk that the amount recovered from the disposal of the pledged securities may fall short of the outstanding amount of the loan. The Target Company would suffer a loss if such shortfall cannot be recovered from its customers. For IPO financing, in the event that the allotment amount to a customer is higher than the initial deposit made by the customer and the share price of such IPO stock falls below the offering price, the Target Company may suffer loss if the customer fails to repay the amount owed to the Target Company.

Any harm to the Target Company's reputation may have a material adverse effect on its business, results of operations and financial condition

The Target Company and its services are vulnerable to adverse market perception as it operate in an industry where integrity, customer trust and confidence are critical. Litigation and disputes, employee misconduct, customer complaints, outcome of regulatory investigations or penalties on the Target Company may harm its reputation. Any harm to the Target Company's reputation may cause its existing and potential customers to be reluctant to purchase services from it, and may thus have a material adverse effect on our business, results of operations and financial condition.

Any failure in protection of computer system from external threat may cause disruption to our operation

The computer system used by the Target Company may be vulnerable to the attack of computer virus, worms, Trojan horses, hackers or other disruptive actions by visitors or other internet users. Such disruption may cause data corruption and interruption in the Target Company's storage system and delay or cessation in the services provided through its securities dealing system and online trading platform, which could result in a material adverse effect on its business. Inappropriate use of the Internet by third parties may also jeopardize the security of confidential information (such as trading data or trading records) stored in the computer system and cause losses to the Target Company.

(ii) RISKS RELATING TO THE INDUSTRY IN WHICH THE TARGET COMPANY OPERATES

The financial services industry in Hong Kong is highly competitive, and the Target Company's business and prospects may be materially and adversely affected if the Target Company are unable to compete effectively.

The financial services industry in Hong Kong has a large number of participants which makes the industry highly competitive. New participants may enter into the industry so long as they obtain the requisite licences and permits. Apart from large multi-national financial institutions, the Target Company also faces competition from local medium and small-sized financial services firms which offer similar range of services. The Target Company will have to compete against competitors who may have greater brand recognition in the market, more human and financial resources, a wider range of services and longer operating history than that of the Target Company. There is no assurance that the Target Company will be able to maintain its competitive strengths by responding rapidly to the changing business environment or to capture new market opportunities. Any intensified competition may result in price reduction, which in turn, may have an adverse impact on the Target Company's operating performance and financial results.

(iii) RISK RELATING TO ECONOMIC AND POLITICAL CONDITIONS IN HONG KONG

Changes in the economic, political and social conditions, as well as government policies, could have a material and adverse effect on our business, financial condition, results of operations and prospects. The Target Company's business and operations are based in Hong Kong and all the income of the Target Company is derived in Hong Kong during the last three financial years. Accordingly, the Target Company's business, financial condition, results of operations and prospects are affected by government policies, as well as economic, social, political and legal developments in Hong Kong. As an open economy, Hong Kong's domestic economy is also affected by many other unpredictable factors such as economic, social, legal and political development in the PRC, fluctuations in global interest rates, and changes in international economic and political situations. There is no assurance that any changes in the existing government policies, economic, social, political conditions and the business environment in Hong Kong and the PRC in the future will have a positive effect on the Target Company's business operations.

(C) THE PLACING

Set out below is a summary of the principal terms of the Placing Agreement:

Date: 29 July 2016

Issuer: The Company

Placing Agent: Sun International Securities Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placing

The Company and the Placing Agent entered into the Placing Agreement whereby the Company agreed to place, through the Placing Agent, on a best effort basis, up to 210,000,000 new Shares to not less than six independent Placees at the Placing Price of HK$0.18 per Placing Share. The placing period for the Placing will commence upon the execution of the Placing Agreement and terminating at 5:00 p.m. on the third business day prior to the Placing Completion Date, unless terminated earlier pursuant to the terms of the Placing Agreement.

Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of the Placing Agreement and completion of the Placing, the maximum of 210,000,000 Placing Shares to be allotted and issued pursuant to the Placing represent:

(a) approximately 6.94% of the total number of issued Shares as at the Latest Practicable Date; and

(b) approximately 6.49% of the total number of issued Shares as enlarged by the issue and allotment of all the Placing Shares.

Based on the closing price of the Shares of HK$0.195 per Share on 29 July 2016, the date of the Placing Agreement, the Placing Shares have a market value of HK$40,950,000. The Placing Shares have an aggregate nominal value of HK$2,100,000.

The Placing Shares, when allotted and issued, will rank pari passu in all respects among themselves, and with the existing Shares then in issue.

Placing Price

The Placing Price of HK$0.18 per Placing Share represents:

(a) a discount of approximately 7.69% to the closing price of HK$0.195 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 9.55% to the average closing price of approximately HK$0.199 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day;

(c) a discount of approximately 10.00% to the average closing price of approximately HK$0.200 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day; and

(d) a premium of approximately 90.27% over the audited net assets value per Share of approximately HK$0.0946, which was calculated based on the audited net asset value of the Company of approximately HK$286,125,629 as at 31 March 2016 and divided by the total number of issued Shares of 3,024,445,215 as at the Latest Practicable Date.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to (i) the prevailing market price of the Shares and the current market conditions; and (ii) the Company's funding needs for the business development of the Target Company.

The Directors consider that the Placing Price will enable the Company to raise necessary fund for its future development and hence is fair and reasonable and in the interest of the Company and the Shareholders as a whole under the current market conditions.

Placing Commission

The Placing Agent will receive a placing commission of 0.5% of the amount equal to the Placing Price multiplied by the number of Placing Shares subscribed by each Placee.

The placing commission was determined after arm's length negotiation between the Company and the Placing Agent with reference to the market rate and after taking into account the size of the Placing and the current capital market performance and sentiment. The Directors (including the independent non-executive Directors) consider that the commission for the Placing is fair and reasonable.

Placee(s)

The Placing Shares shall be offered by the Placing Agent to not less than six Placee(s), who, and its (their) ultimate beneficial owner(s), will be Independent Third Party(ies). It is expected that none of the Placee(s) will become a substantial Shareholder (as defined in the Listing Rules) immediately after completion of the Placing. In the event any of the Placees becomes a substantial Shareholder (as defined in the Listing Rules) after completion of the Placing, further announcement will be made by the Company.

Condition of the Placing

Completion of the Placing is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Placing Shares and the Shareholders approving the Specific Mandate in respect of the Placing Shares. If these conditions are not fulfilled on or prior to 30 November 2016 (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall be terminated and none of the parties to the Placing Agreement shall have any claim against the other for any costs or losses (save for any prior breach of the Placing Agreement).

Completion of the Placing

Completion of the Placing shall take place not later than third Business Day following the satisfaction of the condition specified in the paragraph headed "Condition of the Placing" above or such other date as the Company and the Placing Agent shall agree.

Application for Listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Termination of the Placing Agreement

Notwithstanding anything contained in the Placing Agreement, if, at any time prior to 10:00 a.m. on the Placing Completion Date, in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

(i) any material breach of any of the representations, warranties and undertakings set out in Placing Agreement; or

(ii) any of the following events:

(a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or

(b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or

(c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or

(d) a change or development involving a prospective change in taxation in Hong Kong, the Cayman Islands or the implementation of exchange controls which shall or might materially and adversely affect the Group (as a whole) or its present or prospective shareholders in their capacity as such; or

(e) any change or deterioration in the conditions of local, national or international securities markets occurs,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 10:00 a.m. on the Placing Completion Date.

In the event that the Placing Agent terminates the Placing Agreement, all obligations of each of the parties under the Placing Agreement, shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

REASONS FOR AND BENEFITS IN THE PLACING AND USE OF PROCEEDS

It is the intention of the Group to source additional funding by issuing the Placing Shares and to capture any business opportunity which may arise in the future upon its review and adjustment (if any) to the Group's future plan in light of the changing business environment. The Directors consider that the Placing would strengthen the Group's cash position for business development without incurring additional interest burden and is therefore an effective manner to raise additional capital for the Group. The Placing will also provide an opportunity for the Company to broaden its shareholder base.

The Directors consider that the Placing Agreement was entered into on normal commercial terms after arm's length negotiations between the Company and the Placing Agent and that the terms of the Placing Agreement (including the Placing Price) are fair and reasonable so far as the interests of the Company and its Shareholders as a whole are concerned. The Company will update in its coming interim and annual reports for the process of actual use of proceeds from the Placing.

Assuming all the Placing Shares were allotted and issued, the gross proceeds from the Placing will amount to HK$37,800,000 and the net proceeds from the Placing after deducting the commission and other related expenses payable by the Company will amount to approximately HK$37,000,000. The net proceeds raised per Placing Share will be approximately HK$0.176.

The net proceeds are intended to be applied to the business development of the Target Company and to enlarge the Target Company's liquid capitalization. This would, in turn, enhance the Target Company's capability of absorbing more brokerage customers, by offering margin loans to more customers and/or offering greater margin limit to existing customers. In addition, since the Target Company has recently obtained Type 4 licence (advising on securities) in around August 2016, the Target Company also intends to use the additional funds to develop a research team offering integrated sales and trading and investment advisory services. It is expected that these funds will be utilised as follows:

(i) approximately HK$22,680,000 is intended to be used for expanding securities margin financing business which will provide funding on a secured basis for clients to acquire listed securities. The expansion of the securities margin financing business depends on the availability of capital resources. The Company intend to further expand the Target Company's securities margin financing services to more clients who wish to purchase securities on a margin basis. The expansion of the securities margin financing business would increase the Target Company's interest income and broaden its client base. A larger amount of funds would allow the Target Company to offer margin loans to more clients and/or greater margin limits to its existing clients;

(ii) approximately HK$7,560,000 is intended to be used for expanding the placing and underwriting business. The number of placing and underwriting transactions and the size of placing and underwriting transactions that the Target Company may undertake depends on the availability of capital resources. The Company intends to further expand its placing and underwriting business by participating in more placing and underwriting transactions, and placing and underwriting transactions of larger size;

(iii) approximately HK$3,780,000 is intended to be used for conducting sales and marketing activities to enhance awareness of the clients of the Target Company. The Target Company intend to advertise its services through different media and to conduct sales and marketing activities such as seminars that help to promote the brand of the Target Company and would be helpful in expanding client base of the Target Company; and

(iv) approximately HK$3,780,000 is intended to be used for recruitment of staff, including dealers, sales and marketing personnel and researchers, in order to support the development of the Target Company. The recruitment process will commence as soon as practicable.

Although securities brokerage business is capital intensive and new to the Group, the Target Company has been established to self-operate and develop. If the Placing does not proceed, the business development of the Target Company will be on a smaller scale, which only include development of a research team and recruitment of staff. The scale of our development is subject to and to be financed by Enlarged Group's internal resources.

If the Transaction does not materialize, the net proceeds are intended to be applied for funding and developing the money lending business of the Group. The Group has recently obtained a money lender's licence under Money Lenders Ordinance (Cap 163 Laws of Hong Kong) to conduct money lending business with a view to diversifying its business into the financial services industry. The Company expects that the major target customer of money lending business will be mortgage or second mortgage of quality real estate as the demand of real estate in Hong Kong is still keen and that the demand of mortgage is, in turn, believed to be enormous. The initial startup capital for the business is around HK$30,000,000, but subject to the financial resources of the Group and the development of the home loan mortgage market, that amount can be adjusted. The Company plans to finance the initial startup capital of the money lending business by its internal resources and the proceeds from the Placing (if the Transaction does not materialize). Given the money lending business is new to the Group, the Group plans to commence the business on a small scale with the initial startup capital. The long term development plan of the Group's money lending business will be formulated depending on various factors, such as the actual performance of after commencement of the business, the market condition as well as the availability of the Group's financial resources. The Board will consider the availability of the Group's financial resources and explore different means of fund raising to finance such development plan, if and when necessary.

As disclosed in the 2016 annual report of the Company, its main business of fur trading and mink farming did not perform satisfactory. Developing an alternative business line perceived with good prospect would be strategically benign to the Company's financial performance. Moreover, Mr. Wong Chun Chau ("**Mr. Wong**"), the Company's Chairman and executive Director, had been engaged in fur trading business as well as money lending business before the Company was listed on the Stock Exchange in 2012. The money lending business Mr. Wong engaged in was mainly related to the provision of first and second mortgage loans. Such business had been run for about 10 years but was terminated after listing of the Company in order for Mr. Wong to focus on the Group's business. Therefore, Mr. Wong has appropriate and sufficient experience in money lending business. It is believed that starting the money lending business is beneficial to and in the interest of the Company and Shareholders as a whole.

The Group expects that it will be exposed primarily to credit risks in respect of its loan portfolio during the ordinary course of the money lending business. Considering risk management to be an integral part of the future success of the money lending business, the Group will establish various internal control procedures for the purpose of (i) managing the risk at a minimum level; (ii) ensuring the money lending business, lending practices, management, information systems, and overall operations being conducted in line with the Code of Money Lending Practice; and (iii) complying in full with all relevant laws and regulations. The following sets out, amongst others, two major aspects of risk management and internal control procedures to be established.

Managing credit risk at grant of mortgage loans

Mortgage loans granted to the Group's target customers will all be secured to reduce credit risks. Approval for loan applications, together with the loan amount, corresponding interest rate and etc., will be determined based on a number of factors including, amongst others, (a) profile of the applicant; (b) type and value of the proposed security to be mortgaged; (c) credit search report of the applicant which will be performed by an independent credit agency (where considered necessary); and (d) prevailing market conditions. Such approval will be performed by loan supervisor(s)/director(s), depending on each actual loan amount to be granted. In order to ensure effective credit risk assessment, internal credit guidelines will be established to provide detailed guidance on processing customers' applications.

Managing credit risk at loan collection

The Group will carry out continuous risk assessment and monitoring after the mortgage loans are made available to the customers. Accounting officers will be responsible for preparing the repayment schedule of granted loans, keeping track of customers' repayments and updating accordingly. The Group will perform loan collectability of all customers on a monthly basis. For any delay in repayment, accounting officers will contact the customer to remind of such late repayment. Where, after multiple reminders, the customer does not repay the outstanding amounts, or where the Group is unable to locate such customer, the Group may consider commencing legal proceedings in order to enforce its secured interest against any such assets. If the customer delays or defaults on his/her payment, the Group may have to incur additional legal costs and expenses in order to enforce its security and/or make provision for impairment or write-off the relevant loan and interest receivables.

(D) ISSUE OF CONSIDERATION SHARES AND PLACING SHARES UNDER SPECIFIC MANDATE AND APPLICATION FOR LISTING

The Consideration Shares and the Placing Shares will be issued under the Specific Mandate to be sought at the EGM. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Placing Shares.

(E) EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Consideration Shares having been issued, assuming in all cases that there are no other changes in the share capital of the Company from the Latest Practicable Date up to the issue of the Consideration Shares; (iii) immediately after the Placing Shares having been issued, assuming in all cases that there are no other changes in the share capital of the Company from the Latest Practicable Date up to the issue of the Placing Shares; and (iv) immediately after the Consideration Shares and Placing Shares having been issued, assuming in all cases that there are no other changes in the share capital of the Company from the Latest Practicable Date up to the issue of the Consideration Shares and Placing Shares.

	As at the Latest Practicable Date		**Immediately after the Consideration Shares having been issued**		**Immediately after the Placing Shares having been issued**		**Immediately after the Consideration Shares and the Placing Shares having been issued**	
	No. of Shares	*Approximate % of the total issued share capital of the Company*	*No. of Shares*	*Approximate % of the total issued share capital of the Company*	*No. of Shares*	*Approximate % of the total issued share capital of the Company*	*No. of Shares*	*Approximate % of the total issued share capital of the Company*
Trader Global Investments Limited (1)	653,232,000	21.60	653,232,000	17.73	653,232,000	20.20	653,232,000	16.78
Zhuo Kun	282,480,000	9.34	282,480,000	7.67	282,480,000	8.73	282,480,000	7.25
Mr. Wong Chun Chau (1)	35,539,200	1.18	35,539,200	0.96	35,539,200	1.10	35,539,200	0.91
Ms. Kwok Yin Ning (2)	34,262,400	1.13	34,262,400	0.93	34,262,400	1.60	34,262,400	0.88
Vendor	—	—	660,000,000	17.91	—	—	660,000,000	16.95
Placee(s)	—	—	—	—	210,000,000	6.49	210,000,000	5.39
Other public Shareholders	2,018,931,615	66.75	2,018,931,615	54.80	2,018,931,615	62.42	2,018,931,615	51.84
Total	3,024,445,215	100.00	3,684,445,215	100.00	3,234,445,215	100.0	3,894,445,215	100.0

Notes:

(1) Trader Global Investments Limited is wholly owned by Mr. Wong Chun Chau, an executive Director.

(2) Ms. Kwok Yin Ning is an executive Director.

(F) FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not carried out any other fund raising activities on any issue of equity securities in the past twelve months prior to the Latest Practicable Date.

(G) IMPLICATIONS OF THE LISTING RULES

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

The EGM will be convened for the purpose of considering and, if thought fit, approving, (i) the SPA and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the issue of the Consideration Shares and the Placing Shares under the Specific Mandate. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has a material interest in the SPA and the Placing Agreement who will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the SPA and the Placing Agreement and the transactions contemplated thereunder.

(H) RECOMMENDATION

The Board considers that the terms of (i) the SPA and the transactions contemplated thereunder; and (ii) the Placing Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution(s) to approve (i) the SPA and the transactions contemplated thereunder; and (ii) the Placing Agreement and the transactions contemplated thereunder at the EGM.

In addition, the Board considers that the issue of the Consideration Shares and the Placing Shares are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions in relation to the grant of the Specific Mandate to allot and issue the Consideration Shares and the Placing Shares at the EGM.

Additional Information

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

By order of the Board
Wong Chun Chau
Chairman

A. FINANCIAL INFORMATION OF THE GROUP

The following is a summary of certain audited consolidated financial information of the Group for the three financial years ended 31 March 2014, 2015 and 2016, as extracted from the annual reports of the Company for each of the three years ended 31 March 2014, 2015 and 2016.

Extracts of the financial results for each of the three years ended 31 March 2014, 2015 and 2016

	For the year ended 31 March		
	2014	**2015**	**2016**
	HK$('000)	*HK$('000)*	*HK$('000)*
	(Audited)	(Audited)	(Audited)
Revenue	301,637	301,596	219,729
Profit/(loss) before taxation	39,993	38,073	(93,350)
Income tax (expense)	(4,152)	(1,434)	(1,092)
Net profit after taxation	35,841	36,639	(94,442)
Earnings/(loss) per Share attributable to owners of the Company			
Basic (Hong Kong cents per Share)	2.28	1.84	(3.54)
Diluted (Hong Kong cents per Share)	2.23	1.78	(3.54)

Extracts of the financial position as at each of the years ended 31 March 2014, 2015 and 2016

	As at 31 March		
	2014	**2015**	**2016**
	HK$('000)	*HK$('000)*	*HK$('000)*
	(Audited)	(Audited)	(Audited)
Total assets	467,257	240,712	471,133
Total liabilities	195,785	221,178	185,007
Net assets	271,471	300,757	286,126

The audited consolidated financial statements of the Group, together with accompanying notes has been disclosed in the following:

— annual report of the Company for the year ended 31 March 2014 (pages 39-114) published on 13 June 2014 at http://www.hkexnews.hk/listedco/listconews/GEM/2014/0613/GLN20140613007.pdf;

— annual report of the Company for the year ended 31 March 2015 (pages 37-122) published on 22 June 2015 at http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0622/LTN20150622482.pdf; and

— annual report of the Company for the year ended 31 March 2016 (pages 39-127) published on 20 July 2016 at http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0720/LTN20160720171.pdf.

All of the financial information as mentioned above are also available on the websites of the Company at http://www.ukf.com.hk.

B. INDEBTEDNESS

The Group

As at the close of business on 31 August 2016, the Group had aggregate outstanding borrowings of approximately HK$109,013,000 comprising (i) trust receipt loans and term loans of HK$98,121,000 secured by corporate guarantee given by the Company; (ii) finance lease obligations in relation to plant and machinery of approximately HK$892,000 secured by the charge over the leased plant and machinery; and (iii) corporate bond with the principal amount of HK$10,000,000 at the interest rate of 5.5% per annum payable annually for 7 years which will be due on 18 November 2019.

The Target Company

As at the close of business on 31 August 2016, the Target Company had total outstanding borrowings of approximately HK$115,000,000 comprising (i) HK$90,000,000 granted by HSBC, which was guaranteed by the Vendor's Guarantor , and was secured by securities documents on charge over certain properties of Vendor's Guarantor; and (ii) Shareholder's Loan amounted to HK$25,000,000 granted by the Vendor.

It is intended that the Target Company will arrange for the bank loans, facilities guaranteed by the Vendor's Guarantor/ultimate controlling party and amounts due to immediate holding company to be withdrawn or replaced by other facilities before the completion of the Transaction.

Save as disclosed above, as at 31 August 2016, the Enlarged Group did not have any other borrowings, mortgages, charges, debentures or debt securities issued and outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, liabilities under acceptances or acceptance credits, finance lease or hire purchase commitments, material contingent liabilities or guarantees.

C. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, following completion of the Transaction, taking into account the financial resources available to the Enlarged Group, including the internally generated funds and the present available banking facilities of the Enlarged Group, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirements that is for at least the next 12 months from the date of this circular.

D. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2016, being the date to which the latest published audited financial statements of the Group was made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the trading of fur skins, fur skin brokerage and mink farming.

As the fur industry is going through a recovery period, the Group will adopt a more conservative approach in conducting its existing business. In view of the current market condition, it is estimated that the fur industry may still need time to recover, thus it is vital for the Group to explore other business opportunities to generate additional income and promising business growth to the Shareholders.

The Directors are optimistic on the growth opportunities in the financial services industry. With the ambition to grasp the opportunities arisen from the financial services industry, the Group has obtained a money lender's licence under Money Lenders Ordinance (Cap 163 Laws of Hong Kong) to conduct money lending business.

The Transaction will enable the Enlarged Group to broaden its business in the financial services industry upon Completion. The Target Company has seen a steady progress in its businesses and operations for the period covered under the Accountants' Reports and the Directors believe that the Transaction will offer the Target Company's greater ability to raise capital and financing for its business development. With the additional resources, the Target Company intends to allocate more resources towards securities brokerage, margin financing, underwriting, share placements services and plans to gradually from the comprehensive service platform to offer integrated sales and trading and investment advisory services. As at the Latest Practicable Date, the Target Company had no significant capital commitments.

The Group will continue to seek for opportunities for diversification that will benefit the Group's long-term development and maximize shareholder value.

F. FINANCIAL EFFECT OF THE TRANSACTION

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company and results of the Target Company will be consolidated into the Enlarged Group's results. The Target Company recorded net profit for the latest three financial years, the Directors hence consider that the Transaction is expected to 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 Companies.

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, the total assets of the Enlarged Group would increase from approximately HK$471,133,000 to approximately HK$839,502,000; and its total liabilities would increase from approximately HK$185,007,000 to approximately HK$437,076,000, as a result of the Transaction. The details of the financial effect of the Transaction on the financial position and results of the Enlarged Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix III to this circular.

The actual financial effect of the Transaction to the Group upon Completion will only be ascertained based on the financial positions of the Target Company on the date of Completion.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountings, by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

26 October 2016

The Directors
UKF (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding to Great Roc Capital Securities Limited (the "**Target Company**") for the years ended 28 February 2014, 2015, and 29 February 2016 and the five months ended 31 July 2016 (the "**Relevant Periods**"), for inclusion in the circular issued by UKF (Holdings) Limited (the "**Company**") dated 26 October 2016 (the "**Circular**") in connection with the major transaction relating to the acquisition of the entire equity interest of the Target Company.

The Target Company is a private limited company incorporated in Hong Kong and is a licensed corporation under the Hong Kong Securities and Futures Ordinance with Type 1 license: Dealing in Securities regulated activity. The principal activities of the Target Company are the provision of brokerage services and securities margin to clients, underwriting and placing services.

We have been the auditor of the Target Company for the years ended 28 February 2014, 2015 and 29 February 2016 for which the financial statements were prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") (the "**HKFRS Annual Financial Statements**").

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company for the five months ended 31 July 2016, in accordance with accounting policies which conform HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**HKFRS Interim Financial Statements**"). The HKFRS Interim Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the HKFRS Annual Financial Statements and the HKFRS Interim Financial Statements, collectively "Underlying Financial Statements", in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Target Company for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements. The directors of the Target Company have made certain adjustments to the HKFRS Annual Financial Statements. The details are set out in the statement of adjustments.

The Underlying Financial Statements are the responsibility of the directors of the Target Company who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Company as at 28 February 2014, 2015, 29 February 2016 and 31 July 2016 and of the financial performance and cash flows of the Target Company for the Relevant Periods.

The comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Company for the five months ended 31 July 2015, together with notes thereon, have been extracted from the Target Company's unaudited financial information for the same period (the "**July 2015 Financial Information**") which was prepared by the directors of the Target Company solely for the purpose of this report. We conducted our review of the July 2015 Financial Information 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. Our review of the July 2015 Financial Information consists of making enquires, primarily of persons responsible for financial and accounting matters, 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 could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the July 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the July 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended			Five months ended	
		28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	NOTES	*HK$*	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Revenue	*6*	26,013,422	27,576,690	45,153,912	28,743,435	14,431,441
Other income	*6*	502,065	983,771	1,194,123	775,080	299,997
		26,515,487	28,560,461	46,348,035	29,518,515	14,731,438
Commission expenses		(603,518)	(1,288,581)	(4,247,724)	(3,426,704)	(684,052)
Depreciation		(75,093)	(23,517)	(88,134)	(5,675)	(258,097)
Finance costs	*7*	(733,688)	(826,079)	(1,378,899)	(561,880)	(110,122)
Staff costs	*8*	(2,542,879)	(2,237,658)	(2,493,012)	(1,035,163)	(1,461,260)
Impairment loss on AFS investments		(213,000)	—	—	—	—
Other operating expenses	*9*	(3,934,494)	(6,797,883)	(5,446,340)	(2,634,757)	(1,889,755)
Profit before taxation	*10*	18,412,815	17,386,743	32,693,926	21,854,336	10,328,152
Income tax expense	*11*	(3,022,687)	(2,856,929)	(5,317,731)	(3,584,628)	(1,697,361)
Profit and total comprehensive income for the year/period		15,390,128	14,529,814	27,376,195	18,269,708	8,630,791
Earnings per share	*23*					
Basic		0.18	0.16	0.30	0.20	0.10

STATEMENTS OF FINANCIAL POSITION

		As at			
		28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2016**
	NOTES	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Intangible asset	14	500,000	500,000	500,000	500,000
Property and equipment	15	30,021	24,122	351,519	5,090,442
Deposits	16	563,334	579,984	795,959	774,680
		1,093,355	1,104,106	1,647,478	6,365,122
Current assets					
Trade receivables	17	134,798,204	152,181,540	129,150,210	150,590,389
Prepayments and other receivables	18	619,198	1,688,675	1,209,699	588,732
Available-for-sale investments	26	587,000	—	—	—
Bank balances					
— House accounts	19	89,095,667	18,446,699	95,368,965	13,854,582
— Segregated accounts	19	13,048,573	103,265,209	94,069,545	106,093,117
		238,148,642	275,582,123	319,798,419	271,126,820
Current liabilities					
Trade payables	20	89,223,778	106,773,377	112,850,804	109,034,384
Accrued expenses and other payables	21	253,000	356,147	499,841	775,100
Dividend payable	22	12,600,000	16,200,000	—	—
Tax liabilities		2,890,869	752,541	3,114,893	3,825,458
Bank loans	24	40,000,000	60,000,000	60,000,000	10,000,000
Amount due to immediate holding company	27	—	—	25,000,000	25,000,000
		144,967,647	184,082,065	201,465,538	148,634,942
Net current assets		93,180,995	91,500,058	118,332,881	122,491,878
Net assets		94,274,350	92,604,164	119,980,359	128,857,000
Capital and reserves					
Share capital	25	90,000,000	90,000,000	90,000,000	90,000,000
Retained profits		4,274,350	2,604,164	29,980,359	38,611,150
Total equity		94,274,350	92,604,164	119,980,359	128,611,150
Non-current liability					
Deferred tax liability	28	—	—	—	245,850
		94,274,350	92,604,164	119,980,359	128,857,000

STATEMENTS OF CHANGES IN EQUITY

	NOTES	**Share capital** *HK$*	**Retained profits** *HK$*	**Total** *HK$*
At 1 March 2013		55,000,000	1,484,222	56,484,222
Allotment	*25*	35,000,000	—	35,000,000
Final dividend	*22*	—	(12,600,000)	(12,600,000)
Profit and total comprehensive income for the year		—	15,390,128	15,390,128
At 28 February 2014		90,000,000	4,274,350	94,274,350
Final dividend	*22*	—	(16,200,000)	(16,200,000)
Profit and total comprehensive income for the year		—	14,529,814	14,529,814
At 28 February 2015		90,000,000	2,604,164	92,604,164
Profit and total comprehensive income for the year		—	27,376,195	27,376,195
At 29 February 2016		90,000,000	29,980,359	119,980,359
Profit and total comprehensive income for the period		—	8,630,791	8,630,791
At 31 July 2016		90,000,000	38,611,150	128,611,150
At 28 February 2015		90,000,000	2,604,164	92,604,164
Profit and total comprehensive income for the period		—	18,269,708	18,269,708
At 31 July 2015 (unaudited)		90,000,000	20,873,872	110,873,872

STATEMENTS OF CASH FLOWS

	Year ended			Five months ended	
	28.2.2014	28.2.2015	29.2.2016	31.7.2015	31.7.2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	18,412,815	17,386,743	32,693,926	21,854,336	10,328,152
Adjustments for:					
Depreciation of property and equipment	75,093	23,517	88,134	5,675	258,097
Interest income from authorised institutions	(606)	(1,136)	(3,032)	(1,600)	(1,349)
Impairment of available-for-sale financial assets	213,000	—	—	—	—
Interest expense	733,688	826,079	1,378,899	561,880	110,122
Operating cash flows before movements in working capital	19,433,990	18,235,203	34,157,927	22,420,291	10,695,022
Decrease (increase) in deposits	155,000	(16,650)	(215,975)	(1,327,900)	21,279
(Increase) decrease in trade receivables	(2,113,382)	(17,383,336)	23,031,330	1,357,389	(21,440,179)
(Increase) decrease in prepayments and other receivables	(25,645)	(1,069,477)	478,976	(243,675)	620,967
(Increase) decrease in bank balances — segregated accounts	(5,597,321)	(90,216,636)	9,195,664	10,465,119	(12,023,572)
Increase (decrease) in trade payables	56,360,344	17,549,599	6,077,427	(7,450,510)	(3,816,420)
(Decrease) increase in accrued expenses and other payables	(671,682)	103,147	143,694	(15,727,926)	275,259
Cash generated from (used in) operations	67,541,304	(72,798,150)	72,869,043	9,492,788	(25,667,644)
Interest paid	(733,688)	(826,079)	(1,378,899)	(561,880)	(110,122)
Tax paid	(463,942)	(4,995,257)	(2,955,379)	(737,082)	(740,946)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	66,343,674	(78,619,486)	68,534,765	8,193,826	(26,518,712)
INVESTING ACTIVITIES					
Proceeds from disposal of available-for-sale investments	—	587,000	—	—	—
Interest received	606	1,136	3,032	1,600	1,349
Purchase of property and equipment	(20,540)	(17,618)	(415,531)	(15,351)	(4,997,020)
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(19,934)	570,518	(412,499)	(13,751)	(4,995,671)

	Year ended 28.2.2014	28.2.2015	29.2.2016	Five months ended 31.7.2015	31.7.2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
FINANCING ACTIVITIES					
Drawdown of bank loans	10,000,000	20,000,000	40,000,000	30,000,000	—
Repayment of bank loans	—	—	(40,000,000)	(20,000,000)	(50,000,000)
Borrowing from immediate holding company	—	—	25,000,000	—	—
Dividend paid	—	(12,600,000)	(16,200,000)	—	—
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	10,000,000	7,400,000	8,800,000	10,000,000	(50,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	76,323,740	(70,648,968)	76,922,266	18,180,075	(81,514,383)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	12,771,927	89,095,667	18,446,699	18,446,699	95,368,965
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	89,095,667	18,446,699	95,368,965	36,626,774	13,854,582
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank balances — house accounts	89,095,667	18,446,699	95,368,965	36,626,774	13,854,582

NOTES TO FINANCIAL INFORMATION

1. GENERAL

The Target Company is engaged in the provision of brokerage services and securities margin financing to clients, underwriting and placing services.

The Target Company is a licensed corporation under the Hong Kong Securities and Futures Ordinance with the following regulated activity:

Type 1: Dealing in Securities

The Financial Information is presented in Hong Kong dollars, which is also the functional currency of the Target Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has consistently applied all HKFRSs issued by the HKICPA that are effective for annual accounting period beginning on 1 March 2016, throughout the Relevant Periods.

The Target Company has not early applied the following new or revised HKFRSs that have been issued by the HKICPA which are not yet effective at the date of this report:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
HKFRS 16	Leases[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[2]
Amendments to HKAS 7	Disclosure initiative[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2019

HKFRS 9 — Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Target Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Target Company's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 16 — Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Target Company's recognition of right-of-use assets and corresponding liabilities in respect of the Target Company's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in note 32 to these Financial Information. The directors of the Target Company anticipate that the application of HKFRS 16 in the future may have an impact on the Target Company's Financial Information; however, it is not practicable to provide a reasonable estimate of the effect until the Target Company performs a detailed review.

Except for above, the directors of the Target Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Financial Information of the Target Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. The Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial information is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in normal course of business.

Revenue arising from financial services is recognised on the following basis:

- Commission income for brokerage business, net of commission income waived for certain customers, is recognised as income on a trade date basis.

- Underwriting, sub-underwriting, placing and sub-placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when the relevant significant act has been completed.

- Interest income from clients, net of interest income waived for certain customers, is recognised on a time proportion basis, by reference to the principal amounts outstanding and the effective interest rates applicable.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Intangible assets

Intangible assets represent the rights to trade on the Stock Exchange of Hong Kong Limited ("**SEHK**") (the "**trading rights**"). The trading rights have indefinite useful life and are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of non-financial assets below).

Finance costs

Finance 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 finance costs are recognised in profit or loss in the period in which they are incurred.

Property and equipment

Property and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

Impairment of non-financial assets

At the end of the reporting period, the Company reviews the carrying amounts of its non-financial assets 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 loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Target Company 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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Company's financial assets comprise financial assets classified as available-for-sale ("**AFS**") financial assets 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

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 receivables, deposits, other receivables and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for sale or are not classified as loans and receivables, held-to-maturity instruments or financial assets at fair value through profit or loss. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

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

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 that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment could include the Target Company's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For the financial assets 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 the estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

For financial assets 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.

Financial liabilities and equity instruments

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

Equity instruments

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

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.

Financial liabilities

Financial liabilities (representing trade payables, bank loans, dividend payable, amount due to immediate holding company and other payables) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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 sum of the consideration received and receivable is recognised in profit or loss.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Further details on financial risk management of financial assets and liabilities are disclosed in note 30.

Taxation

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base 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 profit will be available to allow all or part of the assets 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 realised, based on tax rate (and tax laws) that have been enacted or substantially enacted by the end of each reporting period.

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

Current and deferred tax is recognised in profit or loss.

Operating lease

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In application of the Target Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following is the key assumption concerning the future and the key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment on trade receivables

When there is objective evidence of impairment loss, the Target Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the carrying amount of trade receivable was HK$134,798,204, HK$152,181,540, HK$129,150,210 and HK$150,590,389 respectively. No impairment was provided during the Relevant Periods.

5. SEGMENT INFORMATION

No segment information identified by the chief operating decision maker ("**CODM**") has been aggregated in arriving at the Financial Information of the Target Company as the operating results of the whole Target Company are reviewed as one segment, which consists of the result of securities dealing by the CODM. The Target Company's revenue from customers solely arises from its operations in Hong Kong.

6. REVENUE AND OTHER INCOME

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Revenue					
Brokerage commission from dealing in securities	6,605,025	8,708,368	19,950,650	15,089,409	3,592,521
Underwriting, sub-underwriting, placing and sub-placing commission	11,979,439	11,840,774	18,265,587	10,371,150	7,550,888
Interest income from clients	7,393,010	7,004,802	6,937,415	3,282,816	3,288,032
Other income	35,948	22,746	260	60	—
	26,013,422	27,576,690	45,153,912	28,743,435	14,431,441
Other income					
Interest income from authorised institutions	606	1,136	3,032	1,600	1,349
Sundry income	501,459	982,635	1,191,091	773,480	298,648
	502,065	983,771	1,194,123	775,080	299,997
Total revenue and other income	26,515,487	28,560,461	46,348,035	29,518,515	14,731,438

7. FINANCE COSTS

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Interest on					
Bank loans	732,522	821,425	1,366,339	555,552	104,680
Other brokers	395	—	132	—	3
Cash clients' accounts	406	1,554	4,618	2,153	2,728
Margin clients' accounts	365	3,100	7,810	4,175	2,711
	733,688	826,079	1,378,899	561,880	110,122

8. STAFF COSTS

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Salaries and other benefits	1,713,667	1,773,950	2,371,707	984,360	1,401,149
Contributions to retirement benefits plan	67,212	86,708	121,305	50,803	60,111
Bonus	762,000	377,000	—	—	—
	2,542,879	2,237,658	2,493,012	1,035,163	1,461,260

9. OTHER OPERATING EXPENSES

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Rent, rates and management fees	1,266,087	1,328,780	1,475,650	581,719	639,221
Information fees	472,219	469,876	573,804	241,588	291,661
Entertainment and travelling	549,500	3,205,675	680,791	275,228	172,993
Repairs and maintenance	53,200	96,228	109,256	58,006	52,520
Central Clearing and Settlement System ("**CCASS**") charges	552,922	545,484	888,151	454,853	304,843
Brokerage expenses	396,124	498,374	1,103,119	804,376	81,591
Others	644,442	653,466	615,569	218,987	346,926
	3,934,494	6,797,883	5,446,340	2,634,757	1,889,755

10. PROFIT BEFORE TAXATION

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Profit before taxation has been arrived at after charging:					
Auditor's remuneration	150,000	155,000	160,000	—	—

11. INCOME TAX EXPENSE

The amount of tax charged to the statement of profit or loss and other comprehensive income represents:

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Current tax					
— Hong Kong Profits Tax	3,025,180	2,856,929	5,317,731	3,584,628	1,451,494
— (Over)/under provision in respect of prior years	(2,493)	—	—	—	17
	3,022,687	2,856,929	5,317,731	3,584,628	1,451,511
Deferred tax					
— Current year *(note 28)*	—	—	—	—	245,850
	3,022,687	2,856,929	5,317,731	3,584,628	1,697,361

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

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

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Profit before taxation	18,412,815	17,386,743	32,693,926	21,854,336	10,328,152
Taxation at domestic income tax rate of 16.5%	3,038,114	2,868,813	5,394,497	3,605,965	1,704,145
Tax effect of income not taxable for tax purposes	(98)	(186)	(411)	(246)	(222)
Tax effect of deductible temporary differences not recognised	7,164	—	—	—	13,421
Utilisation of deductible temporary differences previously not recognised	—	(1,698)	(56,355)	(1,091)	—
(Over)/under provision in respect of prior years	(2,493)	—	—	—	17
Tax reduction	(20,000)	(10,000)	(20,000)	(20,000)	(20,000)
Taxation for the year/period	3,022,687	2,856,929	5,317,731	3,584,628	1,697,361

The temporary differences associated with depreciation allowance for property and equipment are considered insignificant for the Relevant Periods. No deferred tax has been recognised in relation to such temporary differences.

12. DIRECTORS' EMOLUMENTS

Details of emoluments paid or payable to the directors of the Target Company for their services in connection with the management of the affairs of the Target Company during the Relevant Periods are as follows:

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Directors' fees	—	—	—	—	—
Salaries and allowances	1,593,854	1,173,000	1,188,000	495,000	860,000
Retirement benefit scheme contribution	43,104	51,694	53,912	22,500	30,000
	1,636,958	1,224,694	1,241,912	517,500	890,000

The emoluments stated above were mainly for their services in connection with the management of the affairs of the Target Company.

During the Relevant Periods, no remuneration was paid by the Target Company to the directors as an inducement to join or upon joining the Target Company or as compensation for loss of office. The directors of the Target Company have not waived any remuneration during the Relevant Periods.

The details of directors' emoluments by name have not been disclosed as the management considered the information highly confidential.

13. HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Target Company include three, three and three, three and four directors during the years ended 28 February 2014, 2015 and 29 February 2016 and the five months ended 31 July 2015 (unaudited) and 2016 respectively, details of whose emolument are set out in note 12 above. The emoluments of the remaining two, two, two, two and one individuals for the years ended 28 February 2014, 2015, 29 February 2016 and the five months ended 31 July 2015 (unaudited) and 2016 respectively, are as follows:

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Salaries and other benefits	565,750	564,895	528,000	220,000	115,000
Contributions to retirement benefit scheme	22,025	22,641	28,251	11,000	5,750
	587,775	587,536	556,251	231,000	120,750

The number of highest paid employees who are not the directors of the Target Company whose remuneration fell within the following bands is as follows:

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	No. of employees	*No. of employees*	*No. of employees*	*No. of employees* (unaudited)	*No. of employees*
Nil to HK$1,000,000	2	2	2	2	1

During the Relevant Periods, no emoluments were paid by the Target Company to the five highest paid individuals as an inducement to join or upon joining the Target Company.

14. INTANGIBLE ASSET

	Trading rights
	HK$
COST AND CARRYING VALUE	
At 1 March 2013, 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016	500,000

The amounts represent trading rights that confer eligibility of the Target Company to trade on the SEHK. The trading rights have no foreseeable limit to the period that the Target Company can use to generate net cash flows. As a result, the trading rights are considered by management of the Target Company as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. They will be tested for impairment annually.

At the end of the Relevant Periods, management of the Target Company determined that there is no impairment of its trading rights based on their value in use.

15. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment and software	Motor vehicle	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
COST					
At 1 March 2013	384,000	29,398	566,315	—	979,713
Additions	—	17,350	3,190	—	20,540
At 28 February 2014	384,000	46,748	569,505	—	1,000,253
Additions	—	4,298	13,320	—	17,618
At 28 February 2015	384,000	51,046	582,825	—	1,017,871
Additions	—	10,241	405,290	—	415,531
At 29 February 2016	384,000	61,287	988,115	—	1,433,402
Written off	(384,000)	—	—	—	(384,000)
Additions	176,400	20,620	—	4,800,000	4,997,020
At 31 July 2016	176,400	81,907	988,115	4,800,000	6,046,422
DEPRECIATION					
At 1 March 2013	320,000	8,824	566,315	—	895,139
Provided for the year	64,000	7,903	3,190	—	75,093
At 28 February 2014	384,000	16,727	569,505	—	970,232
Provided for the year	—	10,197	13,320	—	23,517
At 28 February 2015	384,000	26,924	582,825	—	993,749
Provided for the year	—	12,257	75,877	—	88,134
At 29 February 2016	384,000	39,181	658,702	—	1,081,883
Written off	(384,000)	—	—	—	(384,000)
Provided for the period	35,280	6,527	56,290	160,000	258,097
At 31 July 2016	35,280	45,708	714,992	160,000	955,980
CARRYING VALUES					
At 28 February 2014	—	30,021	—	—	30,021
At 28 February 2015	—	24,122	—	—	24,122
At 29 February 2016	—	22,106	329,413	—	351,519
At 31 July 2016	141,120	36,199	273,123	4,640,000	5,090,442

Note: During the period ended 31 July 2016, the motor vehicle was purchased from Yan Kam Cheong, the director and the ultimate controlling shareholder of the Target Company, at a market price of HK$4,800,000. The Board of Directors of the Target Company considered that the purchase was on an arm's length basis.

The property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Shorter of useful life and term of the lease of 2 years
Furniture, fixtures and equipment	20%
Computer equipment and software	33.3%
Motor vehicle	20%

16. DEPOSITS

		Year ended		Five months ended
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*
Rental	212,834	212,834	246,499	246,499
Stamp duty	75,000	75,000	250,000	75,000
Online system	52,000	84,000	84,000	84,000
Admission expenses	50,000	50,000	50,000	50,000
Fidelity fund	50,000	50,000	50,000	50,000
Compensation fund	50,000	50,000	50,000	50,000
Guarantee fund contribution	50,000	50,000	50,000	214,081
Others	23,500	8,150	15,460	5,100
	563,334	579,984	795,959	774,680

17. TRADE RECEIVABLES

		Year ended		Five months ended
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables arising from the ordinary course of business of dealing in securities transactions *(note a)*:				
— CCASS	—	21,719,474	3,162,471	3,395,998
— Cash clients	7,634,488	2,346,297	10,927,424	4,677,284
— Margin clients	102,603,896	73,972,039	73,588,970	110,917,865
— Immediate holding company as a margin client	11,177,861	2,397,054	—	—
— Directors and their close family members as cash clients	1,397,972	1,229,886	1,601,911	1,732,248
— Directors and entities controlled by the directors as margin clients	11,983,987	50,516,790	39,869,434	29,866,994
	134,798,204	152,181,540	129,150,210	150,590,389

The Target Company seeks to maintain tight control over its outstanding trade receivables and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limit are approved by designated approvers according to the clients' credit worthiness. The trade receivables are summarised as follows:

		Year ended		Five months ended
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*
Neither past due nor impaired *(note b)*	131,449,091	148,827,075	116,620,875	144,386,356
Past due but not impaired *(note c)*	3,349,113	3,354,465	12,529,335	6,204,033
	134,798,204	152,181,540	129,150,210	150,590,389

Trade receivables from cash clients relate to a wide range of customers for whom there was no recent history of default. Based on past experience, management believes that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

Trade receivables from margin clients are repayable on demand. The Target Company maintains a list of approved collateral securities for margin lending at a specified loan-to-collateral ratio. The credit facility limits granted to margin clients are determined by the discounted value of the collateral securities accepted by the Target Company. A margin call may occur when the balances of the accounts receivable from margin clients exceed the permitted margin loan limit, or when the discounted value of the collateral securities is less than the balances of the accounts receivable from margin clients.

Trade receivables from clearing houses represent trades pending settlement arising from the business of dealing in securities, which are normally due within two trading days after the trade date.

Details of the Target Company's policy on credit risk are set out in note 30.

Notes:

(a) The normal settlement terms of trade receivables from cash clients and a clearing house arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

Cash client receivables which are past due but not impaired bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion, normally at Hong Kong prime rate plus 7%.

Trade receivables due from margin clients are repayable on demand. Margin client receivables, except for pending trade settlement, bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion, normally at Hong Kong prime rate plus 3%. The majority of trade receivables are secured and covered by clients' pledged securities, which are publicly traded securities listed in Hong Kong. As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the fair values of the pledged securities approximate HK$594,660,000, HK$552,150,000, HK$285,601,000 and HK$573,143,000 respectively. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of trade receivables outstanding exceeds the eligible margin value of securities deposited.

Trade receivable from clearing houses represent trades pending settlement arising from the business of dealing in securities, which are normally due within two trading days after the trade date.

(b) Included in the amount that is neither past due nor impaired are trade receivables due from cash clients arising from the pending trades executed within two days before year end date and trade receivables due from margin clients. The receivables are from individual customers for whom there was no recent history of default.

Trade receivables from clearing houses are also included in "neither past due nor impaired" category. The management believes that no impairment allowance is necessary in respect of these balances as the balances are pending trades in nature and are considered fully recoverable.

(c) Included in the amount that is past due but not impaired are trade receivables due from cash clients which are past due at the end of the Relevant Periods for which the Target Company has not provided any impairment loss.

For cash client receivables which are past due but not impaired, no impairment loss was provided during the Relevant Periods as the amounts are related to number of independent customers that have a good track record with the Target Company and considered recoverable.

The ageing analysis for trade receivables which were past due but not impaired is summarised as follows:

		Year ended		Five months ended
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*
Within one month past due	782,351	2,192,886	1,877,581	4,362,294
One month to three months past due	2,566,762	1,161,579	10,651,754	1,841,739
	3,349,113	3,354,465	12,529,335	6,204,033

The Target Company has a policy for determining the allowance for impairment based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness, collateral and the past collection history of each client.

In determining the recoverability of the trade receivable, the Target Company considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date and the fair values of the collateral held.

No allowance for impairment is provided for the Relevant Periods.

18. PREPAYMENTS AND OTHER RECEIVABLES

		Year ended		Five months ended
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*
Amounts due from brokers *(note)*	536,932	1,603,411	564,797	490,978
Prepayments	82,266	85,264	94,902	97,754
Other receivables	—	—	550,000	—
	619,198	1,688,675	1,209,699	588,732

Note: Amounts due from brokers represent money deposited and pending trade receivables in the trade accounts of other brokerage firms. The amounts are repayable on demand and are required for conducting futures stock trading activities.

19. BANK BALANCES

	Year ended			Five months ended
	28.2.2014	28.2.2015	29.2.2016	31.7.2016
	HK$	*HK$*	*HK$*	*HK$*
House accounts	89,095,667	18,446,699	95,368,965	13,854,582
Segregated accounts *(note)*	13,048,573	103,265,209	94,069,545	106,093,117

Saving deposits carry interest at prevailing interest rates of 0.01% per annum during the years ended 28 February 2014 and 2015, 29 February 2016 and the period ended 31 July 2016.

Note: The Target Company receives and holds money deposited by clients and other institutions when carrying out the regulated activity in its ordinary course of business. The client monies are maintained in segregated bank accounts. The Target Company has recognised the corresponding payables to respective clients and other institutions as the Target Company currently does not have an enforceable right to offset those payables with the deposits placed.

20. TRADE PAYABLES

	Year ended			Five months ended
	28.2.2014	28.2.2015	29.2.2016	31.7.2016
	HK$	*HK$*	*HK$*	*HK$*
Trade payables arising from the ordinary course of business of dealing in securities transactions:				
— Cash clients	9,560,754	42,360,462	63,701,669	34,859,958
— Margin clients	5,981,388	64,325,738	29,105,766	71,418,400
— Other counterparties *(note)*	70,096,700	—	—	—
— CCASS	2,171,652	—	19,172,212	2,731,876
— Immediate holding company as as a margin client	—	—	864,314	—
— Directors and their close family members as cash clients	1,413,271	87,177	6,843	23,275
— Directors' close family members as margin clients	13	—	—	875
	89,223,778	106,773,377	112,850,804	109,034,384

The trade payables arise from the ordinary course of business of securities brokerage services and are normally settled within two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which is repayable on demand. The money held on behalf of clients at the segregated bank accounts carries interest at prevailing interest rate of 0.01% per annum. No ageing analysis is disclosed as, in the opinion of directors, an ageing analysis does not give additional value in view of the nature of the business.

Note: Other counterparties balance represents payable to Oi Wah Pawnshop Holdings (1319.HK) for placement of shares on behalf of client.

21. ACCRUED EXPENSES AND OTHER PAYABLES

	Year ended			Five months ended
	28.2.2014	28.2.2015	29.2.2016	31.7.2016
	HK$	*HK$*	*HK$*	*HK$*
Amount due to a broker	—	—	—	45,242
Accrued expenses	157,003	250,702	417,319	659,796
CCASS billing charge	4,900	5,195	550	8,621
Contract stamp duty	40,433	64,522	46,785	21,308
Transaction levy	50,664	35,728	35,187	34,832
Other payables	—	—	—	5,301
	253,000	356,147	499,841	775,100

22. DIVIDEND PAYABLE

	Year ended			Five months ended
	28.2.2014	28.2.2015	29.2.2016	31.7.2016
	HK$	*HK$*	*HK$*	*HK$*
Dividends recognised as distribution during the year/period: 2016, HK$nil (2015: HK$0.18 per share; 2014: HK$0.14 per share)	12,600,000	16,200,000	—	—

As of 28 February 2014 and 28 February 2015, final dividends of HK$0.14 per share and HK$0.18 per share have been declared and approved by the shareholder in the general meeting. As of 29 February 2016 and 31 July 2016, no dividend has been proposed by the directors.

The final dividends of 2014 and 2015 of HK$12,600,000 and HK$16,200,000 were paid on 10 April 2014 and 13 March 2015, respectively.

The directors intend to strike a balance between maintaining sufficient capital to grow the business and rewarding the shareholder. Declaration of dividends will be subject to the directors' decision and will depend on, among other things, the earnings, financial condition, cash requirements and availability, and any other factors the directors may consider relevant.

23. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the shareholder of the Target Company is based on the following data:

Earnings

		Year ended		Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Earnings for the purpose of basic earnings per share (profit for the year/period attributable to the owner of the Target Company)	15,390,128	14,529,814	27,376,195	18,269,708	8,630,791

Number of shares

		Year ended		Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Weighted average number of ordinary shares in issue during the year/period, for the purpose of basic earnings per share	85,301,370	90,000,000	90,000,000	90,000,000	90,000,000

No diluted earnings per share is presented for the two years ended 28 February 2014, 2015 and the year ended 29 February 2016 and the periods ended 31 July 2015 (unaudited) and 2016, as the Target Company did not have any outstanding potential ordinary shares in issue during the Relevant Periods.

24. BANK LOANS

On 6 December 2012, the Target Company entered into a loan agreement with a bank which provided a loan facility of HK$30,000,000 to the Target Company. The facility is guaranteed by ultimate controlling party and is subject to the bank's review at any time and in any event by 1 May 2016.

On 28 June 2013, the Target Company entered into another loan agreement with a bank of HK$10,000,000. The loan is unsecured and interest bearing at the equivalent of 1-week Hong Kong Interbank Offered Rate plus 190 basis points.

On 5 February 2015, the Target Company entered into another loan agreement with a bank of HK$20,000,000. The loan is unsecured and interest bearing at the equivalent of 1-week Hong Kong Interbank Offered Rate plus 190 basis points.

On 26 July 2016, the Target Company entered into another loan agreement with a bank of HK$10,000,000. The loan is unsecured and interest bearing at the equivalent of 1-week Hong Kong Interbank Offered Rate plus 170 basis points.

As of 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the Target Company has utilised HK$40,000,000, HK$60,000,000, HK$60,000,000 and HK$10,000,000 respectively of the loan facilities. The loans are repayable on demand and subject to rollover every seven days.

25. SHARE CAPITAL

	Number of shares				Share capital			
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2016**	**28.2.2014**	**28.2.2015**	**29.2.2016**	**31.7.2016**
					HK$	*HK$*	*HK$*	*HK$*
Authorised:								
— Ordinary shares of HK$1 each	500,000,000	*Note*	*Note*	*Note*	500,000,000	*Note*	*Note*	*Note*
Issued and fully paid:								
At the beginning of the year								
— Ordinary shares of HK$1 each	55,000,000	90,000,000	90,000,000	90,000,000	55,000,000	90,000,000	90,000,000	90,000,000
— Allotment on 14 March 2013	15,000,000	—	—	—	15,000,000	—	—	—
— Allotment on 16 May 2013	20,000,000	—	—	—	20,000,000	—	—	—
— Ordinary shares with no par value	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000

Note: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Target Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of the shareholder.

26. AVAILABLE-FOR-SALE INVESTMENTS

	Year ended			Five months ended
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*
Equity securities listed in Hong Kong	800,000	587,000	—	—
Impairment loss	(213,000)	—	—	—
Disposal	—	(587,000)	—	—
	587,000	—	—	—

The above investment represents investment in listed equity securities which had been suspended for trading. It is measured at cost less impairment loss at the end of the Relevant Periods because the investment does not have a quoted market price in an active market and the directors are of opinion that its fair value cannot be measured reliably.

In the year ended 28 February 2014, an impairment loss of HK$213,000 was recognised against the carrying amount of the investment based on the management's assessment of the estimated recoverable amount for such investment.

In the year ended 28 February 2015, the Target Company disposed of the listed equity securities with carrying amount of HK$587,000, which had been carried at cost less impairment before the disposal.

27. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and repayable on demand.

28. DEFERRED TAX

The following are the deferred liabilities recognised and the movements thereon during the year/period:

	Accelerated tax depreciation *HK$*
At 1 March 2013, 28 February 2014 and 2015 and 29 February 2016	—
Charge to profit or loss	245,850
At 31 July 2016	245,850

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Target Company consists of equity attributable to owners of the Target Company (comprising issued share capital and retained earnings).

The directors review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Target Company will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Target Company is registered with Hong Kong Securities and Futures Commission (the "**SFC**") and is subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "**SF(FR)R**"). Under the SF(FR)R, the Target Company must maintain liquid capital (assets and liabilities adjusted as determined by the SF(FR)R) in excess of HK$3 million or 5% of its total adjusted liabilities, whichever is higher. The Target Company has complied with the liquid capital requirements imposed by the SF(FR)R during the Relevant Periods.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments	As at 28.2.2014 HK$	28.2.2015 HK$	29.2.2016 HK$	31.7.2016 HK$
Financial assets				
Loans and receivables (including cash and cash equivalents)	238,042,710	276,076,843	320,499,476	271,803,745
AFS investments	587,000	—	—	—
Financial liabilities				
Amortised cost	141,919,775	183,078,822	197,933,326	144,149,687

Financial risk management objectives and policies

The Target Company's major financial instruments include trade receivables, AFS investments, other receivables, bank balances, trade payables, other payables, amount due to immediate holding company, dividend payable and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

It is the Target Company's policy to operate in local currency as far as possible to minimise currency risks. The Target Company's principal business is conducted in Hong Kong dollars, which is also the functional currency of the Target Company. Since the impact of foreign exchange exposure is minimal, no currency risk sensitivity is presented.

Interest rate risk

The Target Company is exposed to cash flow interest rate risk in relation to the bank balances, trade receivables from cash and margin clients, trade payables to cash and margin clients and bank loans. The Target Company's cash flow interest rate risk is mainly related to the fluctuation of prime rate and Hong Kong Inter-bank Offered Rate ("**HIBOR**") arising from the Target Company's interest bearing financial instruments.

The Target Company has no fixed-rate instruments and hence is not exposed to fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the financial instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period are outstanding for the whole year. A 50 basis points increase or decrease on financial instruments is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Target Company's profit before tax for the years ended 28 February 2014, 28 February 2015 and 29 February 2016 and the five months ended 31 July 2016 would increase/decrease by approximately HK$691,000, HK$343,000, HK$571,000 and HK$591,000 respectively.

Price risk

The Target Company is exposed to price risk through its investment in AFS investments. No sensitivity analysis has been prepared as the equity securities are measured at cost less impairment.

Credit risk

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

The Target Company's credit risk is primarily attributable to trade receivables due from clients and clearing houses arising from ordinary course of business of securities brokerage services. Management has a credit policy and a team to monitor the credit risk on an on-going basis.

In order to manage the credit risk on trade receivables due from clients, individual credit evaluation is performed on all clients including cash and margin clients. Trade receivables from cash clients are generally settled within two trading days after trade date. In order to minimise the credit risk, the Company has put in place monitoring procedures to ensure that overdue debts are recovered. Accordingly, the credit risk arising from the trade receivables due from cash clients is considered minimal.

For margin clients, the Target Company normally obtains liquid securities and/or cash deposits as collateral based on the margin requirements. The margin requirement is closely monitored on a daily basis by the designated team. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary. In addition, the Target Company reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors consider that the Target Company's credit risk is significantly reduced.

In respect of trade receivables from a clearing house, credit risk is considered low as the Target Company normally enters into transactions with a clearing house which is registered with a regulatory body.

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

Other than concentration of credit risk on trade receivables from a clearing house and bank balances, the Target Company has a concentration of credit risk on trade receivables from clients, with 22%, 14%, 13% and 16% as at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016 and 54%, 49%, 44% and 41% of the total trade receivables due from the Target Company's largest customer and the three largest customers, respectively.

Liquidity risk

In the management of the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows.

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

	Average effective interest rate	**On demand or less than 1 month**	**Total undiscounted cash flows**	**Carrying amount**
		HK$	*HK$*	*HK$*
28 February 2014				
Financial liabilities				
Trade payables	—	89,223,778	89,223,778	89,223,778
Other payables	—	95,997	95,997	95,997
Dividend payable	—	12,600,000	12,600,000	12,600,000
Bank loans	2.07%	40,006,744	40,006,744	40,000,000
		141,926,519	141,926,519	141,919,775
28 February 2015				
Financial liabilities				
Trade payables	—	106,773,377	106,773,377	106,773,377
Other payables	—	105,445	105,445	105,445
Dividend payable	—	16,200,000	16,200,000	16,200,000
Bank loans	2.01%	60,016,369	60,016,369	60,000,000
		183,095,191	183,095,191	183,078,822

	Average effective interest rate	On demand or less than 1 month *HK$*	Total undiscounted cash flows *HK$*	Carrying amount *HK$*
29 February 2016				
Financial liabilities				
Trade payables	—	112,850,804	112,850,804	112,850,804
Other payables	—	82,522	82,522	82,522
Amount due to immediate holding company	—	25,000,000	25,000,000	25,000,000
Bank loans	2.07%	60,017,264	60,017,264	60,000,000
		197,950,590	197,950,590	197,933,326
31 July 2016				
Financial liabilities				
Trade payables	—	109,034,384	109,034,384	109,034,384
Other payables	—	115,303	115,303	115,303
Amount due to immediate holding company	—	25,000,000	25,000,000	25,000,000
Bank loans	1.79%	10,002,935	10,002,935	10,000,000
		144,152,622	144,152,622	144,149,687

Fair value

The fair value of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values, as at 28 February 2014, 2015, 29 February 2016 and 31 July 2016.

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Target Company's statements of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Target Company's statements of financial position.

Under the continuous net settlement arrangement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited due to or from the Target Company on the same settlement date are settled on a net basis. The Target Company has legally enforceable right to set off the amounts of trade receivables and payables with cash and margin clients that are due to be settled on the same date.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Target Company's statement of financial position are as follows:

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Financial collateral received	Net amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As at 28 February 2014						
Financial assets						
Deposits *(note 16)*	563,334	—	563,334	—	—	563,334
Trade receivables						
— CCASS *(note 17)*	5,425,150	5,425,150	—	—	—	—
— Cash clients *(note 17)*	11,177,717	2,145,257	9,032,460	—	9,032,460	—
— Margin clients *(note 17)*	126,821,566	1,055,822	125,765,744	—	118,168,082	7,597,662
As at 28 February 2015						
Financial assets						
Deposits *(note 16)*	579,984	—	579,984	—	—	579,984
Trade receivables						
— CCASS *(note 17)*	43,108,194	21,388,720	21,719,474	—	—	21,719,474
— Cash clients *(note 17)*	10,657,760	7,081,577	3,576,183	—	1,974,129	1,602,054
— Margin clients *(note 17)*	152,991,651	26,105,768	126,885,883	—	115,088,717	11,797,166
As at 29 February 2016						
Financial assets						
Deposits *(note 16)*	795,959	—	795,959	—	—	795,959
Trade receivables						
— CCASS *(note 17)*	15,377,664	12,215,193	3,162,471	—	—	3,162,471
— Cash clients *(note 17)*	12,572,567	43,232	12,529,335	—	8,585,090	3,944,245
— Margin clients *(note 17)*	118,761,937	5,303,533	113,458,404	—	105,352,090	8,106,314
As at 31 July 2016						
Financial assets						
Deposits *(note 16)*	774,680	—	774,680	—	—	774,680
Trade receivables						
— CCASS *(note 17)*	10,971,802	7,575,804	3,395,998	—	—	3,395,998
— Cash clients *(note 17)*	9,064,343	2,654,811	6,409,532	—	4,460,984	1,948,548
— Margin clients *(note 17)*	146,698,933	5,914,074	140,784,859	—	138,122,208	2,662,651

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Financial instruments	Financial collateral received	Net amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As at 28 February 2014						
Financial liabilities						
Trade payables						
— CCASS *(note 20)*	7,596,802	5,425,150	2,171,652	—	—	2,171,652
— Cash clients *(note 20)*	13,119,282	2,145,257	10,974,025	—	—	10,974,025
— Margin clients *(note 20)*	7,037,223	1,055,822	5,981,401	—	—	5,981,401
As at 28 February 2015						
Financial liabilities						
Trade payables						
— CCASS *(note 20)*	21,388,720	21,388,720	—	—	—	—
— Cash clients *(note 20)*	49,529,216	7,081,577	42,447,639	—	—	42,447,639
— Margin clients *(note 20)*	90,431,506	26,105,768	64,325,738	—	—	64,325,738
As at 29 February 2016						
Financial liabilities						
Trade payables						
— CCASS *(note 20)*	31,387,405	12,215,193	19,172,212	—	—	19,172,212
— Cash clients *(note 20)*	63,751,744	43,232	63,708,512	—	—	63,708,512
— Margin clients *(note 20)*	35,273,613	5,303,533	29,970,080	—	—	29,970,080
As at 31 July 2016						
Financial liabilities						
Trade payables						
— CCASS *(note 20)*	10,307,680	7,575,804	2,731,876	—	—	2,731,876
— Cash clients *(note 20)*	37,538,044	2,654,811	34,883,233	—	—	34,883,233
— Margin clients *(note 20)*	77,333,349	5,914,074	71,419,275	—	—	71,419,275

32. OPERATING LEASE COMMITMENTS

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at			
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	1,141,200	1,552,923	1,657,347	864,266
In the second to fifth years inclusive	61,136	1,775,864	118,917	—
	1,202,336	3,328,787	1,776,264	864,266

At 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the Target Company had entered into operating lease commitments amounting to HK$1,130,284, HK$1,191,360, HK$1,320,447 and HK$574,553 respectively in respect of operating leases whose inception occurs after the year/period end.

Operating lease payments represent rentals and expenses payable by the Target Company for its office properties and online system respectively. Leases are negotiated for a term of two years and rentals are fixed for two years.

33. RELATED PARTY TRANSACTIONS

The balances with related parties are set out in the statements of financial position and in the respective notes to the Financial Information.

During the Relevant Periods, the Target Company entered into the following transactions with related parties:

	Year ended			Five months ended	
	28.2.2014	**28.2.2015**	**29.2.2016**	**31.7.2015**	**31.7.2016**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Gross commission and interest income from:					
— Immediate holding company					
— Excel Blaze Limited *(note)*	56,638	981,317	2,971,091	1,057,785	115,551
— Companies controlled by ultimate controlling shareholder					
— Kaiser Asset Management Ltd. *(note)*	1,139,861	2,027,356	2,160,745	1,218,397	590,255
— Great ROC Asset Management Ltd. *(note)*	308,571	—	—	—	—
— Great ROC Capital Ltd. *(note)*	—	81,402	991,367	261,270	248,815
— Oceanic Boom Limited *(note)*	—	—	237,026	202,422	—
— Directors	869,859	1,391,711	4,101,459	1,642,450	1,458,818
— Family members of directors	128,165	245,031	371,584	204,131	107,387
	2,503,094	4,726,817	10,833,272	4,586,455	2,520,826

	Year ended			Five months ended	
	28.2.2014	28.2.2015	29.2.2016	31.7.2015	31.7.2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Waived commission and interest income from:					
— Immediate holding company					
— Excel Blaze Limited *(note)*	—	(981,317)	(2,971,091)	(1,057,785)	(115,551)
— Companies controlled by ultimate controlling shareholder					
— Kaiser Asset Management Ltd. *(note)*	(891,232)	(2,027,356)	(2,160,745)	(1,218,397)	(590,255)
— Great ROC Asset Management Ltd. *(note)*	—	—	—	—	—
— Great ROC Capital Ltd. *(note)*	—	(81,402)	(991,367)	(261,270)	(248,815)
— Oceanic Boom Limited *(note)*	—	—	—	—	—
— Directors	(579,004)	(1,219,640)	(4,043,597)	(1,614,867)	(988,073)
— Family members of directors	—	(165,993)	(144,195)	(49,529)	(76,492)
	(1,470,236)	(4,475,708)	(10,310,995)	(4,201,848)	(2,019,186)
Net commission and interest income recognised	1,032,858	251,109	522,277	384,607	501,640
Commission expenses paid to:					
— Directors	912	583,853	2,251,220	2,049,914	244,288

The breakdown of commission and interest income earned from the directors and their closed family members and companies owned by Yan Kam Cheong are as per below:

As at 28 February 2014

	Commission income	Interest income	Waived commission income	Waived interest income	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Ko Wai Chun	27,908	161,186	—	—	189,094
Yan Kam Cheong *(note)*	364,850	1,819,760	—	(1,470,236)	714,374
Ng Siu Hong	200	8	—	—	208
Ip Ching Wah Joyce	120,412	8,370	—	—	128,782
Mak Siu Yee	400	—	—	—	400
	513,770	1,989,324	—	(1,470,236)	1,032,858

As at 28 February 2015

	Commission income *HK$*	Interest income *HK$*	Waived commission income *HK$*	Waived interest income *HK$*	Total *HK$*
Ko Wai Chun	19,611	129,063	—	—	148,674
Yan Kam Cheong *(note)*	1,121,629	3,188,086	(1,121,629)	(3,188,086)	—
Ng Siu Hong	2,616	18	—	—	2,634
Ip Ching Wah Joyce	92,850	168,755	—	(165,993)	95,612
Mak Siu Yee	4,189	—	—	—	4,189
	1,240,895	3,485,922	(1,121,629)	(3,354,079)	251,109

As at 29 February 2016

	Commission income *HK$*	Interest income *HK$*	Waived commission income *HK$*	Waived interest income *HK$*	Total *HK$*
Ko Wai Chun	25,131	23,668	—	—	48,799
Yan Kam Cheong *(note)*	4,954,096	5,449,730	(4,744,593)	(5,422,207)	237,026
Ng Siu Hong	1,036	4	—	—	1,040
Ip Ching Wah Joyce	222,887	144,195	—	(144,195)	222,887
Mak Siu Yee	12,525	—	—	—	12,525
	5,215,675	5,617,597	(4,744,593)	(5,566,402)	522,277

As at 31 July 2015 (unaudited)

	Commission income *HK$*	Interest income *HK$*	Waived commission income *HK$*	Waived interest income *HK$*	Total *HK$*
Ko Wai Chun	12,251	4,402	—	—	16,653
Yan Kam Cheong *(note)*	2,992,896	1,361,844	(2,790,475)	(1,361,844)	202,421
Ng Siu Hong	—	—	—	—	—
Ip Ching Wah Joyce	154,020	49,529	—	(49,529)	154,020
Mak Siu Yee	11,513	—	—	—	11,513
	3,170,680	1,415,775	(2,790,475)	(1,411,373)	384,607

As at 31 July 2016

	Commission income	Interest income	Waived commission income	Waived interest income	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Ko Wai Chun	8,025	12,999	—	—	21,024
Yan Kam Cheong *(note)*	1,168,610	1,225,367	(1,168,610)	(774,084)	451,283
Ng Siu Hong	138	27	—	—	165
Ip Ching Wah Joyce	28,736	76,510	—	(76,492)	28,754
Mak Siu Yee	414	—	—	—	414
	1,205,923	1,314,903	(1,168,610)	(850,576)	501,640

Note: Excel Blaze Limited, Kaiser Asset Management Ltd., Great ROC Capital Ltd. and Oceanic Boom Limited are wholly owned by Yan Kam Cheong, the ultimate controlling shareholder during the Relevant Periods. Great ROC Asset Management Ltd. is wholly owned by him as of 28 February 2014. It was subsequently sold to a third party in July 2014.

Commission and interest income are waived for certain customers with high transaction volume, including 2 directors as disclosed above, who have introduced new businesses or referred new clients to the Target Company. The request for the waiver is initiated by the relevant customers on transaction basis and is subject to the written approval of the management and responsible officers. The waiver of commission and interest income is granted in the ordinary course of business to all qualified customers. The waiver is not granted to Yan Kam Cheong and Ip Ching Wah Joyce not solely due to their capacities being the shareholder or the directors of the Target Company.

Compensation of key management personnel

Key management personnel of the Target Company are the directors of the Target Company. The remuneration of directors is shown in note 12 to the Financial Information.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 July 2016 and up to the date of this report.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

26 October 2016

The Directors
UKF (Holdings) Limited

Dear Sirs,

In connection with the preparation of our accountants' report dated 26 October 2016 for inclusion in the circular of the same date issued by Great Roc Capital Securities Limited (the "**Company**"), we have made certain adjustments, the details of which are set out in the accompanying statements of adjustments to the audited financial statements of the Company for the three years ended 28 February 2014, 28 February 2015 and 29 February 2016.

In our opinion, the adjustments are appropriate for the preparation of our accountants' report for inclusion in the above-mentioned prospectus.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

STATEMENT OF ADJUSTMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2014

	Per audited financial statements	Adjustments and reclassifications		Per accountants' report
		note 1	*note 2*	
	HK$	*HK$*	*HK$*	*HK$*
Revenue	26,013,422	—	—	26,013,422
Other income	502,065	—	—	502,065
	26,515,487	—	—	26,515,487
Staff costs	(2,542,879)	—	—	(2,542,879)
Depreciation of property and equipment	(75,093)	—	—	(75,093)
Commission expenses	(603,518)	—	—	(603,518)
Finance costs	(733,688)	—	—	(733,688)
Impairment loss on available-for-sale investments	—	—	(213,000)	(213,000)
Other operating expenses	(4,734,494)	587,000	213,000	(3,934,494)
Profit before taxation	17,825,815	587,000	—	18,412,815
Income tax expense	(2,925,832)	(96,855)	—	(3,022,687)
Profit and total comprehensive income for the year	14,899,983	490,145	—	15,390,128

Note: 1. This represents a reversal of part of the impairment loss on available-for-sale investments of HK$587,000 previously recognised on the statement of profit or loss and other comprehensive income for the year ended 28 February 2014, and the resulting tax effect.

2. This represents a reclassification of impairment loss on available-for-sale investments from other operating expenses.

STATEMENT OF ADJUSTMENTS
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 28 FEBRUARY 2014

	Per audited financial statements	Adjustments and reclassifications		Per accountants' report
		note 1	*note 2*	
	HK$	*HK$*	*HK$*	*HK$*
Non-current assets				
Intangible assets	500,000	—	—	500,000
Property and equipment	30,021	—	—	30,021
Deposits	563,334	—	—	563,334
	1,093,355	—	—	1,093,355
Current assets				
Trade receivable	135,037,942	—	(239,738)	134,798,204
Prepayments and other receivables	619,198	—	—	619,198
Available-for-sale investments	—	587,000	—	587,000
Bank balances				
— Segregated accounts	13,048,573	—	—	13,048,573
— House accounts	89,095,667	—	—	89,095,667
	237,801,380	587,000	(239,738)	238,148,642

	Per audited financial statements	Adjustments and reclassifications		Per accountants' report
		note 1	*note 2*	
	HK$	*HK$*	*HK$*	*HK$*
Current liabilities				
Trade payable	89,206,774	—	17,004	89,223,778
Accrued expenses and other payables	509,742	—	(256,742)	253,000
Dividends payable	12,600,000	—	—	12,600,000
Tax liabilities	2,794,014	96,855	—	2,890,869
Bank loan	40,000,000	—	—	40,000,000
	145,110,530	96,855	(239,738)	144,967,647
Net current assets	92,690,850	490,145	—	93,180,995
Net assets	93,784,205	490,145	—	94,274,350
Capital and reserve				
Share capital	90,000,000	—	—	90,000,000
Retained profits	3,784,205	490,145	—	4,274,350
Total equity	93,784,205	490,145	—	94,274,350

Note: 1. This represents an adjustment to available-for-sale investments as a result of a reversal of part of the impairment loss on available-for-sale investments of HK$587,000 previously recognised on the statement of profit or loss and other comprehensive income for the year ended 28 February 2014, and the resulting tax effect.

2. This represents adjustment to net-off the commission and interest income being waived by the management for certain customers.

STATEMENT OF ADJUSTMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2015

	Per audited financial statements	Adjustment	Per accountants' report
		note 1	
	HK$	*HK$*	*HK$*
Revenue	27,576,690	—	27,576,690
Other income	1,570,771	(587,000)	983,771
	29,147,461	(587,000)	28,560,461
Staff costs	(2,237,658)	—	(2,237,658)
Depreciation of property and equipment	(23,517)	—	(23,517)
Commission expenses	(1,288,581)	—	(1,288,581)
Finance costs	(826,079)	—	(826,079)
Other operating expenses	(6,797,883)	—	(6,797,883)
Profit before taxation	17,973,743	(587,000)	17,386,743
Income tax expense	(2,953,784)	96,855	(2,856,929)
Profit and total comprehensive income for the year	15,019,959	(490,145)	14,529,814

Note: 1. This represents an adjustment to other income for the reversal of impairment loss of available-for-sale investments and the resulting tax effect.

STATEMENT OF ADJUSTMENTS
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 28 FEBRUARY 2015

	Per audited financial statements	Adjustments and reclassifications		Per accountants' report
		note 1	*note 2*	
	HK$	*HK$*	*HK$*	*HK$*
Non-current assets				
Intangible assets	500,000	—	—	500,000
Property and equipment	24,122	—	—	24,122
Deposits	579,984	—	—	579,984
	1,104,106	—	—	1,104,106
Current assets				
Trade receivable	154,898,163	(2,716,623)	—	152,181,540
Prepayments and other receivables	1,688,675	—	—	1,688,675
Bank balances				
— Segregated accounts	103,265,209	—	—	103,265,209
— House accounts	18,446,699	—	—	18,446,699
	278,298,746	(2,716,623)	—	275,582,123

	Per audited financial statements	Adjustments and reclassifications		Per accountants' report
		note 1	*note 2*	
	HK$	*HK$*	*HK$*	*HK$*
Current liabilities				
Trade payable	102,728,335	—	4,045,042	106,773,377
Accrued expenses and other payables	7,117,812	(2,716,623)	(4,045,042)	356,147
Dividends payable	16,200,000	—	—	16,200,000
Tax liabilities	752,541	—	—	752,541
Bank loan	60,000,000	—	—	60,000,000
	186,798,688	(2,716,623)	—	184,082,065
Net current assets	91,500,058	—	—	91,500,058
Net assets	92,604,164	—	—	92,604,164
Capital and reserve				
Share capital	90,000,000	—	—	90,000,000
Retained profits	2,604,104	—	—	2,604,164
Total equity	92,604,104	—	—	92,604,164

Note: 1. This represents adjustment to net-off the commission and interest income being waived by the management for certain customers.

2. This represents a reclassification of an unknown deposit from client to trade payable.

STATEMENT OF ADJUSTMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2016

	Per audited financial statements	Adjustment	Per accountants' report
		note 1	
	HK$	*HK$*	*HK$*
Revenue	45,153,912	—	45,153,912
Other income	1,194,123	—	1,194,123
	46,348,035	—	46,348,035
Staff costs	(2,493,012)	—	(2,493,012)
Depreciation of property and equipment	(417,547)	329,413	(88,134)
Commission expenses	(4,247,724)	—	(4,247,724)
Finance costs	(1,378,899)	—	(1,378,899)
Other operating expenses	(5,446,340)	—	(5,446,340)
Profit before taxation	32,364,513	329,413	32,693,926
Income tax expense	(5,317,731)	—	(5,317,731)
Profit and total comprehensive income for the year	27,046,782	329,413	27,376,195

Note: 1. This represents an adjustment to depreciation of computer equipment and software over a three-year basis which were previously charged in full when incurred.

STATEMENT OF ADJUSTMENTS
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 29 FEBRUARY 2016

	Per audited financial statements	Adjustments and reclassifications			Per accountants' report
		note 1	*note 2*	*note 3*	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Intangible assets	500,000	—	—	—	500,000
Property and equipment	22,106	329,413	—	—	351,519
Deposits	795,959	—	—	—	795,959
	1,318,065	329,413	—	—	1,647,478
Current assets					
Trade receivable	135,271,757	—	(9,284,018)	3,162,471	129,150,210
Prepayments and other receivables	1,209,699	—	—	—	1,209,699
Bank balances					
— Segregated accounts	94,069,545	—	—	—	94,069,545
— House accounts	95,368,965	—	—	—	95,368,965
	325,919,966	—	(9,284,018)	3,162,471	319,798,419

	Per audited financial statements	Adjustments and reclassifications			Per accountants' report
		note 1	*note 2*	*note 3*	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Current liabilities					
Trade payable	108,824,019	—	864,314	3,162,471	112,850,804
Accrued expenses and other payables	10,648,173	—	(10,148,332)	—	499,841
Tax liabilities	3,114,893	—	—	—	3,114,893
Bank loan	60,000,000	—	—	—	60,000,000
Amount due to immediate holding company	25,000,000	—	—	—	25,000,000
	207,587,085	—	(9,284,018)	3,162,471	201,465,538
Net current assets	118,332,881	—	—	—	118,332,881
Net assets	119,650,946	329,413	—	—	119,980,359
Capital and reserve					
Share capital	90,000,000	—	—	—	90,000,000
Retained profits	29,650,946	329,413	—	—	29,980,359
Total equity	119,650,946	329,413	—	—	119,980,359

Note: 1. This represents an adjustment to property and equipment arising from the capitalisation of computer equipment and software and amortisation of such items over three-year basis.

2. This represents adjustment to net-off the commission and interest income being waived by the management for certain customers.

3. This represents an adjustment to gross up CCASS receivables previously net-off the CCASS payables.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. INTRODUCTION

The following is the unaudited pro forma financial information ("**Unaudited Pro Forma Financial Information**") of the Enlarged Group prepared in accordance with the Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Transaction on the financial position of the Group as if the Transaction had been completed on 31 July 2016 and the results and cash flows of the Group as if the Transaction had been completed on 1 April 2015. As it is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position, results and cash flows of the Enlarged Group following completion of the Transaction.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position of the Enlarged Group had the Transaction been completed at 31 July 2016 or any future date.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated statements of the financial position of the Group as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year then ended as set out in the 2015/16 annual report of the Company and the audited statement of financial position of the Target Company as at 31 July 2016, and the audited statement of profit or loss and other comprehensive income and audited statement of cash flows for the five months ended 31 July 2016 as set out in Appendix II to this circular, after giving effect to the pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

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

	Audited consolidated statement of financial position of the Group as at 31 March 2016	Audited statement of financial position of the Target Company as at 31 July 2016	Audited consolidated statement of financial position of the Enlarged Group as at 31 July 2016	Other pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
				(Note 1)	*(Note 2)*	
Non-current assets						
Property, plant and equipment	135,362,408	5,090,442	140,452,850	—	—	140,452,850
Goodwill	37,857,253	—	37,857,253	90,877,221	—	128,734,474
Available-for sale investment	10,503,111	—	10,503,111	—	—	10,503,111
Deferred tax asset	495,259	—	495,259	—	—	495,259
Intangible asset	—	500,000	500,000	—	—	500,000
Deposits	—	774,680	774,680	—	—	774,680
	184,218,031	6,365,122	190,583,153	90,877,221	—	281,460,374
Current assets						
Biological assets	29,483,556	—	29,483,556	—	—	29,483,556
Inventories	54,287,749	—	54,287,749	—	—	54,287,749
Trade and other receivables	27,709,702	151,179,121	178,888,823	—	—	178,888,823
Loan receivables	107,046,011	—	107,046,011	—	—	107,046,011
Tax recoverable	2,249,037	—	2,249,037	—	—	2,249,037
Bank balances and cash	66,138,753	—	66,138,753	—	—	66,138,753
Bank balances — house account	—	13,854,582	13,854,582	—	—	13,854,582
Bank balances — segregated account	—	106,093,117	106,093,117	—	—	106,093,117
	286,914,808	271,126,820	558,041,628	—	—	558,041,628
Current liabilities						
Trade and other payables	37,021,416	109,809,484	146,830,900	—	2,500,000	149,330,900
Tax payables	6,038,043	3,825,458	9,863,501	—	—	9,863,501
Bank borrowings	130,960,159	10,000,000	140,960,159	—	—	140,960,159
Obligations under finance leases	293,116	—	293,116	—	—	293,116
Amount due to immediate holding company	—	25,000,000	25,000,000	(25,000,000)	—	—
	174,312,734	148,634,942	322,947,676	(25,000,000)	2,500,000	300,447,676
Net current assets	112,602,074	122,491,878	235,093,952	25,000,000	(2,500,000)	257,593,952
Total assets less current liabilities	296,820,105	128,857,000	425,677,105	115,877,221	(2,500,000)	539,054,326

	Audited consolidated statement of financial position of the Group as at 31 March 2016	Audited statement of financial position of the Target Company as at 31 July 2016	Audited consolidated statement of financial position of the Enlarged Group as at 31 July 2016	Other pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
				(Note 1)	*(Note 2)*	
Non-current liabilities						
Obligations under finance leases	693,942	—	693,942	—	—	693,942
Corporate bond	10,000,000	—	10,000,000	—	—	10,000,000
Deferred tax liability	534	245,850	246,384	—	—	246,384
Promissory note	—	—	—	125,688,371	—	125,688,371
	10,694,476	245,850	10,940,326	125,688,371	—	136,628,697
Net assets	286,125,629	128,611,150	414,736,779	(9,811,150)	(2,500,000)	402,425,629
Capital and reserve						
Share capital	28,350,744	90,000,000	118,350,744	(83,400,000)	—	34,950,744
Reserves	257,774,885	38,611,150	296,386,035	73,588,850	(2,500,000)	367,474,885
	286,125,629	128,611,150	414,736,779	(9,811,150)	(2,500,000)	402,425,629

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2016 HK$	Audited statement of profit or loss and other comprehensive income of the Target Company for the five months ended 31 July 2016 HK$	Audited consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the period ended 31 July 2016 HK$	Other pro forma adjustment HK$ (Note 2)	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group HK$
Revenue	219,728,624	14,431,441	234,160,065	—	234,160,065
Cost of sales	(236,662,797)	—	(236,662,797)	—	(236,662,797)
Gross (loss) profit	(16,934,173)	14,431,441	(2,502,732)	—	(2,502,732)
Other income	9,655,467	299,997	9,955,464	—	9,955,464
Write-down of inventories	(5,808,579)	—	(5,808,579)	—	(5,808,579)
Impairment of goodwill	(37,575,889)	—	(37,575,889)	—	(37,575,889)
Change in fair value less costs to sell of biological assets	26,814,354	—	26,814,354	—	26,814,354
Administrative expenses	(63,838,131)	(4,293,164)	(68,131,295)	(2,500,000)	(70,631,295)
Finance costs	(5,663,120)	(110,122)	(5,773,242)	—	(5,773,242)
(Loss) profit before tax	(93,350,071)	10,328,152	(83,021,919)	(2,500,000)	(85,521,919)
Income tax expenses	(1,091,701)	(1,697,361)	(2,789,062)	—	(2,789,062)
(Loss) profit for the year	(94,441,772)	8,630,791	(85,810,981)	(2,500,000)	(88,310,981)
Other comprehensive (expense) income					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of overseas operation	(1,175,381)	—	(1,175,381)	—	(1,175,381)
Change in fair value of available-for-sale investment	380,471	—	380,471	—	380,471
Other comprehensive (expense) for the year, net of tax	(794,910)	—	(794,910)	—	(794,910)
Total comprehensive (expense) income for the year	(95,236,682)	8,630,791	(86,605,891)	(2,500,000)	(89,105,891)

4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2016	Audited statement of cash flows of the Target Company for the five months ended 31 July 2016	Audited consolidated statement of cash flows of the Enlarged Group for the period ended 31 July 2016	Other pro forma adjustment	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Note 2)	
Operating activities					
(Loss) profit before tax	(93,350,071)	10,328,152	(83,021,919)	(2,500,000)	(85,521,919)
Adjustments for:					
Depreciation	10,173,395	258,097	10,431,492	—	10,431,492
Interest expenses	5,663,120	110,122	5,773,242	—	5,773,242
Write-down of inventories	5,808,579	—	5,808,579	—	5,808,579
Impairment of goodwill	37,575,889	—	37,575,889	—	37,575,889
Allowance for bad and doubtful debts	1,050,549	—	1,050,549	—	1,050,549
Bank interest income	(46,946)	(1,349)	(48,295)	—	(48,295)
Change in fair value of derivative financial instruments	(1,115)	—	(1,115)	—	(1,115)
Adjustment for amortisation of prepaid premium	108,232	—	108,232	—	108,232
Net change in fair value less costs to sell of biological assets	(26,814,354)	—	(26,814,354)	—	(26,814,354)
Share-based payment expenses	2,380,839	—	2,380,839	—	2,380,839
Operating cash flows before movements in working capital	(57,451,883)	10,695,022	(46,756,861)	(2,500,000)	(49,256,861)
(Increase) in biological assets	(61,545,485)	—	(61,545,485)	—	(61,545,485)
Decrease in inventories	99,141,416	—	99,141,416	—	99,141,416
Decrease (increase) in trade and other receivables	38,933,349	(20,819,212)	18,114,137	—	18,114,137
(Increase) in loan receivables	(13,844,790)	—	(13,844,790)	—	(13,844,790)
Decrease in deposits	—	21,279	21,279	—	21,279
(Increase) in bank balances — segregated account	—	(12,023,572)	(12,023,572)	—	(12,023,572)
(Decrease) in trade and other payables	(23,433,596)	(3,541,161)	(26,974,757)	2,500,000	(24,474,757)

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2016 HK$	Audited statement of cash flows of the Target Company for the five months ended 31 July 2016 HK$	Audited consolidated statement of cash flows of the Enlarged Group for the period ended 31 July 2016 HK$	Other pro forma adjustment HK$ (Note 2)	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group HK$
Cash (used in) operating activities	(18,200,989)	(25,667,644)	(43,868,633)	—	(43,868,633)
Hong Kong Profits Tax paid, net	(968,080)	(740,946)	(1,709,026)	—	(1,709,026)
Net cash (used in) operating activities	(19,169,069)	(26,408,590)	(45,577,659)	—	(45,577,659)
Investing activities					
Bank interest received	46,946	1,349	48,295	—	48,295
Purchase of property, plant and equipment	(104,300,415)	(4,997,020)	(109,297,435)	—	(109,297,435)
Proceeds from disposal of property, plant and equipment	93,539	—	93,539	—	93,539
Net cash (used in) investing activities	(104,159,930)	(4,995,671)	(109,155,601)	—	(109,155,601)
Financing activities					
Dividend paid	(2,430,073)	—	(2,430,073)	—	(2,430,073)
New bank borrowings	261,085,426	—	261,085,426	—	261,085,426
Repayments of bank borrowings	(275,255,745)	(50,000,000)	(325,255,745)	—	(325,255,745)
Proceeds from issue of shares upon exercise of share options	680,560	—	680,560	—	680,560
Proceeds from issue of shares upon exercise of warrants	2,985,000	—	2,985,000	—	2,985,000
Net proceeds from issue of shares by top-up placing	77,039,365	—	77,039,365	—	77,039,365
Issuance expenses for bonus issue	(50,000)	—	(50,000)	—	(50,000)
Inception of obligations under finance leases	1,141,571	—	1,141,571	—	1,141,571
Repayment of obligations under finance leases	(457,829)	—	(457,829)	—	(457,829)
Interest paid	(5,067,217)	(110,122)	(5,177,339)	—	(5,177,339)
Net cash generated from (used in) financing activities	59,671,058	(50,110,122)	9,560,936	—	9,560,936

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2016 *HK$*	Audited statement of cash flows of the Target Company for the five months ended 31 July 2016 *HK$*	Audited consolidated statement of cash flows of the Enlarged Group for the period ended 31 July 2016 *HK$*	Other pro forma adjustment *HK$* *(Note 2)*	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group *HK$*
Net (decrease) in cash and cash equivalents	(63,657,941)	(81,514,383)	(145,172,324)	—	(145,172,324)
Cash and cash equivalents at beginning of the period	136,483,466	95,368,965	231,852,431	—	231,852,431
Effect of foreign exchange rate changes, net	(6,686,772)	—	(6,686,772)	—	(6,686,772)
Cash and cash equivalents at the end of the period	66,138,753	13,854,582	79,993,335	—	79,993,335

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

1. Upon completion of the Transaction, the Company will own 100% equity interest in the Target Company. The identifiable assets and liabilities of Target Company will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 3 "Business Combination".

   i. Since this Unaudited Pro Forma Financial Information of the Enlarged Group is prepared solely for illustrative purpose, the Directors consider the fair values of the identifiable assets and liabilities of Target Company as at 31 July 2016 approximate to the net carrying amounts. The Directors will reassess the fair value of the Target Company on the completion date of the Transaction. The fair value of the Target Company may be subject to change after further assessment by the Directors as at the Completion Date.

   ii. The adjustment relating to goodwill arises from the acquisition of Target Company. Pursuant to the SPA, the consideration for acquisition of 100% of the issued capital of Target Company and the Shareholder's Loan amounts to approximately HK$264,300,000.

   According to the SPA, the consideration will be settled in the following manner:

   — HK$118,800,000 shall be satisfied by the issue of 660,000,000 shares of the Company at the price of HK$0.18 per share to the Vendor; and

   — HK$145,500,000 shall be satisfied by the Promissory Note to be issued by the Company to the Vendor.

   Goodwill is estimated as follow:

	HK$
Total consideration for 100% of the issued capital of Target Company	
— Issuance of 660,000,000 shares at HK$0.18 per share	118,800,000
— Fair value of Promissory Note of HK$145,500,000	125,688,371
Fair value of consideration payable	244,488,371
Less: Consideration for assignment of Shareholder's loan	(25,000,000)
Less: Identifiable assets and liabilities of Target Company as at 31 July 2016:	219,488,371
Carrying amount of Target Company's net assets as at 31 July 2016	(128,611,150)
Estimated goodwill	90,877,221

According to the accounting policies of the Group, goodwill is subject to impairment test before the end of each reporting period. Any impairment loss for goodwill will be recognised directly in the consolidated statement of profit or loss and other comprehensive income.

The final amount of goodwill will be determined based on the final consideration paid by the Group and the Group's interest in the fair value of the identifiable assets and liabilities of the Target Company on the date of completion in accordance with HKFRS 3 "Business Combinations" issued by Hong Kong Institute of Certified Public Accountants. The Group will apply the acquisition method to account for the Transaction in the consolidated financial statements of the Group.

For the purpose of the Unaudited Pro Forma Financial Information, the Directors have assessed whether there is any impairment in respect of the goodwill expected to arise from the Transaction following the principles set out in Hong Kong Accounting Standard ("**HKAS**") 36 "Impairment of Assets". Based on the Directors' assessment, the Directors are not aware of any indications that an impairment of the goodwill after considering the nature, prospects, financial condition and business risks of the Target Company. It is not expected to have significant changes with an adverse effect on Target Company that will take place in the near future.

The Directors confirm that they will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements under HKAS 36. According to HKAS 36, the reporting accountants has assessed the recoverable amount of the cash-generating unit of which the goodwill is allocated to (the Target Company), and is not aware of any indication of impairment.

2. This adjustment represents the estimated direct legal and professional costs related to the Transaction, which amounts to approximately HK$2,500,000.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular and received from the independent reporting accountant, HLM CPA Limited, Certified Public Accountants.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong
香港皇后大道西2-12號聯發商業中心305室
Tel 電話 : (852) 3103 6980
Fax 傳真 : (852) 3104 0170
E-mail 電郵 : info@hlm.com.hk

26 October 2016

The Board of Directors
UKF (Holdings) Limited
Room 902
Harbour Centre, Tower 2
8 Hok Cheung Street
Hung Hom
Kowloon, Hong Kong

Dear Sirs,

Independent Reporting Accountant's Assurance Report on the Compilation of Unaudited Pro Forma Financial Information

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of UKF (Holdings) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only, to provide information about how the proposed acquisition of the entire issued share capital of Great Roc Capital Securities Limited (the "**Transaction**") might have affected financial information presented, for inclusion in Appendix III of the circular dated 26 October 2016 (the "**Circular**"). The basis of preparation of the unaudited pro forma financial information is set out in the section headed "Introduction" and "Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group" of Appendix III to the Circular.

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" (the "**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 July 2016 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

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

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

Yours faithfully,

HLM CPA Limited
Certified Public Accountants
Chan Lap Chi
Practising Certificate Number: P04084
Hong Kong

The Accountants' Report of the Target Company for the years ended 28 February 2014, 28 February 2015, 29 February 2016 and five months ended 31 July 2016 was set out in Appendix II to this circular. Set out below is the management discussion and analysis of the Target Company for the corresponding period:

BUSINESS OVERVIEW

The Target Company is principally engaged in the dealing of securities (Type 1 regulated activity under the SFO) in Hong Kong. It provides brokerage services in securities trading, clearing, underwriting, placing and share margin financing for qualified individual and corporate investors through its licensed representatives. The Target Company also built an online trading platform which provides its customer a gateway through the internet portal to access the Hong Kong securities market. As Target Company becomes more established, it places more emphasis on broadening its customer base and provision of services with an aim to capture future growth. In light of this, the Target Company has recently obtained Type 4 licence (advising on securities), which will enable the Target Company gradually develop to offer integrated sales and trading and investment advisory services.

REVENUE

The Target Company recorded revenue of approximately HK$26,013,000, HK$27,577,000, HK$45,154,000, HK$28,743,000 and HK$14,431,000 for the three financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and each of the five months ended 31 July 2015 and 2016 respectively, which represented by the revenue generated from commission from dealing in securities, underwriting, sub-underwriting, placing, sub-placing, and interest income from cash and margin clients.

The revenue for the year ended 28 February 2015 increased by approximately 6.01%, as compared to the year ended 28 February 2014. The increase in revenue was mainly due to the increase in brokerage commission from securities dealing by approximately 31.84% to approximately HK$8,708,000, which was mainly attributable to the improved market environment following the introduction of Shanghai-Hong Kong Stock Connect (滬港通) in late 2014.

The revenue for the year ended 29 February 2016 increased by approximately 63.74%, as compared to the year ended 28 February 2015. The increase was mainly due to (i) the increase in brokerage commission from securities dealing by approximately 129.10% to approximately HK$19,951,000; and (ii) the increase in underwriting, sub-underwriting, placing, sub-placing commission by 54.26% to approximately HK$18,266,000 as compared to the year ended 28 February 2015, which was mainly resulted from the robust market sentiment following the introduction of Shanghai-Hong Kong Stock Connect (滬港通) in late 2014.

The revenue for the five months ended 31 July 2016 decreased by approximately 49.79% as compared to the five months ended 31 July 2015. The decrease in revenue was primarily due to the decrease in revenue generated from both securities brokerage, and underwriting and placing activities, which was mainly attributable to the downward pressure on trading activities in Hong Kong securities market during the first half year of 2016.

OTHER REVENUE

The Target Company recorded other revenue of approximately HK$502,000, HK$984,000, HK$1,194,000, HK$775,000 and HK$300,000 for the financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and each of the five months ended 31 July 2015 and 2016 respectively, which mainly comprised of interest income from authorised institutions and sundry income.

STAFF COSTS

The Target Company recorded staff costs of approximately HK$2,543,000, HK$2,238,000, HK$2,493,000, HK$1,035,000 and HK$1,461,000 for the financial year ended 28 February 2014, 28 February 2015, 29 February 2016 and each of the five months ended 31 July 2015 and 2016 respectively, which comprise of salaries and other benefits, discretionary bonus and contributions to retirement benefit scheme. Staff costs of the Target Company is relatively steady throughout the three financial years ended 28 February 2014, 28 February 2015 and 29 February 2016. The increase in staff cost for the five months ended 31 July 2016 as compared to the five months ended 31 July 2015 was mainly result from increased total number of employees and improvement of staff salary.

COMMISSION EXPENSES

The Target Company recorded commission expenses of approximately HK$604,000, HK$1,289,000, HK$4,248,000, HK$3,427,000 and HK$684,000 for the financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and each of the five months ended 31 July 2015 and 2016 respectively, which mainly represented rebate to clients and commission paid to sales representatives in relation to dealing of securities, underwriting, sub-underwriting, placing and sub-placing transactions being carried out by them in proportion to their respective commission rates. The increase in the commission expenses throughout the three financial years ended 28 February 2014, 28 February 2015 and 29 February 2016 was mainly due to the increase in the revenue generated from the respective businesses. However, the decrease in the revenue for the five months ended 31 July 2016 as compared to the five months ended 31 July 2015 led to the decrease in commission expenses for the corresponding period.

FINANCE COSTS

The Target Company recorded finance costs for the financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and each of the five months ended 31 July 2015 and 2016 of approximately HK$734,000, HK$826,000 and HK$1,379,000, HK$562,000 and HK$110,000 respectively.

OTHER OPERATING EXPENSES

The other operating expenses incurred by the Target Company during the financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and each of the five months ended 31 July 2015 and 2016 of approximately HK$3,934,000, HK$6,798,000, HK$5,446,000, HK$2,635,000 and HK$1,890,000 respectively which mainly comprised of rent, rate and management fee, information fee, entertainment and traveling expense and trading related expenses.

The other operating expenses increased by approximately 72.80% for the year ended 28 February 2015 as compared to the year ended 28 February 2014. The increase was mainly due to the increase in the entertainment and traveling expenses, which was mainly attributable to the increase in marketing activities conducted by the Target Company.

The other operating expenses decreased by approximately 19.89% for the year ended 29 February 2016 as compared to the year ended 28 February 2015 mainly due to the decrease in entertainment and traveling expenses. However, trading expenses were increased associated with significant revenue growth from the provision of brokerage services.

The other operating expenses decreased by approximately 28.27% for the five months ended 31 July 2016 as compared to the five months ended 31 July 2015. This was mainly due to the decrease in brokerage expense attributable to the decrease in the securities dealing activities for the five months ended 31 July 2016 as compared to the five months ended 31 July 2015.

PROFIT/(LOSS) FOR THE YEAR

For the three financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and each of the five months ended 31 July 2015 and 2016, the Target Company recorded net profit of approximately HK$15,390,000, HK$14,530,000, HK$27,376,000, HK$18,270,000 and HK$8,631,000 respectively.

The net profit for the year ended 28 February 2015 was decreased by approximately 5.59%, as compared to the year ended 28 February 2014. The decrease in the profit for the year was mainly due to the increase in the commission expense and other operation expense.

The movement of net profit for financial years ended 28 February 2015, 29 February 2016 and each of the five months ended 31 July 2015 and 2016 followed the trend of fluctuation in the revenue of the Target Company as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the Target Company had net current assets of approximately HK$93,181,000, HK$91,500,000, HK$118,333,000, HK$122,492,000 respectively. The current ratio (being current assets over current liabilities) as at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016 were approximately 1.64 times, 1.50 times, 1.59 times and 1.82 times respectively. The slight decrease in current ratio as at 28 February 2015 as compared to 28 February 2014 was mainly due to the increase in trade payable and bank loan. The increase in current ratio as at 29 February 2016 as compared to 28 February 2015 was mainly due to the increase in bank balance as the Target Company's business increased. The increase in current ratio as at 31 July 2016 as compared to 29 February 2016 was mainly due to the decrease in bank loans, and accrued expense and other receivables.

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the Target Company had net assets of approximately HK$94,274,000, HK$92,604,000, HK$119,980,000 and HK$128,857,000 respectively. The debt ratio (being total liabilities over total assets) as at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016 were approximately 60.59%, 66.53%, 62.67% and 53.65% respectively. The increase in debt ratio as at 28 February 2015 as compared to 28 February 2014 was mainly due to an increase in bank loan to raise additional cash to cope with the anticipated growing business opportunities. The decrease in debt ratio as at as at 29 February 2016 as compared to 28 February 2015 was mainly due to the increase in bank balance as the Target Company's business increased. The decrease in debt ratio as at 31 July 2016 as compared to 29 February 2016 was mainly due to the decrease in bank loans, and accrued expense and other receivables.

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the bank balance of the Target Company amounted to approximately HK$102,144,000, HK$121,712,000, HK$189,439,000 and HK$119,948,000 respectively, which were mainly denominated in Hong Kong dollars. These amounts comprise client monies that maintained in segregated bank accounts, which arise from money deposited by clients and other institutions when the Target Company carrying out regulated activities in its ordinary course of business.

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the outstanding bank borrowings of the Target Company amounted to approximately HK$40,000,000, HK$60,000,000, HK$60,000,000 and HK$10,000,000 respectively. The loan is repayable on demand and bears interest at the equivalent of 1 week Hong Kong Interbank Offered Rate plus 170 to 190 basis points.

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the outstanding amount due to holding company of the Target Company amounted to approximately nil, nil, HK$25,000,000 and HK$25,000,000 respectively.

CAPITAL STRUCTURE

During the three financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and five months ended 31 July 2016, the capital structure of the Target Company consisted of amount due to holding company, bank loan, and equity attributable to owners of the Target Company, comprising share capital and retained profits. The directors of the Target Company review the capital structure regularly. As part of the review, the directors consider the cost of capital and the risk associated with each class of capital. Based on recommendations of the directors, the Target Company will balance its overall capital structure through payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

As at 31 July 2016, the issued and paid up capital of the Target Company was HK$90,000,000 divided into 90,000,000 shares. Movements in the share capital of the Target Company are reflected in note 25 to the financial statements of the Target Company in Appendix II to this circular.

GEARING RATIO

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the gearing ratios of the Target Company, which were calculated as total borrowings divided by total equity were 42.43%, 64.79%, 70.84% and 27.21% respectively. The increase in gearing ratio for past three years ended 28 February 2014, 28 February 2015 and 29 February 2016 was mainly due to an increase in bank loan and shareholder's loan to financing its growing business. However, the significant decrease in gearing ratio as at 31 July 2016 as compared to 29 February 2016 was mainly due to the decrease in bank loans after the Target Company settled more than 80% of its bank loans during the five months ended 31 July 2016.

TREASURY AND FUNDING POLICIES

During the reported period, the Target Company usually financed its working capital through internal funds and bank borrowings. To manage liquidity risk, the management of the Target Company closely monitors the liquidity position to ensure that the liquidity structure of the Company's asset, liabilities and commitments can meet its funding requirements. Furthermore, management will monitor the Target Company's liquid capital to ensure it will meet the minimum liquid capital requirement in accordance with the Hong Kong Securities and Futures (Financial Resources) Rules adopted by the SFC.

CREDIT RISK

The Target Company's credit risk is primarily attributable to trade receivable due from clients and clearing houses arising from ordinary course of business of securities brokerage services. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Included in the amount that is past due but not impaired are mainly attributable to trade receivables due from cash clients, which was increased significantly from approximately HK$3.4 million as at 28 February 2015 to approximately HK$12.5 million as at 29 February 2016. The significant increase in trade receivables due from cash clients was mainly due to the increase in brokerage commission from securities dealing by approximately 129.1% to approximately HK$20.0 million as compared to the year ended 28 February 2015 given the robust market sentiment following the introduction of Shanghai-Hong Kong Stock Connect (滬港通) in late 2014. The amount that is past due but not impaired was decreased substantially from approximately HK$12.5 million as at 29 February 2016 to approximately HK$6.2 million as at 31 July 2016.

In order to manage the credit risk in trade receivable due from clients, individual credit evaluation are performed on all clients to determine the credit limits according to the client's credit worthiness. In addition, the management of the Target Company has delegated a team responsible for trading approvals and other monitoring procedures to ensure that follow-up action is taken to recover outstanding balances. At the end of each financial year, the Target Company reviews the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

Trade receivable from cash clients generally settled in two trading days after trade date. The amount are very short term in nature. Accordingly, the credit risk arising from the trade receivables due form cash clients is considered minimal. For margin clients, the Target Company normally obtains liquid securities and/or cash deposits as collateral based on the margin requirements. The margin requirement is closely monitored on a daily basis by the designated team. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls are made when the outstanding balances due from clients exceed their respective limits with consideration of the quality, liquidity and price volatility of the pledged shares of the client's portfolio, and the transaction history and credibility of the clients. Failure to meet margin calls may result in the prohibition of further purchase of securities or liquidation of the client's positions on a case-by-case basis. In addition, the Target Company has formed a credit committee to maintain proper credit controls on margin financing in order to prevent the Target Company from being exposed to unacceptable credit risks. In this regard, the Directors consider that the Target Company's credit risk is manageable.

In addition, the Target Company reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In respect of trade receivable from a clearing house, credit risk is considered low as the Target Company normally enters into transactions with a clearing house which is registered with regulatory body. Moreover, the Target Company has to comply with the relevant requirements promulgated by the SFC.

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

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the fair value of public traded securities pledged as collateral in respect of trade receivable due from margin clients were approximately HK$594,660,000, HK$552,150,000, HK$285,601,000 and HK$573,143,000 respectively. In terms of concentration of credit risk, trade receivables due from the Target Company's largest client represented approximately 22%, 14%, 13% and 16% of the total outstanding trade receivables as at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016 respectively.

The Directors believe that the Target Company's concentration of credit risk is not significant due to following reasons:

1) the Target Company's revenue has increased significantly from approximately HK$27.6 million for the year ended 28 February 2015 to HK$45.2 million for the year ended 29 February 2016 with an increase in its client base. The Target Company had, on average, over 400 active accounts per month for the year ended 29 February 2016. Accordingly, the Target Company's concentration of credit risk for the largest client was decreased from approximately 14% as at 28 February 2015 to approximately 13% as at 29 February 2016. Although the concentration of credit risk for the largest client was increased to approximately 16%, the Target Company had maintained, on average, over 460 active accounts per month for the five months ended 31 July 2016.

2) the Target Company's largest client for the last consecutive three financial years and the five months ended 31 July 2016 is an independent third party who is a major shareholder of a listed company in Hong Kong. The credit worthiness of this client is considered to be satisfactory.

FOREIGN EXCHANGE EXPOSURE

As most of the Target Company's transactions were carried out in Hong Kong dollars which is also functional currency of the Target Company, the impact of foreign exchange fluctuations on the Target Company were minimal. Therefore, it did not have any foreign currency hedging policy. No hedging against foreign currency exposure has been carried out by the Target Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2014, 2015, 29 February 2016 and 31 July 2016, the total number of employees of the Target Company was 7, 10, 8 and 9 respectively. The staff costs for the three financial years ended 28 February 2014, 28 February 2015, 29 February 2016 and each of the five months ended 31 July 2015 and 2016 were approximately HK$2,543,000, HK$2,238,000 and HK$2,493,000 HK$1,035,000 and HK$1,461,000 respectively.

As at 31 July 2016, the total number of employees and licensed representatives of the Target Company was 9 and 10, out of which 5 licensed representatives were full-time employees.

The Target Company reviews staff remuneration once a year, or as their 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 mandatory provident fund. The Target Company participates in the Mandatory Provident Fund scheme established under the Mandatory Provident Fund Ordinance in December 2000.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

There was 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 2014, 28 February 2015, 29 February 2016 and 31 July 2016.

CAPITAL COMMITMENTS

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the Target Company did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016, the Target Company did not have any contingent liabilities.

PLEDGE OF ASSETS

No assets of the Target Company were pledged as at 28 February 2014, 28 February 2015, 29 February 2016 and 31 July 2016.

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. SHARE CAPITAL

(i) Share capital

Set out below are the authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Consideration Shares and the Placing Shares having been issued, assuming in all cases that there are no other changes in the share capital of the Company from the Latest Practicable Date up to the issue of the Consideration Shares and Placing Shares.

Authorised		*HK$*
10,000,000,000	Shares as at the Latest Practicable Date	100,000,000
Issued and fully paid or credited as fully paid		
3,024,445,215	Shares as at the Latest Practicable Date	30,244,452
870,000,000	Allotment and issue of Consideration Shares and Placing Shares	8,700,000
3,894,445,215		38,944,452

All the issued Shares including the Consideration Shares and Placing Shares will rank pari passu with each other in all respects including the rights in respect of capital, dividend and voting.

(ii) Share options

The Company granted share options ("**Share Options**") to eligible participants to subscribe for 116,655,520 Shares, which remained outstanding and not fully exercised as at the Latest Practicable Date. The issue of the Consideration Shares and the Placing Shares will not become an adjustment event of the Share Options.

Save for the Share Options, the Company has no outstanding options, warrants or convertible securities or other similar rights which are convertible or exchangeable into any Share as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

Interests of the Directors and chief executive in the Company and its associated corporations

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

Interests in issued ordinary shares of the Company

Name of Director	Nature of interest	Number of Shares held	Long/short position	Approximate % of the Company's issued share capital
Wong Chun Chau [(1)]	Interest of controlled corporation	653,232,200	Long position	21.60
	Beneficial owner	35,539,200	Long position	1.18
Kwok Yiu Ning	Beneficial owner	34,262,400	Long position	1.13

(1) Trader Global Investments Limited is wholly and beneficially owned by Mr. Wong Chun Chau, a director of the Company. Mr. Wong is also the sole director of Trader Global Investments Limited.

Interests in underlying shares of the Company

Name of Director	Nature of Interest	Number of underlying shares of the Company in respect of the Share Options granted	Long/short position	Approximate % of the Company's underlying shares over the Company's issued share capital
Wong Chun Chau	Beneficial owner	51,698,240	Long position	1.71
Kwok Yin Ning	Beneficial owner	46,809,600	Long position	1.55

(1) Trader Global Investments Limited is wholly and beneficially owned by Mr. Wong Chun Chau, a director of the Company. Mr. Wong is also the sole director of Trader Global Investments Limited.

Disclosure of interests of substantial shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors or chief executive of the Company, the following shareholders (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of interest	Number of Shares	Approximate % of the Company's issued share capital
Trader Global Investments Limited [(1)]	Beneficial owner	653,232,000 (L)	21.60
Wong Chun Chau	Interest in controlled corporation	653,232,000 (L)	21.60
	Beneficial owner	35,539,200 (L)	1.18
Zhuo Kun	Beneficial owner	282,480,000 (L)	9.34
Vendor [(2)]	Beneficial owner	660,000,000 (L)	21.82
Vendor's Guarantor	Interest in controlled corporation	660,000,000 (L)	21.82

(1) Trader Global Investments Limited is wholly and beneficially owned by Mr. Wong Chun Chau, a director of the Company. Mr. Wong is also the sole director of Trader Global Investments Limited.

(2) Vendor is wholly and beneficially owned by the Vendor's Guarantor.

L: denotes long position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company was aware of any other person, other than a Director or the chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

4. DIRECTORS' INTERESTS

a) As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which have, since 31 March 2016 (being the date to which the latest published audited consolidated 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.

b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

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

d) As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors and their respective associates had any interests in business which competes, or are likely to compete, either directly or indirectly, with the businesses of the Group.

5. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Enlarged Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

6. EXPERT

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("**Deloitte**")	Certified Public Accountants
HLM CPA Limited ("**HLM**")	Certified Public Accountants

As at the Latest Practicable Date, Deloitte and HLM were not interested beneficially or non-beneficially in any shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Deloitte and HLM has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and contact in which it respectively appears.

7. MATERIAL CONTRACTS

The members of the Enlarged Group had, after the date of two years immediately preceding the date of this circular, entered into the following contracts which were or might be material, other than contracts in the ordinary course of business of the Enlarged Group:

a) the agreement dated 14 August 2015 entered between Trader Global Investments Limited and the Company in relation the subscription by Trader Global Investments Limited for the top-up subscription shares;

b) the agreement dated 14 August 2015 entered into among Trader Global Investments Limited, the Company and the placing agent in relation to the top-up placing of Shares;

c) the SPA; and

d) the Placing Agreement.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 902, Harbour Centre, Tower 2, 8 Hok Cheung Street, Hunghom, Kowloon, Hong Kong from the date of this circular up to and including the date of EGM:

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

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

c) the accountants' report on the Target Company, the text of which is set out in Appendix II to this circular;

d) the statement of adjustments of the Target Company, the text of which is set out in Appendix II to this circular;

e) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

f) the written consents of the experts as referred to in the section headed "Experts and Consents" of this Appendix;

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

h) this circular.

9. MISCELLANEOUS

a) The secretary of the Company is Mr. Chan Siu Lun who is a member of the Hong Kong Institute of Certified Public Accountants.

b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

c) The Company's head office and principal place of business in Hong Kong is at 902, Harbour Centre, Tower 2, 8 Hok Cheung Street, Hunghom, Kowloon, Hong Kong .

d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

UKF (HOLDINGS) LIMITED
英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01468)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of UKF (Holdings) Limited (the "**Company**") will be held at Conference Room B, TKP Conference Centre Central, 23/F, Euro Trade Centre, 21-23 Des Voeux Road Central, Central, Hong Kong on Monday, 14 November 2016 for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the share purchase agreement entered into between Pearl Bay Investments Limited, a subsidiary of the Company, Excel Blaze Limited and Mr. Yan Kam Cheong on 30 July 2016 in relation to the acquisition of the entire issued share capital of Great Roc Capital Securities Limited (the "**SPA**"), the consideration of which shall be satisfied by the issue of promissory note in the amount of HK$145,500,000 by the Company and issue of 660,000,000 shares of the Company (the "**Consideration Share(s)**") at the price of HK$0.18 per Consideration Share to the Vendor (equivalent to HK$118,800,000) (a copy of which has been produced to the EGM marked "A" and initialled by the Chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby by approved, confirmed and ratified;

(b) the directors of the Company (the "**Director(s)**") be and are hereby specifically authorised to allot and issue the Consideration Shares in accordance with the terms of the SPA; and

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

2. **THAT**

(a) the placing agreement (the "**Placing Agreement**") entered into between the Company and Sun International Securities Limited on 29 July 2016 in relation to the placing of up to 210,000,000 ordinary shares of the Company (the "**Placing Share(s)**") at the price of HK$0.18 per Placing Shares (a copy of which has been produced to the EGM marked "B" and initialled by the Chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby by approved, confirmed and ratified;

(b) the Directors be and are hereby specifically authorised to allot and issue the Placing Shares in accordance with the terms of the Placing Agreement; and

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

By order of the Board
Wong Chun Chau
Chairman

Hong Kong, 26 October 2016

Notes:

(1) A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the memorandum of association and articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof, should he so wish.

(3) Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll.

(5) The form of proxy for use at the EGM is enclosed herewith.