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Application Proof of

CIS Holdings Limited

康融控股有限公司*

(the "Company")

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "Exchange")/the Securities and Futures Commission (the "Commission") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor, advisers or member of the underwriting syndicate that:

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* For identification purpose only

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CIS Holdings Limited

康融控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares
[REDACTED] : [REDACTED] per [REDACTED] (payable
in full on application in Hong Kong
dollars, plus brokerage of 1%,
SFC transaction levy of 0.0027% and
Stock Exchange trading fee of 0.005%)
Nominal value : HK\$0.10 per Share
Stock code : [REDACTED]

Sponsor



[REDACTED] Co-ordinator

[REDACTED]

Bookrunner and Lead Manager

[REDACTED]

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Prior to making any investment decision, prospective investors should consider carefully all the information set out in this document, including the risk factors set out in the section headed "Risk factors" in this document.

Prospective investors of [REDACTED] should note that the Sponsor and/or the Lead Manager (for itself and on behalf of the Underwriter) may in its/their absolute discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreement with immediate effect if any of the events set out in the section headed "Underwriting – Underwriting arrangements and expenses – Grounds for termination" in this document occurs at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Should the Lead Manager (for itself and on behalf of the Underwriter) terminate its obligations under the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the [REDACTED] will not proceed and will lapse. It is important that you refer to that section for further details.

* For identification purpose only

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange website at www.hkexnews.hk and our Company's website at www.cisholdings.com.hk in order to obtain up-to-date information on GEM listed issuers.

EXPECTED TIMETABLE *(Note 1)*

[REDACTED]

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IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company solely in connection with the [REDACTED], and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any securities other than the [REDACTED] offered by this document pursuant to its [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any securities in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this document to make your investment decision.

We have not authorised anyone to provide you with information that is different with what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by us, the [REDACTED] Co-ordinator, the Bookrunner, the Lead Manager, the Sponsor, the Underwriter, any of their respective directors, affiliates, employees, agents or representatives, advisers or any other persons or parties involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED].

There are risks associated with any investment in companies listed on GEM. Some of the particular risks relating to investing in the [REDACTED] are set out in the section headed "Risk factors" in this document. You should read that particular section carefully before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary" in this document.

OUR BUSINESS OVERVIEW

Our Group carries out business through our operating subsidiary, CIS. Our operations are based in Hong Kong and during the Track Record Period, we derived our revenue from our major operating segments, namely, (i) ECM related services; (ii) brokerage services; (iii) margin and IPO financing services; and (iv) CIES related services. We generated approximately 86.4%, 90.6% and 94.6% of our revenue from our ECM related services and brokerage services for each of the years ended 31 December 2012, 2013 and 2014 respectively.

As at the Latest Practicable Date, our Group held the following licences and certificates, and obtained the following qualifications to carry on the business activities as described above.

- Licence under SFO to carry on type 1 (dealing in securities) regulated activity
- Licence under SFO to carry on type 2 (dealing in futures contracts) regulated activity
- Licence under SFO to carry on type 4 (advising on securities) regulated activity
- Licence under SFO to carry on type 9 (asset management) regulated activity
- Exchange Participant with the Stock Exchange
- Options Trading Exchange Participant with the Stock Exchange
- Direct Clearing Participant of SEOCH
- Direct Clearing Participant of HKSCC
- HKCC Participant of HKFE Clearing Corporation Limited
- Exchange Participant of HKFE Clearing Corporation Limited

Set out below is the breakdown of our revenue by major operating segments for the Track Record Period:

	For the year ended 31 December 2012		For the year ended 31 December 2013		For the year ended 31 December 2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
ECM related services	10,489	53.0	28,985	62.9	90,380	77.9
Brokerage services	6,606	33.4	12,766	27.7	19,427	16.7
Margin and IPO financing services	2,003	10.1	1,951	4.2	2,095	1.8
CIES related services	689	3.5	2,403	5.2	4,173	3.6
Total	<u>19,787</u>	<u>100.0</u>	<u>46,105</u>	<u>100.0</u>	<u>116,075</u>	<u>100.0</u>

SUMMARY

ECM related services

Our Group officially established the ECM division to develop its ECM related service business in 2012. Our ECM related services mainly include fund-raising services such as placing of securities and bonds primarily on a best effort basis, and also acting as a syndicate member for companies to be listed on the Stock Exchange in IPO mainly on an underwritten basis. We generally charge at market rate for our placing commission which is generally in line with market practice with reference to, among other matters, (i) size of our placing commitment; (ii) the nature and background of the listed companies and; (iii) the general market conditions, subject to negotiation with the relevant issuer or company. The increase in revenue generated from ECM related services during the Track Record Period was mainly due to (i) an increase in the number of placing and underwriting transactions which we undertook and completed, which in turn generated a greater amount of revenue; and (ii) the increase in the number of new listings on the Main Board of the Stock Exchange and GEM, in which our Group has acted as a syndicate member.

The table below sets out the number of placing and underwriting transactions for listed companies undertaken and completed by our Group and the relevant information of such transactions during the Track Record Period:

	For the year ended 31 December 2012	For the year ended 31 December 2013	For the year ended 31 December 2014
Number of placing transactions completed by our Group	10	16	230
Approximate gross size of placing transactions completed by our Group (HK\$'000) (Note 1)	141,786	484,550	1,745,393
Number of underwriting transactions completed by our Group	Nil	9	22
Approximate gross size of underwriting commitments undertaken by our Group (HK\$'000) (Note 2)	Nil	60,195	386,333

Note 1: The gross size of placing transactions completed by our Group in the corresponding year in its capacity as a sole placing agent, co-placing agent or sub-placing agent.

Note 2: The gross size of underwriting commitments of our Group under the underwriting transactions for listed companies undertaken and completed in the corresponding year.

During the Track Record Period, apart from certain placing and underwriting transactions which an agreed commission fee was charged by our Group, the general commission rate charged by our Group for our underwriting and placing transactions undertaken and completed by our Group ranged from approximately 3.0% to 5.25%, 3.0% to 4.0% and 1.0% to 12.0% respectively.

Our ECM related services also include the provision of retainer ECM services, which are complementary to our fund-raising business, mainly to listed companies which were generally small cap with limited analyst coverage to promote them among public and professional investors in view to assisting them in expanding their investor base and developing fund-raising opportunities. For each of the years ended 31 December 2012, 2013 and 2014, we entered into three, two and none service agreements with listed companies in Hong Kong for the provision of

SUMMARY

retainer ECM services respectively. The total revenue generated from the provision of retainer ECM services amounted to approximately HK\$4.2 million, HK\$9.9 million and HK\$14.8 million respectively, which represented approximately 40.0%, 34.1% and 16.4% of our Group's revenue generated from its ECM related services for the corresponding years.

Brokerage services

Our Group's business in brokerage services includes securities, futures and options brokerage. Our brokerage clients can place orders by phone or through our online trading platform. Our Group also provides mobile trading platform to its brokerage clients which supports smartphone systems.

Our Group's brokerage business generates revenue by charging commission for transactions executed through our Group's traditional telephone trading system and online trading platform, as well as by charging handling and scrip fees and management fees for DMA services. As at the Latest Practicable Date, the general securities brokerage commission for (i) trading in Hong Kong securities ranged from 0.01% to 0.25% of transaction value (with a minimum charge of HK\$50); and (ii) trading in overseas securities ranged from 0.2% to 0.7% of transaction value. As at the Latest Practicable Date, the general futures brokerage commission for (i) trading in Hong Kong futures was a fixed charge of HK\$11 to HK\$80 per contract; and (ii) trading in overseas futures was a fixed charge of US\$10 to US\$12 per contract.

As at 31 December 2014, our Group had over 2,030 brokerage client accounts with which we had generated income from in the past 12 months preceding 31 December 2014, which comprised of over 50 institutional/corporate client accounts which are qualified professional investors and/or fund houses which trade in large volumes and over 1,980 retail client accounts which are mainly individuals.

The table below sets out the approximate total value of transaction in securities dealing (other than transactions in stock options contracts) and the approximate number of contracts of dealing in futures and options contracts during the Track Record Period:

	For the year ended 31 December 2012	For the year ended 31 December 2013	For the year ended 31 December 2014
Approximate total value of transaction in securities dealing (other than transactions in stock options contracts) (HK\$'000)	8,949,546	147,038,381	200,822,543
Approximate total number of contracts of dealing in futures and options contracts	64,000	93,000	57,000

SUMMARY

Margin and IPO financing services

We offer margin and IPO financing services, which are complementary to our Group's brokerage business, to our clients who wish to purchase securities on a margin financing basis and our margin financing services generate interest income from our clients. Our Group has established credit control measures to monitor its margin and IPO financing activities, which are supervised and managed by our Group's credit committee, comprising the directors of CIS, a Responsible Officer, the compliance manager and financial controller. Our credit committee is responsible for credit risk control and management procedures, and oversees all financing activities of our Group.

As at 31 December 2012 and 2013, our Group had over 70 and 80 margin clients respectively whose margin securities trading accounts had recorded activities for purchase and/or sale of securities in the past 12 months preceding 31 December 2012 and 2013 respectively. As at 31 December 2014, our Group had over 100 margin clients whose margin securities trading accounts had recorded activities for purchase and/or sale of securities in the past 12 months preceding 31 December 2014.

During the Track Record Period, no impairment in respect of margin loans was made by our Group and our Group had not encountered any insufficiency of clients' margin deposit for covering loss positions.

The table below sets out the number of our margin clients with an outstanding margin loan amount and the approximate total amount of outstanding margin loan as at 31 December 2012, 31 December 2013 and 31 December 2014 respectively:

	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014
Number of our margin clients with an outstanding margin loan	27	31	46
Approximate total amount of outstanding margin loan (HK\$'000)	20,381	14,027	22,338

As at the Latest Practicable Date, our Group generally charged an interest rate of up to Prime Rate plus 7% per annum for our margin and IPO financing services.

SUMMARY

CIES related services

Our Group commenced the provision of CIES related services in 2010 to applicants of CIES who are generally referred by the CAM Consultants. During the Track Record Period, CIS has engaged an Independent Third Party to provide immigration consultancy service to our CIES clients. CIS provides investment services to our CIES clients who wish to invest in the permissible investment asset classes as defined under the CIES Rules and acts as a financial intermediary to such CIES clients to ensure they are in compliance with the CIES Rules. For more details regarding the relationship between our Group and CAM, please refer to the section headed "Relationship with our Controlling Shareholders and senior management" in this document. As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group had over 80, 310 and 620 CIES clients respectively.

The Government of Hong Kong has announced that CIES would be suspended with effect from 15 January 2015 until further notice and applications received on or before 14 January 2015, whether already approved (including approval-in-principle and formal approval) or still being processed, will still be processed. Consequentially, no new applications under CIES submitted after 14 January 2015 would be processed by the Immigration Department of Hong Kong. According to the latest information published by the Immigration Department of Hong Kong, as at 31 December 2014, there were approximately 13,800 outstanding CIES applications still being processing by the Immigration Department of Hong Kong and approximately 2,500 CIES applications which have obtained approval-in-principle from the Immigration Department of Hong Kong but still pending for formal approval.*

During the Track Record Period, our Group had engaged an Independent Third Party which provided immigration related consultancy service to our CIES clients, i.e. liaising with the Immigration Department of Hong Kong and arranging for information and documents to be submitted or obtained from the Immigration Department of Hong Kong on behalf of our CIES clients. Going forward, our Group, through such Independent Third Party, will continue to process their applications submitted on or before 14 January 2015 and will maintain our investment services to the existing CIES clients. Based on (i) the number of outstanding CIES applications still being processing or pending for formal approval to be granted by the Immigration Department of Hong Kong as at 31 December 2014; (ii) the historical pace of CIES application approval of the Immigration Department of Hong Kong; and (iii) the annual service fees to be generated from our existing and prospective CIES clients over the period required by the CIES Rules, our Directors believe that our Group will be able to continue to carry on the CIES business for the coming few years.

Our Group's revenue generated from the provision of CIES related services amounted to approximately HK0.7 million, HK\$2.4 million and HK\$4.2 million for the years ended 31 December 2012, 2013 and 2014, representing approximately 3.5%, 5.2% and 3.6% respectively of our Group's total revenue for the corresponding years. Following the suspension of CIES by the Government of Hong Kong, our Group intends to leverage on our established client base and network to explore the possibility of facilitating our clients to migrate to and invest in other countries. For more information, please refer to the section headed "Future plans and use of proceeds – Business strategies" in this document.

Having considered that (i) our Group's revenue generated from the provision of CIES related services only represented approximately 3.5%, 5.2% and 3.6% of our Group's total revenue for the each of the years ended 31 December 2012, 2013 and 2014, respectively; and

* According to the CIES, when approval-in-principle is given to an entrant, he/she will be initially allowed to enter Hong Kong on visitor status for three months. If evidence of active progress in investment can be shown, his/her visitor status can be extended for another three months. When the entrant has furnished proof that the requisite level of investment has been made, permission to stay for two years (formal approval) will be granted.

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(ii) our Group is expected to be able to carry on our CIES business for the coming few years, our Directors are of the view that the suspension of CIES by the Government of Hong Kong will not have an immediate material impact on the financial performance of our Group.

For further details regarding the services provided by our Group, please refer to the section headed "Business – Services" in this document.

COMPETITIVE STRENGTHS

We consider that our Group's competitive strengths are as follows:

- we have an increasing recognition of brand name attributable to our operating history in Hong Kong of over six years;
- we have a proven track record for our business in ECM related services;
- we have an established relationship with clients and expanding client base;
- we have an experienced management team; and
- we are a progressively growing business.

Please see the section headed "Business – Competitive strengths" in this document for more details.

BUSINESS STRATEGIES

Our Group intends to implement the following strategies to further expand our business:

- we seek to further develop our business in ECM related services;
- we seek to further expand our margin and IPO financing services;
- we will continue to enhance our trading platform;
- we seek to expand our brokerage client network;
- we seek to further develop our asset management business; and
- we seek to explore the possibility of facilitating our clients to migrate to and invest in other countries.

Please see the section headed "Future plans and use of proceeds" in this document for more details.

SUMMARY

OUR CLIENTS AND SUPPLIERS

For the year ended 31 December 2012, our five largest clients comprised of four institutional/corporate clients and one retail client, represented approximately 50.9% of our Group's total revenue. For the year ended 31 December 2013, our five largest clients are all institutional/corporate clients, represented approximately 60.2% of our Group's total revenue. For the year ended 31 December 2014, our five largest clients are all institutional/corporate clients, represented approximately 51.0% of our Group's total revenue.

Save as disclosed in the section headed "Business – Major clients and suppliers" in this document, to the best knowledge of our Directors, none of the Directors, chief executives or their respective associates or the existing Shareholders who own more than 5% of our Company's issued share capital, has or had any interest in any of the five largest clients during the Track Record Period. For further details regarding our major clients during the Track Record Period, please refer to the section headed "Business – Major clients and suppliers" in this document.

Due to the nature of our business activities, our Group has no major suppliers.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options and the share options which may be granted under the Share Option Scheme), each of Smart Aerial, Perfect Galaxy, Ultimate Honour, EWTK, Mr. Cheung, the Kwok's Family and Mr. Wong is entitled to directly/indirectly exercise or control the exercise of 30% or more of voting rights at general meetings of our Company. As Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak had been acting as part of a controlling group of Shareholders (but not as parties acting in concert within the meaning of the Takeovers Code) for the most recent financial year, our Directors consider that each of Smart Aerial, Perfect Galaxy, Ultimate Honour, EWTK, Mr. Cheung, the Kwok's Family, Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak is regarded as a Controlling Shareholder.

As at the Latest Practicable Date, each of Mr. Wong and Mr. Mak is interested in approximately 5.54% and 5.26% equity interests in CFHL respectively, which is principally engaged in independent financial advisory business, asset management, money lending business and proprietary investment business through its subsidiaries, including Convoy Financial Services Limited and CAM, a corporation licensed to carry out type 1, type 4 and type 9 regulated activities under the SFO. Mr. Wong, Mr. Mak and Ms. Fong are also the executive directors of CFHL. As at the Latest Practicable Date, Mr. Shin is the chief distribution officer of Convoy Financial Services Limited and Mr. Ng is the managing director of CAM. Please refer to the section headed "Relationship with our Controlling Shareholders and senior management" for details of our relationship with the Controlling Shareholders and CFHL, including, among others, our business delineation and independence from CFHL.

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PRE-IPO INVESTMENTS AND PRE-IPO SHARE OPTIONS

Our Group has introduced two Pre-IPO Investors, namely China Angel and Mr. Leung, on 15 January 2014. Please refer to the section headed “History, reorganisation and corporate structure – Pre-IPO investments” in this document for more details. Immediately following the completion of the [REDACTED] and the Capitalisation Issue (taking into no account of any Shares that may be issued under the Pre-IPO Share Options and the Share Option Scheme), each of China Angel and Mr. Leung will own approximately [REDACTED] shareholding interest of our Company.

Our Group has granted the Pre-IPO Share Options to Mr. Tse Tim, the chief executive officer of our Company. The exercise of the Pre-IPO Share Options will result in dilution to the percentage of ownership of the existing Shareholders. Assuming Mr. Tse Tim exercises in full of the subscription rights attaching to the Pre-IPO Share Options, each of Mr. Leung and China Angel’s shareholding interest in our Company will decrease from approximately [REDACTED] to approximately [REDACTED]; the shareholding interest of Smart Aerial in our Company will decrease from approximately [REDACTED] to approximately [REDACTED]; and the shareholding interest of the other public Shareholders (excluding the shareholding interests of both Mr. Leung and China Angel which will be regarded as public float) will decrease from [REDACTED] to approximately [REDACTED]. For details of the Pre-IPO Share Options and effect of such issuance, please see the subsection headed “Pre-IPO Share Options” in Appendix IV to this document.

KEY CONNECTED TRANSACTION

Pursuant to the connected services agreement (the “**Connected Services Agreement**”) dated [●] and entered into among CIS, Mr. Chan Chi Keung, Mr. Kwok Wai Tak, Mr. Cheung, Mr. Mak, Mr. Shin, Mr. Ng, Ms. Fong, Mr. So Kwok Keung, Mr. Lau Shek Yuen Simon, Mr. Tse Tim and Mr. Wong, CIS may (but is not obliged to), upon request, provide to each of them (where applicable, including their associates) the margin and IPO financing (the “**Margin Financing**”) from the Listing Date to 31 December 2017. The following table sets forth (i) the maximum daily amount of the Margin Financing which was granted by our Group to and utilised by our connected persons (where applicable, including their associates) for each of the years ended 31 December 2012, 2013 and 2014; and (ii) the annual caps for the Margin Financing under the Connected Service Agreement for each of the three years ending 31 December 2015, 2016 and 2017 (the “**Margin Annual Caps**”):

	For the year ended 31 December			For the year ending 31 December		
	2012	2013	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Maximum daily amount of the Margin Financing granted	23,600	23,600	25,900	N/A	N/A	N/A
Maximum daily amount of the Margin Financing utilised (Note)	4,962	9,144	24,665	N/A	N/A	N/A
Margin Annual Caps	N/A	N/A	N/A	27,000	27,000	27,000

Note: The maximum daily amount of the Margin Financing utilised is calculated by aggregating the maximum daily amount of the Margin Financing utilised by each of our connected persons on a different day throughout the relevant year for illustration purpose only, and is not a true reflection of the actual maximum daily amount of the Margin Financing utilised.

Please refer to the section headed “Connected transactions” in this document for further details about our Group’s connected transactions.

SUMMARY

KEY CHANGES IN APPLICABLE LAWS AND REGULATIONS

The Foreign Account Tax Compliance Act of the U.S. ("**FATCA**") was enacted by the U.S. Government in March 2010 aiming to combat tax evasion by U.S. taxpayers. The intention of FATCA is to require foreign financial institutions ("**FFIs**") to report details of U.S. persons holding assets to the U.S. Internal Revenue Services (the "**IRS**"), as a safeguard against U.S. tax evasion. The regulations will become effective in phases commencing 1 July 2014. To discourage FFIs from choosing to remain outside of the regulations, on or after 1 July 2014, a FFI that does not enter the relevant agreement (the "**FFI Agreement**") and comply with the FATCA regulations will be subject to a U.S. withholding tax of 30% on their income from U.S. investments and, on or after 1 January 2017, on their gross proceeds from U.S. investments and also potentially revenues from other non-U.S. investments.

Under FATCA, the FFI shall, among other things:-

- (a) use established due diligence procedures to identify U.S. persons (as defined under FATCA);
- (b) obtain a consent of relevant U.S. person (including individuals and entities) for reporting their relevant account balances, gross amounts of relevant interest incomes, dividend incomes and withdrawals, and identification details to the IRS; and
- (c) report information of account balances, payment amounts and number of non-consenting U.S. accounts to the IRS.

Please refer to the section headed "Regulations and licensing requirements" in this document for further details.

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of our consolidated results for the Track Record Period, which has been extracted from the Accountant's Report set out in Appendix I to this document.

Highlights of consolidated statements of profit or loss and comprehensive income

	For the year ended		
	31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	19,787	46,105	116,075
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	2,860	(16,524)	(3,140)
Profit before income tax credit/(expense)	9,846	6,750	18,243
Profit and total comprehensive income for the year	9,846	7,311	13,176

During the Track Record Period, our Group's revenue was mainly generated from our major operating segments, namely, (i) ECM related services; (ii) brokerage services; (iii) margin and IPO financing services; and (iv) CIES related services.

SUMMARY

Our Group recorded revenue of approximately HK\$19.8 million, HK\$46.1 million and HK\$116.7 million for each of the years ended 31 December 2012, 2013 and 2014 respectively. The substantial increase in our Group's revenue for the year ended 31 December 2013 as compared to the year ended 31 December 2012 was mainly driven by, among others, (i) the higher volume of trading activities of our securities brokerage clients; and (ii) the increase in number of placing and underwriting transactions undertaken and completed by our Group in 2013 compared to those in 2012. The substantial increase in our Group's revenue for the year ended 31 December 2014 as compared to the year ended 31 December 2013 was mainly driven by, among others, (i) the higher volume of trading activities of our securities brokerage clients; and (ii) the increase in number of placing and underwriting transactions undertaken and completed by our Group in 2014 as compared to those in 2013.

Despite the growth of our Group's revenue as mentioned above, we recorded decrease in our profit for the year ended 31 December 2013 as compared to the year ended 31 December 2012 mainly as a result of the recognition of net fair value losses on financial assets at fair value through profit or loss of approximately HK\$16.5 million the year ended 31 December 2013 where as we recorded net fair value gains of approximately HK\$2.9 million for the year ended 31 December 2012. The significant amount of the net fair value losses for the year ended 31 December 2013 was primarily attributable to the disposals of derivative instruments by our Group during the year ended 31 December 2013. For further details and analysis of our Group's net fair value gains/(losses) on financial assets at fair value through profit or loss for the Track Record Period, please refer to the paragraph headed "Fair value gains/(losses) on financial assets at fair value through profit or loss" under the section headed "Financial information" in this document. Our group recorded increase in profit for the year ended 31 December 2014 as compared to the year ended 31 December 2013 mainly as a result of the increase in revenue as mentioned above, which was partially offset by the increase in commission expenses and employee benefits costs.

Highlights of consolidated statements of financial position

	As at 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	4,872	6,677	5,653
Current assets	275,575	515,204	791,633
Current liabilities	217,727	463,413	711,370
Net current assets	57,848	51,791	80,263
Total assets less current liabilities	62,720	58,468	85,916
Net assets	49,720	57,031	85,592
Total equity	49,720	57,031	85,592

SUMMARY

Highlights of consolidated statements of cash flows

	For the year ended 31 December		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(16,380)	33,354	1,821
Net cash (used in)/generated from investing activities	(126)	(3,179)	2,232
Net cash generated from/(used in) financing activities	13,500	(13,000)	12,002
Net (decrease)/increase in cash and cash equivalents	(3,006)	17,175	16,055
Cash and cash equivalents at beginning of the year	17,033	14,027	31,202
Cash and cash equivalents at end of the year	<u>14,027</u>	<u>31,202</u>	<u>47,257</u>

Our Group had net cash generated from operating activities of approximately HK\$33.4 million and HK\$1.8 million for the years ended 31 December 2013 and 2014, respectively, but net cash used in operating activities of approximately HK\$16.4 million for the year ended 31 December 2012. The net cash used in operating activities for the year ended 31 December 2012 was primarily due to the profit before income tax credit and after adjustment of non-cash items of approximately HK\$7.1 million and the net decrease in working capital of approximately HK\$23.5 million. The net decrease in working capital was mainly as a result of, among others, the increase in advance to customers in margin financing of approximately HK\$10.9 million and the increase in amounts due from related companies of approximately HK\$10.6 million for the year ended 31 December 2012. For further details and analysis of our Group's cash flows for the Track Record Period, please refer to the paragraph headed "Cash flows" under the section headed "Financial information" in this document.

Prospective investors should note that, during the Track Record Period, our Group (i) recognised non-cash revenue amounted to approximately HK\$0.2 million, HK\$5.7 million and HK\$10.6 million for each of the years ended 31 December 2012, 2013 and 2014 respectively; and (ii) had balances of deferred income amounted to approximately HK\$14.4 million, HK\$12.1 million and HK\$1.4 million as at 31 December 2012, 31 December 2013 and 31 December 2014 respectively, which were and will not be supported by actual cash flows of the same amounts because the relevant financial instruments received by our Group as consideration for services had been disposed of at substantial loss as compared to their initial valuation. Please refer to the paragraphs headed (i) "Deferred income" for further details regarding the non-cash revenue and deferred income; and (ii) "Fair value gains/(losses) on financial assets at fair value through profit or loss" for details regarding the financial instruments received by our Group as consideration for services and the related loss incurred from disposal of the financial instruments, in the section headed "Financial information" of this document.

SUMMARY

Key financial ratios

	For the year ended 31 December		
	2012	2013	2014
Net profit margin before interest and tax (%)	49.8	14.6	15.7
Net profit margin (%)	49.8	15.9	11.4
Return on equity (%)	19.8	12.8	15.4
Return on total assets (%)	3.5	1.4	1.7
Interest coverage (<i>times</i>)	9,847.0	1,688.5	18,244.0
	As at 31 December		
	2012	2013	2014
Current ratio and quick ratio	1.3	1.1	1.1
Gearing ratio (%)	29.8	N/A	N/A
Debt-to-equity ratio (%)	1.6	N/A	N/A

Net profit margin of our Group were approximately 49.8% and 15.9% for each of the years ended 31 December 2012 and 2013 respectively. The decrease in net profit margin was mainly attributable to the net fair value losses of financial assets at fair value through profit or loss amounted to approximately HK\$16.5 million for the year ended 31 December 2013, whereas there were net fair value gains of approximately HK\$2.9 million for the year ended 31 December 2012. Without such net fair value gains/losses, our Group's net profit margin would be approximately 35.3% and 51.7% for each of the years ended 31 December 2012 and 2013 respectively. Such increase were mainly as a result of the increase in total revenue for the year ended 31 December 2013 by approximately 133.0% as compared to the year ended 31 December 2012, which overweighed the effect of the increase in total operating expenses for the corresponding years. Net profit margin of our Group decreased from approximately 15.9% for the year ended 31 December 2013 to approximately 11.4% for the year ended 31 December 2014. Excluding the net fair value losses of financial assets at fair value through profit or loss of approximately HK\$16.5 million for the year ended 31 December 2013 and HK\$3.1 million for the year ended 31 December 2014, our Group's net profit margin would decrease from approximately 51.7% for the year ended 31 December 2013 to approximately 14.1% for the year ended 31 December 2014. Such decrease was mainly as a result of (i) the increase in commission expenses of approximately HK\$32.2 million for the year ended 31 December 2014 as compared to the year ended 31 December 2013; (ii) the increase in employee benefits costs of approximately HK\$26.1 million for the year ended 31 December 2014 as compared to the year ended 31 December 2013; and (iii) the Listing expenses of approximately HK\$[REDACTED] recognised for the year ended 31 December 2014.

SUMMARY

For detailed analysis on the financial results of our Group during the Track Record Period, please refer to the section headed "Financial information" in this document.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Recent developments

(i) *Financial performance*

For the one month ended 31 January 2015, our Group recorded growth in our revenue as compared to same period in 2014, which was mainly contributed by, among others, (i) the increase in revenue generated by our brokerage services due to increase in securities transaction value of our brokerage client for the one month ended 31 January 2015 as compared to that for the same period in 2014; and (ii) the increase in number of bond placing transactions completed during the one month ended 31 January 2015 as compared to that for the same period in 2014. Despite the growth of our revenue, we will continue to recognise Listing expenses in relation to the [REDACTED] and share-based payments in respect of the Pre-IPO Share Options for the year ending 31 December 2015.

Prospective investors should note that our Group's financial information subsequent to the Track Record Period is unaudited and may not reflect the full year results for the year ending 31 December 2015 and may be subject to adjustments based on audit.

(ii) *Declaration of dividends*

On 13 March 2015, our Directors resolved to declare dividends of HK\$70,000 per share on 100 shares in our Company. The dividends declared amounted to HK\$7 million and were paid on 13 March 2015 with our internal resources. Prospective investors should note that the payment of dividends will be reflected as a cash outflow of our Group for the year ending 31 December 2015.

(iii) *Updates on CIES business*

The Government of Hong Kong has announced that CIES would be suspended with effect from 15 January 2015 until further notice and applications received on or before 14 January 2015, whether already approved (including approval-in-principle and formal approval) or still being processed, will still be processed. Consequentially, no new applications under the CIES submitted after 14 January 2015 would be processed by the Immigration Department of Hong Kong. For more information, please refer to the section headed "Business – Services – CIES related services" in this document.

Save for the recent development in our CIES business resulting from the suspension of CIES by the Government of Hong Kong, our Directors are of the view that there have been no material changes to the general business model of our Group and economic environment subsequent to the Track Record Period and up to the Latest Practicable Date.

SUMMARY

Impact of Listing expenses and share-based payments on our profit for the year ending 31 December 2015

The financial results of our Group for the year ending 31 December 2015 is expected to be adversely affected, among others, the Listing expenses in relation to the [REDACTED], the nature of which is non-recurring. The total Listing fees (inclusive of underwriting commission) in relation to the [REDACTED] are estimated to be approximately HK\$[REDACTED] (based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] with [REDACTED] and inclusive of the underwriting commission). Among the estimated total Listing fees, approximately HK\$[REDACTED] is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$[REDACTED] is expected to be charged to our consolidated statement of comprehensive income for the years ended 31 December 2014 and 2015, of which approximately HK\$[REDACTED] have been recognised by our Group for the year ended 31 December 2014. No Listing expenses were recognised by our Group for the years ended 31 December 2012 and 2013. It should be noted that the amount of Listing expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2015 is subject to adjustment based on audit and the then changes in variables and assumptions.

Our Group's financial results for the year ending 31 December 2015 is also expected to be adversely affected by the share-based payments in respect of the Pre-IPO Share Options for the year ending 31 December 2015. The fair value of the Pre-IPO Share Options is estimated to be approximately HK\$6.5 million by an independent professional valuer. The fair value of the Pre-IPO Share Options is to be amortised and recognised as expenses in our consolidated statements of profit or loss and other comprehensive income over the period from the grant date (i.e. 16 January 2014) of the Pre-IPO Share Options to the date falling six months after the Listing Date. For the year ended 31 December 2014, share-based payments of approximately HK\$3.4 million have been recognised by our Group.

Prospective investors should note that the financial performance of our Group for the year ending 31 December 2015 is expected to be adversely affected by the estimated non-recurring Listing expenses and share-based payments mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

Material adverse change

Save for the declaration of dividends and updates on CIES business as disclosed above, our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our financial or trading position or prospect since 31 December 2014, being the date to which our latest audited financial information was prepared and there had been no event since 31 December 2014 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

SUMMARY

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [REDACTED] is completed and [REDACTED] are allotted and issued at the [REDACTED] of [REDACTED] per [REDACTED]; and (ii) [REDACTED] Shares are in issue following the completion of the [REDACTED] and the Capitalisation Issue:

Market capitalisation of our Shares	[REDACTED]
Unaudited pro forma adjusted consolidated net tangible assets per Share ^(Note)	[REDACTED]

Note: The amount of unaudited pro forma adjusted consolidated net tangible assets per Share is calculated in accordance with Rule 7.31 of the GEM Listing Rules after the adjustments referred to in Appendix II to this document.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds to our Group from the [REDACTED], after deducting the underwriting commissions and estimated expenses in relation to the [REDACTED] payable by us, will be approximately [REDACTED]. Our Directors presently intend to use the net proceeds for the following purposes:

- (i) approximately [REDACTED] (or approximately [REDACTED]) will be used for strengthening the resources for our ECM related services;
- (ii) approximately [REDACTED] (or approximately [REDACTED]) will be used for expanding our margin and IPO financing services;
- (iii) approximately [REDACTED] (or approximately [REDACTED]) will be used for enhancing our trading platform;
- (iv) approximately [REDACTED] (or approximately [REDACTED]) will be used for expanding our brokerage client network; and
- (v) approximately [REDACTED] (or approximately [REDACTED]) will be used as general working capital of our Group.

To the extent that the net proceeds are not immediately applied for the above purposes and to the extent permitted by the relevant laws and regulations, our Group will invest any available cash and cash equivalent in financial products such as securities, bonds, warrants issued by listed companies in Hong Kong with reference to our Group's treasury policy as set out in the section headed "Financial information – Treasury and investment policies" in this prospectus or deposit the net proceeds into short term deposit with licensed banks/financial institutions in Hong Kong.

Please see the section headed "Future plans and use of proceeds" in this document for more details.

SUMMARY

DIVIDEND POLICY

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of future dividends will be subject to our Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors our Directors may consider relevant.

Any interim and final dividend to be declared will be determined based on the latest management accounts or draft audited financial statements (as the case may be), together with our auditor's advice on the sufficiency of distributable reserve.

Currently, we do not have any predetermined dividend distribution ratio.

RISK FACTORS – HIGHLIGHTS

Our Directors consider that our business and operations are subject to a number of risks which are beyond our control, details of which are set out in the section headed "Risk factors" in this document. As different investors may have different interpretations and criteria in determining the significance of a risk, we advise you to read the "Risk factors" section in its entirety in assessing or deciding to invest in our [REDACTED]. Some highlighted risks are set out below:

Risk relating to our business

- our net profit for the year ending 31 December 2015 may be adversely affected by Listing expenses and share-based payments;
- we are exposed to the risk associated with ECM related services (including its relatively short operating history) which may adversely affect our Group's business, financial condition, operating results and prospects;
- our Group recorded net cash outflow in operating activities for the year ended 31 December 2012. Any net cash outflow in operating activities experienced by our Group in the future may materially and adversely affect the business operation, the liquidity, financial position and prospects of our Group;
- our Group may suffer significant losses as a result of significant declines in the value of our financial assets, which could have a material adverse effect on our financial results and condition;
- we are exposed to the risks associated with margin and IPO financing business which may adversely affect our Group's business, financial condition, operating results and prospects; and
- we are exposed to the risk associated with our CIES business following the suspension of CIES by the Government of Hong Kong which may affect our Group's business, financial condition, operating results and prospects.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms have the following meanings. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this document.

"Accountant's Report"	the accountant's report on our Company set out in Appendix I to this document
"Apex Team"	Apex Team Holdings Limited, a company incorporated in BVI with limited liability on 7 November 2013 and is a direct wholly-owned subsidiary of our Company
"Articles" or "Articles of Association"	the articles of association of our Company, conditionally adopted on [●] 2015 upon the Listing and to take effect on the Listing Date (as amended or supplemented from time to time), a summary of which is set out in Appendix III to this document
"Audit Committee"	the audit committee of our Board
"Board" or "Board of Directors"	our board of Directors
"business day"	a day (other than a Saturday, a Sunday or a public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of Shares to be made on the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "Further information about our Company – Written resolutions of our Shareholders" in Appendix IV to this document
"CAM"	Convoy Asset Management Limited (康宏資產管理有限公司) (formerly known as Convoy NPL Asset Management Limited), a company incorporated in Hong Kong with limited liability on 24 November 1999, which is a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities and an indirect wholly-owned subsidiary of CFHL, a deemed connected person of the Company by the Stock Exchange, and hence, a connected person of our Company

DEFINITIONS

"CAM Consultants"	the self-employed licensed consultants of CAM
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	A CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFG"	Convoy Financial Group Limited (康宏金融集團有限公司) (formerly known as Advance All Enterprises Limited and Convoy Financial Group Limited (康宏理財集團有限公司), a company incorporated in BVI with limited liability on 2 September 2002 and is wholly-owned by Convoy Inc. and an associate of Mr. Wong and hence, a connected person of our Group
"CFHL"	Convoy Financial Holdings Limited (康宏金融控股有限公司) (formerly known as Convoy Financial Services Holdings Limited (康宏理財控股有限公司)), a company incorporated in the Cayman Islands with limited liability on 12 March 2010 and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1019), and a deemed connected person of the Company
"CFHL Group"	CFHL and its subsidiaries
"China Angel"	China Angel Investment Management Limited, a company incorporated in BVI with limited liability on 1 April 2006, being a Pre-IPO Investor and Significant Shareholder, and is wholly-owned by Mr. Jiang Qi Hang

DEFINITIONS

"CIES"	the Capital Investment Entrant Scheme, a scheme launched by the government of Hong Kong in October 2003 and suspended with effect from 15 January 2015 which aimed to facilitate the entry for official residence in Hong Kong through capital investment into permissible assets without the need to establish or join in a business
"CIES Rules"	the rules for the CIES issued by the Immigration Department of Hong Kong in 2012
"CIS"	Convoy Investment Services Limited (康宏証券投資服務有限公司) (formerly known as Convoy Investment Services Limited (康宏投資服務有限公司) and Coview Investments Limited (上譽投資有限公司)), a company incorporated in Hong Kong with limited liability on 23 February 2007 and an indirect wholly-owned subsidiary of our Company
"CNY"	Chinese Yuan, Renminbi, the lawful currency of the PRC
"Code of Conduct"	Code of Conduct for Persons Licensed by or Registered with the SFC (as amended or supplemented from time to time) issued by the SFC in January 2014
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	CIS Holdings Limited, an exempted company incorporated in the Cayman Islands on 19 February 2014. The expression "we", "us" and "our Company" may be used to refer to our Company or our Group as the context may require

DEFINITIONS

"Controlling Shareholders"	any person who is or a group of persons who are together entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the power at general meetings of our Company or who is or are in a position to control the composition of a majority of the Board, and, for the purpose of this document, refers to Smart Aerial, Perfect Galaxy, Ultimate Honour, EWTK, Mr. Cheung, the Kwok's Family, Mr. Wong, Mr. Mak, Mr. Shin, Mr. Ng and Ms. Fong
"Corporate Governance Committee"	the corporate governance committee of our Board
"CSHL"	Convoy Securities Holdings Limited, a company incorporated in BVI with limited liability on 8 November 2011, which is owned by Perfect Galaxy as to 49%, hence, a connected person of our Group
"DCASS"	the Derivatives Clearing and Settlement System, the clearing and settlement for derivative products of the Stock Exchange
"Deeds of Non-competition"	the deeds of non-competition undertaking executed by each of the Controlling Shareholders (except Ms. Kwok Sum Yu, Vanessa, Ms. Kwok Sum Kiu, Victoria and Mr. Kwok Hung Yuen, Vincent who are the children under 18 of Mr. Kwok Wai Tak and Ms. Gu Xiao Wen) respectively in favour of our Company (for ourselves and on behalf of our subsidiaries) dated [●] 2015
"Director(s)"	the director(s) of our Company
"EWTK"	EWTK Holdings Pty Limited., a company incorporated in Queensland, Australia with limited liability on 8 August 2006 and wholly-owned by the Kwok's Family, and a Controlling Shareholder
"Exchange Participant(s)"	a person who, in accordance with the rules of the HKEx, or whose name is entered in a register kept by the HKEx as a person who, may trade through the Stock Exchange

DEFINITIONS

"FRR"	Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)
"Futures Exchange" or "HKFE"	Hong Kong Futures Exchange Limited
"Futures Exchange Participant(s)"	a licensed corporation to carry on type 2 (dealing in futures contracts) regulated activity under the SFO who, in accordance with the rules of the HKFE, may trade on or through the HKFE and whose name is entered in a list, register or roll kept by the HKFE as a person who may trade on or through the HKFE
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"Group"	our Company and our subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company or the businesses operated by our present subsidiaries or (as the case may be) their predecessors
"HKCC"	Hong Kong Clearing Corporation Limited
"HKEx"	Hong Kong Exchanges and Clearing Limited
"HKFRS"	Hong Kong Financial Reporting Standards
"HKMA"	Hong Kong Monetary Authority
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK\$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong Share Registrar"	[REDACTED]

DEFINITIONS

"Independent Third Party(ies)"	a person or persons which is or are independent of, and not connected with, any directors, chief executive or substantial shareholders (within the meaning under the GEM Listing Rules) of our Company or any of our subsidiaries or any of their respective associate(s)
"Kwok's Family"	collectively, Mr. Kwok Wai Tak, Ms. Gu Xiao Wen, Ms. Kwok Sum Yu, Vanessa, Ms. Kwok Sum Kiu, Victoria, and Mr. Kwok Hung Yuen, Vincent, being the Controlling Shareholder; Ms. Gu Xiao Wen is the spouse of Mr. Kwok Wai Tak and Ms. Kwok Sum Yu, Vanessa, Ms. Kwok Sum Kiu, Victoria, and Mr. Kwok Hung Yuen, Vincent are the children under 18 of Mr. Kwok Wai Tak and Ms. Gu Xiao Wen
"Latest Practicable Date"	[13 March] 2015, being the latest practicable date before the printing of this document for ascertaining certain information in this document
"licensed person"	a licensed person (which has the same meaning ascribed to it in the SFO)
"Licensed Representative(s)"	a licensed representative (which has the same meaning ascribed to it in the SFO)
"Listing"	the listing of our Shares on GEM
"Listing Date"	the date, expected to be on or about [REDACTED], on which our Shares are listed on GEM
"Listing Division"	the Listing Division of the Stock Exchange
"Main Board"	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM, and for the avoidance of doubt, it does not include GEM for the purpose hereof
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, adopted on [●] 2015 (as amended and supplemented from time to time)
"Mr. Cheung"	Mr. Cheung Siu Wing, being a Controlling Shareholder
"Ms. Fong"	Ms. Fong Sut Sam, being a Controlling Shareholder

DEFINITIONS

"Mr. Leung"	Mr. Leung Tin Fu, being a Pre-IPO Investor and a Significant Shareholder
"Mr. Mak"	Mr. Mak Kwong Yiu, being (i) a Controlling Shareholder; and (ii) a director of CIS
"Mr. Ng"	Mr. Ng Ka Wai, Eric, being a Controlling Shareholder
"Mr. Shin"	Mr. Shin Kin Man, being a Controlling Shareholder
"Mr. Wong"	Mr. Wong Lee Man, being a Controlling Shareholder
"Nomination Committee"	the nomination committee of our Board
"Option Agreement"	the agreement dated 16 January 2014 (as amended by a supplemental agreement dated 20 June 2014) pursuant to which Apex Team (on behalf of our Company) granted the Pre-IPO Share Options to the Subscriber
"Perfect Galaxy"	Perfect Galaxy Investment Limited, a company incorporated in BVI with limited liability on 4 January 2011 and owned as to approximately 69.39% by EWTK and 30.61% by Mr. Cheung, and a Controlling Shareholder
[REDACTED]	[REDACTED]
"PRC" or "China"	the People's Republic of China which, for the purposes of this document, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

DEFINITIONS

"Pre-IPO Investor(s)"	China Angel and Mr. Leung, being the pre-IPO investors of our Group
"Pre-IPO Share Options"	the pre-IPO share options granted by Apex Team (on behalf of our Company) to the Subscriber pursuant to the Option Agreement, the principal terms of which are summarised in the section headed "Pre-IPO Share Options" in Appendix IV to this document
"Quam Capital" or "Sponsor"	Quam Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, acting as the sponsor to the Listing
"[REDACTED]" or "Bookrunner" or "Lead Manager"	[REDACTED], a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, acting as the bookrunner and lead manager to the Listing
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the reorganisation of our group of companies now comprising our Group conducted in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and corporate structure – Reorganisation and Group structure" in this document
"Repurchase Mandate"	the general unconditional mandate relating to the repurchase of the Shares granted to our Directors, further details of which are set out in the sections headed "Further information about our Company – Written resolutions of our Shareholders" and "Repurchase of our own securities" in Appendix IV to this document
"Responsible Officer(s)"	a responsible officer (which has the same meaning ascribed to it in the SFO)
"SEOCH"	The SEHK Options Clearing House Limited
"SFC"	the Securities and Futures Commission of Hong Kong

DEFINITIONS

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK\$0.10 each in our share capital
"Shareholder(s)"	holder(s) of Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by us on [●] 2015, the principal terms of which are summarised in the section headed "Share Option Scheme" in Appendix IV to this document
"Significant Shareholder(s)"	any person who is or a group of persons who are together entitled to exercise or control the exercise of 5% or more of the power at general meetings of our Company, and for the purpose of this document, refers to China Angel and Mr. Leung
"Smart Aerial"	Smart Aerial Holdings Limited, a company incorporated in BVI with limited liability on 10 September 2013, and owned as to approximately 51% by Ultimate Honour and 49% by Perfect Galaxy, and a Controlling Shareholder
"Stock Exchange" or "SEHK"	The Stock Exchange of Hong Kong Limited
"Stock Exchange Participant(s)"	a licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO who, in accordance with the rules of the Stock Exchange, may trade on or through the Stock Exchange and whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
"Subscriber"	Mr. Tse Tim, the chief executive officer of our Company
"Substantial Shareholder(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC, as amended, supplemented, or otherwise modified from time to time

DEFINITIONS

"Track Record Period"	the period comprising the three financial years ended 31 December 2012, 2013 and 2014
"Ultimate Honour"	Ultimate Honour Holdings Limited, a company incorporated in BVI with limited liability on 28 October 2013 and owned as to approximately 35.06%, 29.62%, 20.71%, 9.65% and 4.96% by Mr. Wong, Mr. Mak, Mr. Shin, Mr. Ng and Ms. Fong respectively, and a Controlling Shareholder
"Underwriter"	the underwriter in respect of the [REDACTED] named under the paragraph headed "Underwriter" in the section headed "Underwriting" in this document
"Underwriting Agreement"	the underwriting agreement dated [●] 2015 entered into between, among others, our Company, the Controlling Shareholders (except Ms. Kwok Sum Yu, Vanessa, Ms. Kwok Sum Kiu, Victoria and Mr. Kwok Hung Yuen, Vicent who are the children under 18 of Mr. Kwok Wai Tak and Ms. Gu Xian Wen), the Sponsor, the Lead Manager and the Underwriter relating to the [REDACTED], details of which are set out in the section headed "Underwriting" in this document
"United States" or "U.S."	the United States of America
"US dollars" or "US\$"	United States dollars, the lawful currency of the United States
"%"	per cent.

The terms "affiliate", "associate", "connected person", "connected transaction" and "subsidiary" have the meanings given to such terms under the GEM Listing Rules, unless the context otherwise requires.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with our Company and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"AMS"	Automatic Order Matching and Execution System, the first generation of electronic stock trading system implemented by the Stock Exchange in 1993
"AMS/3"	the third generation of electronic stock trading system implemented by HKEx in October 2000
"BSS"	the Broker Supplied System, being a front office solution either developed in-house by the Exchange Participant or a third-party software package acquired from commercial vendors, enabling the Exchange Participant to connect its trading facilities to the Open Gateway to conduct trading
"DMA"	discretionary management accounts
"ECM"	equity capital markets
"HIBOR"	Hong Kong Interbank Offering Rate
"HKATS"	Hong Kong Automatic Trading System, an electronic trading system of the Futures Exchange
"HSI"	Hang Seng Index
"IPO(s)"	initial public offering(s) and listing(s) of shares on the Stock Exchange
"IT"	information technology
"margin ratio"	margin loan to margin value ratio
"NAV"	net asset value
"OAPI"	the Omnet Application Programming Interface connectivity provided by DCASS that allows participants to connect their own back office applications and third party back office applications on a host-to-host basis

GLOSSARY OF TECHNICAL TERMS

"Open Gateway"	a Windows-based device provided by HKEx and installed at the Exchange Participants' office to facilitate electronic interface of the AMS/3 with front office systems operated by the Exchange Participant
"T"	the transaction day
"T+2"	two trading day from the transaction day
"throttle" or "throttle rate"	the throughput rate of an order into the trading system at one order per second. Exchange Participants with Open Gateway may apply for additional throttle rates in integral multiples of one order per second

RISK FACTORS

Investors should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in the [REDACTED]. Our operations involve certain risks, many of which are beyond our control. Our business, financial condition and operating results may be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your [REDACTED]. Additional risks and uncertainties that are not presently known to us, or not expressed or implied below, or that we currently deem to be immaterial, may also have a material adverse effect on our business, financial condition and operating results.

Our Directors consider that our business and operations are subject to a number of risks. Many of these risks are beyond our control and can be categorised into: (a) risks relating to our business; (b) risks relating to the industry; (c) risks relating to conducting business in Hong Kong; (d) risk relating to the [REDACTED] and our Shares; and (e) risks relating to this document. These risks are summarised as follows:

RISKS RELATING TO OUR BUSINESS

Our net profit for the year ending 31 December 2015 may be adversely affected by Listing expenses and share-based payments

As set out under the paragraph headed "Listing expenses" in the section headed "Financial information" in this document, the total Listing fees (inclusive of underwriting commission) in relation to the [REDACTED] are estimated to be approximately [REDACTED] (based on the [REDACTED] of [REDACTED] per [REDACTED] and [REDACTED]). Among the estimated total Listing fees, approximately [REDACTED] is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately [REDACTED] is expected to be charged to our consolidated statement of comprehensive income for the years ended 31 December 2014 and 2015, of which approximately [REDACTED] have been recognised by our Group for the year ended 31 December 2014. No Listing expenses were recognised by our Group for the years ended 31 December 2012 and 2013. Our Directors are of the view that the financial results of our Group for the year ending 31 December 2015 is expected to be adversely affected by the Listing expenses in relation to the [REDACTED], the nature of which is non-recurring. It should be noted that the amount of Listing expenses to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2015 is subject to adjustments based on audit and the then changes in variables and assumptions. As such, the actual Listing expenses to be incurred in the year ending 31 December 2015 may differ from our current estimation and adversely affect our profit margin.

As set out under the paragraph headed "Pre-IPO Share Options" in Appendix IV to this document, our Group has granted share options to Mr. Tse Tim, the chief executive officer of our Company. The fair value of the Pre-IPO Share Options is estimated to be approximately [REDACTED] by an independent professional valuer. The fair value of the Pre-IPO Share Options is to be amortised and recognised as expenses in our consolidated statements of profit or loss and other comprehensive income over the period from the grant date (i.e. 16 January 2014) of the Pre-IPO Share Options to the date falling six months after the Listing Date. As such, we have started to incur share-based payments in respect of the Pre-IPO Share Options for the year ending 31 December 2015. For the year ended 31 December 2014, share-based payments of approximately HK\$3.4 million have been recognised by our Group.

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The Listing expenses, and the share-based payments in respect of the Pre-IPO Share Options, may adversely affect our Group's net profit for the year ending 31 December 2015.

We are exposed to the risk associated with our business in ECM related services (including its relatively short operating history) which may adversely affect our Group's business, financial condition, operating results and prospects

Our Group's revenue generated from its ECM related services accounted for approximately 53.0%, 62.9% and 77.9% of our Group's total revenue for each of the years ended 31 December 2012, 2013 and 2014 respectively.

Our Group provides ECM related services which mainly include fund-raising services such as placing of securities and bonds and acting as a syndicate member for companies to be listed on the Stock Exchange in IPOs as well as retainer ECM services. Our Group's fund-raising businesses are generally conducted on a best effort basis for clients, but our Group may also be required to conduct such businesses on underwritten basis in accordance with clients' requirements. During the Track Record Period, our Group's participations in IPOs as a syndicate member were mainly on an underwritten basis, whereas for other fund-raising activities such as placing of securities and bonds of companies listed on the Stock Exchange were primarily on a best effort basis. Securities and bonds placed on best effort basis will be placed by our Group to interested parties and our Group will not be obliged to take up any of the unsubscribed securities and bonds.

Our Directors consider that securities underwritten by our Group when acting as a syndicate member for IPOs could be undersubscribed as a result of volatile or unfavourable market conditions, in which case our Group, as the syndicate member, may be required to take up the unsubscribed securities, and our financial position could be adversely affected if the underwritten securities so taken up by our Group become illiquid and/or their market values drop. In the case of fund-raising for clients on a best effort basis, if the securities are under-subscribed or if market conditions become volatile, the entire fund-raising exercise may be called off and our Group may not be able to generate commission income from such fund-raising exercise. Hence our Group's business, financial condition and operating results could be adversely affected.

Further, our Group officially established the ECM division to develop its ECM related services business in 2012. The relatively short operating history of our ECM division may not be fully indicative of the performance and the growth prospects of such services. During the Track Record Period, we experienced a rapid growth in revenue generated from our ECM related services by approximately 176.2% from approximately HK\$10.5 million for the year ended 31 December 2012 to approximately HK\$29.0 million for the year ended 31 December 2013, and by approximately 211.7% from approximately HK\$29.0 million for the year ended 31 December 2013 to approximately HK\$90.4 million for the year ended 31 December 2014. Despite such upward trend, the growth prospects of our Group's ECM related services should also be considered in light of the factors, risks and uncertainties that fast-growing business segments with relatively short operating history in our industry may encounter, including, among others, those associated with our ability to retain existing placing clients and explore and attract new placing clients as well as clients for our retainer ECM service, to anticipate and adapt to unfavourable market conditions and increasing competition, and to maintain and expand our

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client network. Further, there was no new engagement of our retainer ECM service during the year ended 31 December 2014. If we are unable to effectively manage these factors, risks and uncertainties, our Group's business, financial condition, operating results and prospects may be adversely affected.

Our Group recorded net cash outflow in operating activities for the year ended 31 December 2012. Any net cash outflow in operating activities experienced by our Group in the future may materially and adversely affect the business operation, the liquidity, financial position and prospects of our Group

Our Group had net cash generated from operating activities of approximately HK\$33.4 million and HK\$1.8 million for the years ended 31 December 2013 and 2014, respectively, but net cash used in operating activities of approximately HK\$16.4 million for the year ended 31 December 2012. The net cash used in operating activities for the year ended 31 December 2012 was primarily due to the profit before income tax credit and after adjustment of non-cash items of approximately HK\$7.1 million and the net decrease in working capital of approximately HK\$23.5 million. The net decrease in working capital was mainly as a result of, among others, the increase in advance to customers in margin financing of approximately HK\$10.9 million and the increase in amounts due from related companies of approximately HK\$10.6 million for the year ended 31 December 2012.

Our Group may suffer significant losses as a result of significant declines in the value of our financial assets, which would have a material adverse effect on our financial results and condition

During the Track Record Period, with reference to our Group's treasury policy as set out under the paragraph headed "Treasury and investment policies" under the section headed "Financial information" in this document after considering the Group's funding needs, we primarily invest our available cash and cash equivalents in financial assets such as securities and bonds issued by listed companies in Hong Kong. For each of the years ended 31 December 2012, 2013 and 2014, our Group recorded net fair value gains of approximately HK\$2.9 million, net fair value losses of approximately HK\$16.5 million and approximately HK\$3.1 million in respect of our financial assets at fair value through profit or loss respectively.

Any decrease in the value of our financial assets may materially and adversely affect our financial results and the value of our Shareholders' equity. Furthermore, the value of our financial assets are affected by factors such as political, economic, social and market conditions. Any adverse change in political, economic, social and market conditions and other factors may result in decline in value of our financial assets and cause significant losses to our Group, which would in turn materially and adversely affect our financial results and condition.

We are exposed to the risks associated with our margin and IPO financing business which may adversely affect our Group's business, financial condition, operating results and prospects

We provide financing services to customers, including margin and IPO financing. Interest income generated from margin and IPO financing services amounted to approximately 10.1%, 4.2% and 1.8% of our Group's revenue for each of the years ended 31 December 2012, 2013 and 2014 respectively.

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Margin loan provided to our client is required to be maintained within the margin value of his/her pledged securities, which means the aggregate market value of his/her pledged securities. Once the margin ratio is raised to 80% or above, our Group will consider if a margin call is required to request our client to deposit additional funds, sell securities or pledge additional securities to top up his/her margin value. In the event that such ratio is raised to 85% or above, our Group will consider to liquid such client's account. Margin financing is vulnerable to stock price volatility and the liquidity of the relevant securities that are pledged in securities for loans.

In the event that our client is unable to meet a margin call, our Group may dispose of the pledged securities and use the sale proceeds thereof towards repayment of the loan. However, 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. Our Group would suffer a loss if it fails to recover such shortfall from our clients. Hence our Group's business, financial condition, operating results and prospects could be adversely affected.

We are exposed to the risk associated with our CIES business following the suspension of CIES by the Government of Hong Kong which may affect our Group's business, financial condition, operating results and prospects

The Government of Hong Kong has announced that CIES would be suspended with effect from 15 January 2015 until further notice and applications received on or before 14 January 2015, whether already approved (including approval-in-principle and formal approval) or still being processed, will still be processed. Consequentially, no new applications under CIES submitted after 14 January 2015 would be processed by the Immigration Department of Hong Kong. According to the latest information published by the Immigration Department of Hong Kong, as at 31 December 2014, there were approximately 13,800 outstanding CIES applications still being processing by the Immigration Department of Hong Kong and approximately 2,500 CIES applications which have obtained approval-in-principle from the Immigration Department of Hong Kong but still pending for formal approval.

Our Group may not be able to maintain stable income from the applications submitted on or before 14 January 2015, and if CIES is going to be suspended for a long period of time, our Group's CIES business will be adversely affected. In the event when our Group fails to explore the possibility in the provision of other immigration related services in the meantime, our Group's business, financial condition, operating results and prospects may be adversely affected. For further details, please refer to the section headed "Business – Services – CIES related services" in this document.

Our Group's profitability and reputation may be adversely affected by error trading

Our Group could bear losses from error trades arising from system error or human error in data inputting or recording our clients' instructions. Upon discovery of any error trade, our Group has to take immediate action to close out error trade positions and possibly bear losses from such error trades. Number of error trades occurred were 18, 44 and 46 which accounted for a loss of approximately HK\$21,000, HK\$45,000 and HK\$109,000 respectively suffered by our Group for each of the years ended 31 December 2012, 2013 and 2014 respectively.

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Any loss suffered by our Group resulting from any of the aforesaid trading errors made by account executives or licensed customer services representatives would be indemnified by the responsible account executive or licensed customer services representatives pursuant to their respective agency agreement or employment contract with CIS. We may have to bear the losses resulting from trading errors made by our account executives or licensed customer services representatives. In the event that the trading errors are not effectively prevented or controlled, or rectification measures could not cover the loss incurred, the financial results of our Group would be adversely affected.

Prospective investors should be aware that our Group's profitability and reputation may be adversely affected by error trades, if error trades cannot be effectively prevented or controlled by our Group.

Any non-compliance of rules and regulations could have a material and adverse effect on our Group's business, financial condition, operating results and prospects

Our Group's business operations are highly regulated and our business, financial condition, operating results and prospects may be materially and adversely affected by any regulatory changes.

The Hong Kong regulatory regime for the financial services industry has from time to time implemented changes in the rules and regulations that may be applicable to our Group including the SFO, the FRR, the Companies Ordinance, the GEM Listing Rules, the Takeovers Code and the Foreign Account Tax Compliance Act of the U.S. Some of these changes may result in additional restrictions on our Group's business activities. In addition, failure to comply with the applicable rules and regulations may result in fines, withholding of assets or income of the Group, or restrictions on our Group's business activities or, in serious cases, suspension or revocation of some or all of our Group's business licences or criminal liability on our Directors and on us. In the event that any of the above occurs, our Group's business, financial performance operating results and prospects would be materially and adversely affected.

Our Group's business operation may be subject to regulatory inspections from time to time. If the results of the regulatory inspections reveal serious misconduct, the relevant regulatory authority may make further investigations and take disciplinary actions including revocation or suspension of licences, public or private reprimand or imposition of pecuniary penalties against CIS, our Directors, Responsible Officers or Licensed Representatives. Any of such disciplinary actions taken against CIS, and/or our Directors, Responsible Officers or Licensed Representatives, relevant staff or management involved could have an adverse impact on our business operations and financial results.

Furthermore, our Group is required to remain licensed with the relevant regulatory authorities including, without limitation and/or conditions, as a licensed corporation under the SFO with the SFC. In this respect, our Group has to ensure continuous compliance with all applicable laws, regulations and codes, and to satisfy the SFC and/or other regulatory authorities that it remains fit and proper to be licensed. If there is any change to or tightening of the relevant laws, rules and regulations, it may adversely affect our Group's operations and business. Any misconduct, omissions, failures or breaches of any of the officers or employees may also create negative publicity on our Group and will adversely affect our business and reputation.

RISK FACTORS

Our Group may suffer losses as a result of non-compliance of the Foreign Account Tax Compliance Act of the U.S. which could adversely affect our financial condition and operating results

Our Group's operating subsidiary, CIS, falls under the scope of foreign financial institutions within the meaning of the Foreign Account Tax Compliance Act of the U.S. ("FATCA") and is required to comply with FATCA obligations in accordance with the terms and conditions reflected in regulations, intergovernmental agreements and other relevant administrative guidance. If CIS fails to comply with the relevant requirements under the FATCA, CIS will face a 30% withholding tax on all payments derived from U.S. sources, including dividends, interest and certain derivative payments. Accordingly, our Group's financial condition could be adversely affected. Although CIS will attempt to satisfy any obligations imposed on it to avoid imposition of the FATCA withholding tax, there is no assurance that CIS will be able to satisfy these obligations. Further, in the event that CIS has identified any of its client a U.S. person within the meaning of FATCA, CIS may incur material expenses as a result of complying with the reporting procedures required under FATCA. Therefore, our Group's financial condition and operating results could be adversely affected. For more details regarding the application of FATCA to our Group, please refer to the section headed "Regulations and licensing requirements" in this document.

Performance of the Hong Kong financial markets could adversely affect our Group's business performance and financial results

During the Track Record Period, our Group mainly generated revenue from the provision of brokerage services and ECM related services, which are highly dependent on the performance of the financial market in Hong Kong. Our Group's business performance is affected by fluctuations in interest rates which could adversely affect financial markets conditions. For example, a decrease in interest rates, although decreases our costs of capital, may also limit our Group's interest income from our margin loan financing business, thus adversely affect our Group's business and financial results. Interest rates volatility may also affect stock market performance and general market sentiment, hence causing indirect adverse impact on our business performance.

The financial market in Hong Kong could be directly affected by the global and local economic and socio-political conditions and the investment sentiment. Any sudden downturn in global or local economic environment, severe fluctuations in global or local markets or economic sentiment may adversely affect the performance of Hong Kong's financial market as a whole, by a decrease in securities and futures trading and capital raising activities, which may adversely affect our Group's business and financial results.

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Our net profit margin may fluctuate due to change in major revenue drivers which may adversely affect our Group's business, financial condition, operating results and prospects

During the Track Record Period, our Group's net profit margin fluctuated and recorded at approximately 49.8%, 15.9% and 11.4% respectively. Fluctuation of our Group's net profit margin may be a result of the change in mix of its major revenue drivers. Our Group's revenue generated from our ECM related services amounted to approximately 53.0%, 62.9% and 77.9% respectively, whereas our revenue generated from brokerage services amounted to approximately 33.4%, 27.7% and 16.7% respectively for each of the years ended 31 December 2012, 2013 and 2014.

Our Group's revenue generated from ECM related services is highly dependent on number of fund-raising transactions our Group is able to secure and/or size of fund our client intends to raise. Our Directors consider that this relies more or less on external factors which are beyond our Group's control, such as the number and the size of IPOs launched/to be launched in the market, and whether the secondary market for fund-raising exercises is active under the prevailing atmosphere in financial market. In light of the reliance on these external factors and the potential non-recurring nature of the fund-raising activities, there is no assurance that our Group is able to secure fund-raising transactions as it did during the Track Record Period. Accordingly, the performance of our Group's business may be adversely affected and our Group's net profit margin may fluctuate as a result. Hence such factors could have an adverse effect on our Group's business, financial condition, operating results and prospects.

Our Group's business, financial condition and operating results may be adversely affected if we experience failure in or disruptions to our trading system

The success of our Group depends, in part, upon our ability to develop, upgrade and maintain a reliable and effective computer system and network infrastructure. In the event that our Group fails to expand or adapt our network infrastructure to meet additional demands or our customers' changing requirements on a timely basis, at commercially reasonable costs, or at all, our business, financial condition and operating results may be adversely affected. Demand for our Group's internet based services has been increasing. Failure to maintain sufficient bandwidth capacity in our network connections to meet the growing demand will in general cause slowing down of services offered by our Group and will have a negative impact on the market reputation of our Group, which may result in loss of existing and potential customers to our competitors.

Our computer hardware and server data are prone to damages from acts of nature, power failures, telecommunication failures and other events which are beyond our control. Our data center is located within our office premises and is restricted to authorised members of senior management and certain information technology staff. In order to comply with the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong), we have a backup data storage system maintained outside our office premises. In the event of natural disasters or other unanticipated problems at our Group's premises, there is no assurance that we can respond effectively in a timely manner and we may lose one day's trading data. Any damage or failure to our computer hardware and/or our servers could have an adverse effect on our Group's business, financial condition and operating results.

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In addition, the network infrastructure used by our Group for our business may be vulnerable to computer viruses, hackers, power outage or other disruptive actions which may cause data corruption and interruptions, delay or cessation in the services provided through our Group's brokerage trading facilities and thus, may cause our Group to suffer financial losses and could therefore have an adverse effect on our Group's business. In particular, as we rely on third party encryption and authentication technology to transmit confidential information over public network, the security of such confidential information may become jeopardised. In the event that our clients' confidential information is stolen or misused, our Group may be exposed to the risks of litigation and possible liability.

During the Track Record Period, our Group had experienced two incidents which caused interruptions to our Group's online trading system and such were caused by the breakdown of server of the internet service provider. There is no assurance that any future similar incident, even of very limited duration, will not cause an adverse impact on our Group's business operations. If the trading platform of our Group collapsed or if the IT vendor(s) is/are unable to deliver relevant services to our Group for whatever reasons, it will take our Group certain time to find replacement(s) and may incur additional cost to our Group for setting up server(s) that can facilitate the operation of the trading platform provided by the new IT vendor(s).

We are exposed to credit and settlement risks which may adversely affect our Group's financial condition and operating results

Securities brokerage clients of our Group are required to settle their securities transactions within T+2. If a client fails to do so, our Group will be required to settle the same on behalf of our client with HKSCC with our own funds, which could have an impact on the cash flow position of our Group. Our Group will review any unsettled amounts at year end to consider if any provision or write-off is necessary. Clients of futures transactions are required to maintain the minimum margin deposit with our Group from time to time as determined by the Futures Exchange. Our Group may impose additional margin requirement on our futures clients in a volatile market, and in the event that a client fails to meet a margin call, our Group is entitled to close out the futures contract. In the event that the customer's margin deposit with our Group is insufficient to cover the loss position arising from closing out of the futures contract, our Group would be exposed to the risk of being unable to recover such shortfall from the client and will suffer from making bad debt provision for amounts due from clients, particularly in times of a volatile market. In such circumstances, our Group's financial condition and operating results could be adversely affected.

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The SFC will take disciplinary actions against our Group which may adversely affect our Group's operations and business performance if we are unable to maintain a relevant level of liquidity at all times

A licensed corporation shall at all times maintain paid-up share capital and liquid capital not less than the specified amounts according to the FRR. For our Group, the required paid-up share capital is HK\$10 million for our existing business activities, and the required liquid capital is the higher of HK\$3 million or 5% of the aggregate of (a) our adjusted liabilities; (b) the aggregate of the initial margin requirements in respect of outstanding futures contracts held by us on behalf of our clients; and (c) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts held by us on behalf of our clients, to the extent that such contracts are not subject to payment of initial margin requirements. In order to comply with the FRR, our Group must maintain a relevant level of liquidity at all times. Failing to meet the capital requirements may cause the SFC to take disciplinary actions against our Group, which may adversely affect our Group's operations and business performance.

Our Group's business and financial results may be materially and adversely affected if we fail to detect illegal or improper activities

Our Group may not be able to identify money laundering activities or other illegal/improper activities fully or in a timely manner, which could expose our Group to additional liability and adverse effect to our operations.

Our Group is required to comply with applicable anti-money laundering laws and regulations in Hong Kong. For example, the SFC "Prevention of Money Laundering and Terrorist Financing Guidance Note" requires us, amongst other things, to adopt and enforce "know-your-client" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. Our policies and procedures which aimed at detecting and preventing money laundering activities and other illegal or improper activities through our Group's operations may not in all cases prevent possibilities of money laundering and other illegal or improper activities. To the extent our Group fails to comply with the applicable laws and regulations, the relevant government authorities to whom we report have the power and authority to impose fines and other penalties on our Group, and this may adversely affect our business and financial results.

Any prolonged economic downturn could materially and adversely affect our business, financial condition and operating results

Since the commencement of the global financial crisis and the European sovereign debt crisis in 2008, certain major global economies, such as the U.S., continue to experience a slow economy. Concerns over inflation or deflation, energy costs, the availability and cost of credit, the U.S. mortgage market and a global declining residential real estate market have continued to contribute to market volatility and diminished expectations for the global economy. These factors, combined with volatile oil prices, declining business activity and increased unemployment, have precipitated an economic slowdown and a possibly prolonged global recession. As our financial services operations are highly dependent on the general economic sentiment and health of the global financial markets, any prolonged economic downturn or relapse of a global recession could further decrease demand for our services, thereby materially and adversely affecting our business, financial performance and operating results.

RISK FACTORS

Our Group's business and prospects may be materially and adversely affected if our efforts to maintain risk management and internal control systems are proved to be ineffective or inadequate

Our Group has established risk management and internal control systems and procedures. Certain areas within our risk management and internal control systems may require constant monitoring, maintenance and continual improvements by our senior management and our Board. Our Group's business and prospects may be materially and adversely affected if our efforts to maintain these systems are proved to be ineffective or inadequate.

Deficiencies in our Group's risk management and internal control systems and procedures may adversely affect our ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact on our ability to identify any reporting errors and non-compliance with rules and regulations.

The principal business operated by our Group are regulated by the SFC and it is expected that our employees shall comply with the relevant rules under the SFC. However, owing to the nature of our Group's business, we cannot rule out the possibility that our employees may in the performance of their duties commit offences under the SFO. These offences may include but not limited to inside dealing, market manipulation, false trading and price rigging. Accordingly, commission of offences by our employees resulting from such activities or any allegation of such activities could have an adverse effect on our Group's reputation.

Our internal control system may contain inherent limitations caused by misjudgment or fault. As such, there is no assurance that our risk management and internal control systems are adequate or effective, and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or even prosecution being taken against our Group and/or our employees, disruption to our risk management system, and material and adverse effects on our Group's business, financial condition and operating results.

We rely on key personnel for carrying on our operations which may adversely affect our Group's business and prospects if such key personnel discontinues their service for our Group

Each of the four regulated activities of our Group requires a minimum of two Responsible Officers approved by the SFC. For each regulated activity, our Group is required to have at least one Responsible Officer available at all times to supervise the business. The same individual may be appointed to be a Responsible Officer for more than one regulated activity provided that he/she is fit and proper to be so appointed and there is no conflict in the roles assumed. As at the Latest Practicable Date, for each of type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities, our Group had 5, 4, 6 and 4 Responsible Officers respectively. We also rely on Mr. Tse Tim, the chief executive officer of our Company, for his business networks, experience and expertise and our Group's future success in placing and underwriting business is dependent upon the continued services of Mr. Tse Tim.

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If any of our key management personnel were unable or unwilling to continue their service, our Group may not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all. If any of the key management personnel or key employees of our Group joins a competitor or forms a competing company, our Group may lose clients, key personnel and staff members as well as know-how of our Group. Our Group's business and prospects may be materially and adversely affected, and our Group may need to incur additional costs to recruit, train and retain personnel.

Our business plans may not be successfully implemented which may affect our competitiveness which could then have a material adverse effect on our business, financial condition and operating results

The successful implementation of our business plans depends on a number of factors, many of which are beyond our control. The future business plans of our Group are based on current intentions of our Group and some of them are at conceptual or preliminary stages and no detailed feasibility studies have been conducted. These business plans and intentions are based on assumptions as to the occurrence of certain future events, which may or may not materialise, and the real situation might differ materially. As failure or delay in the implementation of our future business plans may affect our competitiveness, which could then have a material adverse effect on our business, financial condition and operating results.

Our Group's business, financial condition, operating results and prospects could be adversely affected by the potential competition with the CFHL Group going forward

There may be potential competition between our Group and the CFHL Group going forward as (i) CAM, one of the major operating subsidiaries of CFHL, is also a holder of the licenses for carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO; and/or (ii) the potential acquisition by the CFHL Group of a company licensed by the SFC to carry out type 1 regulated activity (dealing in securities). Although the existing business and operation of CAM and CIS could be delineated as described in the section headed "Relationship with our Controlling Shareholders and senior management" in this document, there may be potential competition between our Group and the CFHL Group in the event that (i) CAM engages in the provision of brokerage services and/or margin and IPO financial services and/or other ECM related services in the future; and/or (ii) the acquisition by the CFHL Group of a company licensed by the SFC to carry out type 1 regulated activity (dealing in securities) is completed. As a result, our Group's business operations, financial condition, operating results and prospects may be adversely affected.

There may be an adverse impact on our Group's business as a result of a loss of business reputation or negative publicity

Our Group operates in an environment where integrity and the trust of clients are of utmost importance. In other word, we are vulnerable to negative market perceptions. Negative publicity associated with us or any of our subsidiaries, officers or employees or the occurrence of any of the risks set out in this section could result in loss of clients. Since our business operations depend to a large extent on our officers and employees, the actions, misconduct, omissions, failures or breaches of any of such officers or employees, their subsidiaries and/or service providers may, by association, create negative publicity on our Group. Accordingly, any mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, could have a material adverse effect on our Group's business, growth prospects, fee income, operating results and/or financial condition.

RISK FACTORS

Any potential claims and liabilities in relation to information retrieved from our Group's website could have a material and adverse effect on our Group's business, financial condition and operating results

As our Group's online trading platform and financial information portal may involve the displaying of or hyperlinking to information from other websites, there is a risk that claims may be made against our Group for defamation, negligence, copyright or trademark infringement or other claims related to the nature and content of such materials. Legal action may be taken against our Group in respect of any such liability. Any imposition of liability could have a material and adverse effect on our Group's business, financial condition and operating results.

Any business disruptions resulting from acts of God, acts of war, epidemics, including the recent outbreak of swine influenza, and other factors outside of our control could affect our business and might result in substantial loss

Our Group's business is subject to general, social and political conditions. Our Group's business would be adversely affected if there are any unexpected events, including but not limited to riots, fire, power outages, natural disasters, terrorist activities, equipment or system failures, industrial action and environmental issues, which increase the cost of us doing business or otherwise adversely affect our Group's operations or those of our clients or vendors.

Natural disasters, epidemics, acts of God and other disasters that are beyond our Group's control may materially and adversely affect the economy and infrastructure. Our Group's business, financial condition and operating results may be materially and adversely affected as a result.

Epidemics threaten people's lives and may materially and adversely affect their livelihoods as well as their living and consumption patterns. The occurrence of an epidemic is beyond our control, and there is no assurance that another outbreak of severe acute respiratory syndrome or swine influenza will not happen. In 2009, there has been a global outbreak of H1N1 swine influenza. There is no assurance that an outbreak of this or any other disease will not become an epidemic or pandemic. Any epidemic or pandemic occurring in areas in which we operate, or even in areas in which it does not operate, may materially and adversely affect our business, financial condition and operating results.

Acts of war and terrorism may cause damage or disruption to our Group or its employees, facilities, distribution channels (including the distribution channels operated by third parties), markets, vendors or customers, any of which may materially and adversely impact our revenue, cost of sales, financial condition and operating results. Potential war or terrorist attacks may also cause uncertainty and cause our Group's business to suffer in ways that we cannot currently predict.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY

Our business, financial condition, operating results and prospects could be adversely affected if we are unable to compete effectively in this industry

The financial services industry in Hong Kong is characterised by a large number of market participants. As at 28 February 2015, there were a total of 538 Exchange Participants on the Stock Exchange including 500 trading participants and 38 non-trading participants, and more than 170 Futures Exchange Participants on the HKFE respectively. As at the Latest Practicable Date, there were a total of over 1,090, 270, 1,020 and 1,090 active licensed corporations engaging in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities respectively. New participants may enter into the industry provided that they satisfy the FRR, possess relevant professionals with the appropriate skills and have obtained the requisite licences and permits.

Apart from brokerage firms with similar target clients and similar range of services, our Group also faces competition from local banks and multinational financial institutions including banks and investment banks with global network and a local presence in Hong Kong which have better financial background and more resources than us.

Online securities and futures trading and financial information portals have become more common, thus intensifying the competition for online based customers while competition in the market of the traditional brokerage business remains fierce. Our Group launched our internet platform for securities trading in 2008. It competes with both the existing market players and new market entrants, who injected or will inject large amount of resources on improving their internet trading technologies to sustain market positions. In the event our Group's online trading technology lags behind other competitors or it is not able to compete effectively in the field, our business, financial condition, operating results and prospects could be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

Our Group's business and operating results are subject to macroeconomic factors

Since all of our Group's revenue is generated from Hong Kong, our business and operating results are related directly to the overall performance of Hong Kong economy which is influenced by factors including, inter alia, local and international economic and political conditions, general market sentiment, changes in the regulatory environment and government policies, such as the suspension of CIES with effect from 15 January 2015, and fluctuations in the interest rates.

Financial difficulties and economic conditions in the U.S., Europe and other regions since September 2008 have led to significant economic downturn. The economy of Hong Kong was also affected as a result. Sustainability of economic recovery if any, is uncertain. Moreover, the future prospects of Hong Kong are linked to the economic, social and political development of the PRC and any unfavourable disruption to such development could have a corresponding effect on the Hong Kong's economy.

RISK FACTORS

Any material adverse change in the political and economic environment in Hong Kong could affect our Group's business and operations

Hong Kong is a special administrative region of the PRC and the Basic Law, Hong Kong's constitutional document, reflects the basic policies of the PRC regarding Hong Kong which provides Hong Kong with a high degree of autonomy and executive, legislative and independent judicial powers, including that of final adjudication under the principle of "one country, two systems". However, the economic, political and legal environment in Hong Kong could change and our Group's business and operations may be affected should there be any material adverse change in the stability and development of the economy, and political and legal environment of Hong Kong.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

Termination of the Underwriting Agreement

Prospective investors of the [REDACTED] should note that the Underwriter are entitled to terminate its obligations under the Underwriting Agreement by the Lead Manager (for itself and on behalf of the Underwriter) giving notice in writing to our Company upon the occurrence of any of the events stated in the paragraph headed "Grounds for termination" under the section headed "Underwriting" in this document at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

There has been no prior public market for our Shares before the Listing, the liquidity and market price of our Shares following the Listing may be volatile

Before the Listing, there has been no public market for our Shares. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for our Shares following the Listing or in the future or, if it does develop, that it will be sustained after the Listing or that the market price of our Shares will not decline below the [REDACTED]. The market price, liquidity and trading volume of our Shares may be volatile and may result in substantial losses for investors purchasing the [REDACTED] in the [REDACTED].

Factors that may affect the volume and price at which our Shares will be traded include, among other things:

- variations in our revenue, earnings and cash flows;
- changes in our pricing policies as a result of the presence of competitors;
- changes in our senior management personnel;
- our new investments; and
- investors' perception of us and our future business plans.

RISK FACTORS

We can give no assurance that these developments will not occur in the future.

Purchasers of the [REDACTED] in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately before the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in the pro forma net tangible asset value to [REDACTED] per Share.

To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our [REDACTED] may experience further dilution in the net tangible asset value per Share if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share.

Any actual or perceived sale of Shares in the future by our existing Shareholders may have a material adverse effect on our Share price

Future sales by our existing Shareholders of a substantial number of our Shares in the public markets after the Listing may materially and adversely affect the market price of our Shares prevailing from time to time. Only a limited number of our Shares currently outstanding will be available for sale immediately after the Listing due to contractual and regulatory restrictions on re-sale. Please refer to the paragraph headed "Undertakings" under the section headed "Underwriting – Underwriting arrangements and expenses" in this document for a description of some of the contractual and regulatory restrictions on re-sale. Nevertheless, after these restrictions lapse or if they are waived or breached, future sales of a substantial number of our Shares, or the perception that these sales may occur, may materially and adversely affect the market prices of our Shares and our ability to raise equity capital in the future.

Investors may face difficulties in protecting your interests because we are incorporated under the laws of Cayman Islands and the laws of Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions

Our corporate affairs are governed by the Memorandum, the Articles, and by the Companies Law and common law of Cayman Islands. The laws of Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. These differences may mean that the remedies available to our Group's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. Please refer to the section headed "Summary of the constitution of our Company and Cayman Islands Companies Law" in Appendix III to this document for further information.

RISK FACTORS

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, some of which may not be consistent with information contained in this document

We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of any press articles or other media and that such press articles or other media were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the media. To the extent that any such statements are inconsistent with, or in conflict with, the information contained in this document, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

RISKS RELATING TO THIS DOCUMENT

Risk of accuracy and completeness of statistics and facts

This document includes certain statistics and facts that have been extracted from government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not yet been independently verified by us, the Sponsor, the [REDACTED] Co-ordinator, the Bookrunner, the Lead Manager, the Underwriter, any of their respective directors or any other party involved in the [REDACTED] and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business prospects;
- future developments, trends and competition in the financial services industry in Hong Kong and elsewhere;
- services and/or products under development or planning;
- our strategy, business plans, objectives and goals;
- our capital expenditure plans;
- our dividend distribution plans;
- the prospective financial information regarding our business;
- our future financial condition and operating results;
- the amount and nature of, and potential for, future development of our business;
- general economic, political and business conditions in the markets which we operate; and
- changes to regulatory and operating conditions in the markets in which we operate.

In some cases we use words such as "believe", "seek", "intend", "anticipate", "estimate", "project", "forecast", "plan", "potential", "will", "may", "should", "expect" and other similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this document, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

FORWARD-LOOKING STATEMENTS

Furthermore, these forward-looking statements merely reflect our current view with respect to future events and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, factors disclosed in the section headed "Risk factors" in this document and elsewhere in this document and the following:

- demand for our services and/or products;
- changes in the general operating environment of the financial services industry in Hong Kong;
- general economic, political and business conditions in the markets which we operate;
- effects of competition on the demand for and the prices of our services and/or products;
- the actions and development plans of our competitors;
- our ability to reduce costs;
- the development of new services and/or products or technologies affecting our current or future business;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to the intentions of our Group or those of our Directors are made as of the date of this document. Any such information may change in light of future developments.

WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES

In preparation for the Listing, the following waiver and exemption has been sought from strict compliance with certain provisions of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions, which would constitute (i) continuing connected transaction subject to announcement, reporting and annual review requirements of Chapter 20 of the GEM Listing Rules but is exempt from the Shareholders' approval requirement under the GEM Listings Rules; and (ii) non-exempt continuing connected transactions of our Company that are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the GEM Listing Rules upon the Listing. The Sponsor has applied to the Stock Exchange for waivers on behalf of us from strict compliance with the requirements under Chapter 20 of the GEM Listing Rules. The details of these continuing connected transactions and such waivers are set out in the section headed "Connected transaction" in this document.

[The Stock Exchange has granted waivers from strict compliance with the applicable requirement(s) under the GEM Listing Rules as mentioned above and our Company will comply with the relevant requirements of Chapter 20 of the GEM Listing Rules upon the Listing.]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

	Residential address	Nationality
Executive Directors		
Ms. Yan Siu Fung (甄少鳳)	Flat C, 16/F. Tower 2, The Sparkle 500 Tung Chau Street Cheung Sha Wan, Kowloon Hong Kong	Chinese
Mr. So Kwok Keung (蘇國強)	Room E, 8/F. Block 7, South Horizons Ap Lei Chau Hong Kong	Chinese
Mr. Lau Shek Yuen Simon (劉錫源)	Flat C, 25/F. Block 8, Villa Esplanada 8 Nga Ying Chau Street Tsing Yi, New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Cheng Sheung Hing (鄭雙慶)	Flat A, 17/F. Tower 1, Seaview Garden No. 1 Tsing Yung Street Tuen Mun Hong Kong	Chinese
Mr. Au-Yong Shong, Samuel (歐陽淞)	House 15 Gallen Boulevard 28 Kwu Tung Road Valais 1 Sheung Shui, New Territories Hong Kong	Chinese
Ms. Reina Lim Yan Xin (林延芯)	Unit 3011, 30/F Block R, Kornhill 2-4 Hong On Street Quarry Bay Hong Kong	Singaporean

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sponsor	Quam Capital Limited 18th-19th Floor China Building 29 Queen's Road Central Hong Kong
[REDACTED] Co-ordinator	[REDACTED]
Bookrunner and Lead Manager	[REDACTED]
Underwriter	[REDACTED]
Legal advisers to our Company	<i>As to Hong Kong law</i> Michael Li & Co. 19th Floor Prosperity Tower No. 39 Queen's Road Central Central Hong Kong <i>As to Cayman Islands law</i> Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to the Sponsor and the [REDACTED]

As to Hong Kong law
King & Wood Mallesons
13th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

Auditor and reporting accountant

BDO Limited
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit C, 24th Floor @CONVOY 169 Electric Road North Point Hong Kong
Company's website address	<u>www.cisholdings.com.hk</u> <i>(information on the website does not form part of this document)</i>
Company secretary	Tam Ying Wi <i>HKICPA</i> Flat A, 9/F. Wing Fat Building 11 Poplar Street Prince Edward, Kowloon Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	So Kwok Keung Room E, 8/F. Block 7, South Horizons Ap Lei Chau Hong Kong Yan Siu Fung Flat C, 16/F. Tower 2, The Sparkle 500 Tung Chau Street Cheung Sha Wan, Kowloon Hong Kong
Audit Committee	Reina Lim Yan Xin (<i>Chairlady</i>) Cheng Sheung Hing Au-Yong Shong, Samuel
Nomination Committee	Cheng Sheung Hing (<i>Chairman</i>) So Kwok Keung Yan Siu Fung Au-Yong Shong, Samuel Reina Lim Yan Xin

CORPORATE INFORMATION

Remuneration Committee	Cheng Sheung Hing (<i>Chairman</i>) Yan Siu Fung Lau Shek Yuen Simon Au-Yong Shong, Samuel Reina Lim Yan Xin
Corporate Governance Committee	Reina Lim Yan Xin (<i>Chairlady</i>) Lau Shek Yuen Simon Au-Yong Shong, Samuel
Compliance adviser	Quam Capital Limited 18th-19th Floor China Building 29 Queen's Road Central Hong Kong
Compliance officer	So Kwok Keung
Principal share registrar and transfer office	[REDACTED]
Hong Kong Share Registrar	[REDACTED]
Principal banks	Bank of China (Hong Kong) Limited 23rd Floor Bank of China Centre Olympian City 11 Hoi Fai Road West Kowloon Hong Kong Standard Chartered Bank (Hong Kong) Limited 14th Floor Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which has been directly or indirectly derived, in part, from various governmental, official or publicly available documents, the internet or other sources, which was not commissioned by us nor the Sponsor. Our Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting, compiling and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The relevant information has not been independently verified by us, the Sponsor, the [REDACTED] Co-ordinator, the Lead Manager, the Bookrunner, the Underwriter or any of their respective affiliates or advisers, and therefore may not be accurate, complete or updated. We make no representation as to the accuracy, completeness or fairness of such information and accordingly the information contained herein should not be unduly relied upon.

In respect of the information which has been directly or indirectly generated from the Stock Exchange's documents, the Stock Exchange and its subsidiaries do not guarantee the accuracy or reliability of the information and do not accept any liability (whether in tort, contract or otherwise) for any loss or damage arising from any inaccuracy or omission of the information, or any decision, action or non-action based on or in reliance upon any information by any person.

THE STOCK MARKET IN HONG KONG

History of Hong Kong's stock exchanges

In 1891, the Association of Stockbrokers in Hong Kong was established as the first formal market for trading of securities in Hong Kong. It was later re-named the Hong Kong Stock Exchange. In 1921, a second stock exchange, the Hong Kong Stockbrokers' Association, was established. The two exchanges merged in 1947 to form the Hong Kong Stock Exchange. Rapid growth of the Hong Kong economy led to the establishment of three other exchanges – the Far East Exchange in 1969, the Kam Ngan Stock Exchange in 1971 and the Kowloon Stock Exchange in 1972.

Pressure to strengthen market regulation and to unify the four exchanges led to the incorporation of The Stock Exchange of Hong Kong Limited in 1980. On 27 March 1986, the four exchanges ceased business, and the new exchange commenced trading through a computer-assisted system on 2 April 1986. From 14 September 1999, HKEx accepted listing applications from potential issuers wishing to list on GEM. In November 1999, GEM was established in order to provide fund-raising opportunities for growth companies of all sizes from all industries, and to promote the development of technology industries in the region.

On 6 March 2000, the Stock Exchange and the Futures Exchange demutualised and together with Hong Kong Securities Clearing Company Limited, merged on 27 June 2000 under the name of a holding company – HKEx. HKEx subsequently listed its shares on the Main Board by way of introduction.

INDUSTRY OVERVIEW

At the end of December 2014, the Stock Exchange was amongst the leading stock exchanges in the world and ranked the sixth largest territorial stock market in the world in terms of market capitalisation of companies listed on both the Main Board and GEM, as well as the third largest stock market in Asia. Between December 2004 and December 2014, the number of listed companies on the Main Board and GEM increased from 1,096 to 1,752. By 31 December 2014, total market capitalisation of all companies listed on the Stock Exchange (inclusive of Main Board and GEM listed companies) was approximately HK\$25,071 billion.

Market capitalisation of the world's top stock exchanges (as at 31 December 2014)

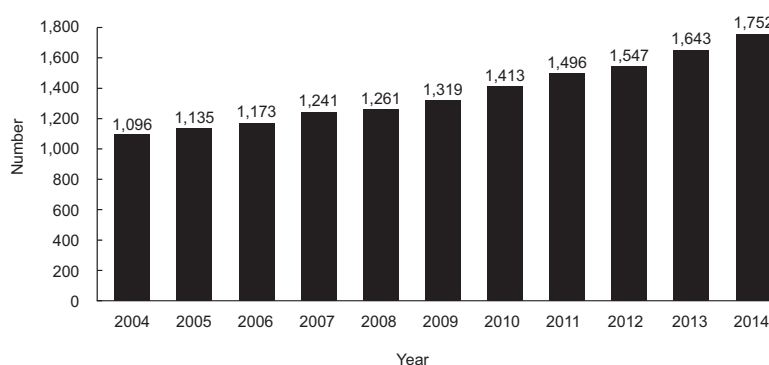
Rank	Exchange	Market Capitalisation (US\$ million)
1	NYSE	19,351,417.2
2	NASDAQ OMX	6,979,172.0
3	Japan Exchange Group – Tokyo	4,377,994.4
4	Shanghai SE	3,932,527.7
5	Euronext	3,319,062.2
6	Hong Kong Exchanges	3,233,030.6
7	TMX Group	2,093,696.8
8	Shenzhen SE	2,072,420.0
9	Deutsche Börse	1,738,539.1
10	BSE India	1,558,299.7

Source: World Federation of Exchanges

Growth of Hong Kong stock market

As at 31 December 2012, 31 December 2013, 31 May 2014 and 31 December 2014, there were 1,547, 1,643, 1,673 and 1,752 companies listed on the Stock Exchange (including both the Main Board and GEM) respectively.

Number of companies listed on the Main Board and GEM between 2004 and 2014

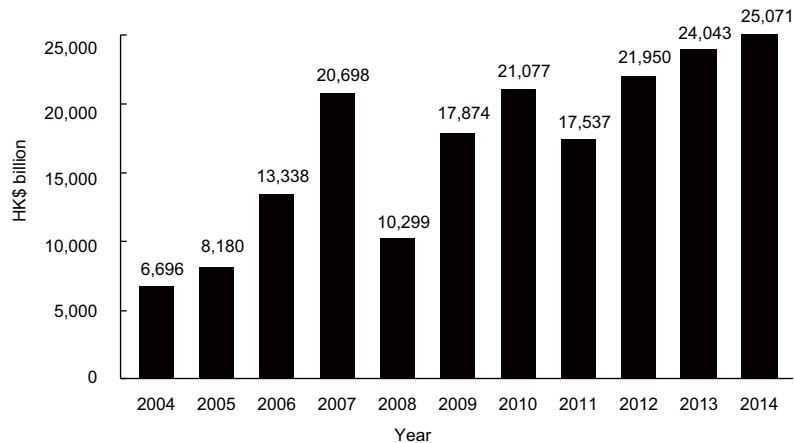


Source: HKEx

INDUSTRY OVERVIEW

The total market capitalisation of companies listed on the Stock Exchange was approximately HK\$21,950 billion as at 31 December 2012, approximately HK\$24,043 billion as at 31 December 2013 and approximately HK\$25,071 billion as at 31 December 2014.

Total market capitalisation of companies listed on the Stock Exchange between 2004 and 2014



Source: HKEx

The first Mainland enterprise was listed in Hong Kong in July 1993. Since then, there have been an increasing number of Mainland enterprises listing on the Main Board and GEM. As at 31 December 2012, 31 December 2013 and 31 December 2014, the market capitalisation of Mainland enterprises (H-Share, non H-Share Mainland private enterprises and red chip companies) listed on the Main Board and GEM amount to approximately 57.4%, 56.9% and 60.1% of the total market capitalisation of companies listed on the Stock Exchange respectively. As at 31 December 2012, 31 December 2013 and 31 December 2014, there were 721, 797 and 876 Mainland enterprises (comprising H-Share, non H-Share Mainland private enterprises and red chip companies) listed on the Main Board and GEM respectively. This number is expected to increase in the future as more and more Mainland enterprises seek to raise foreign funds for their continued growth.

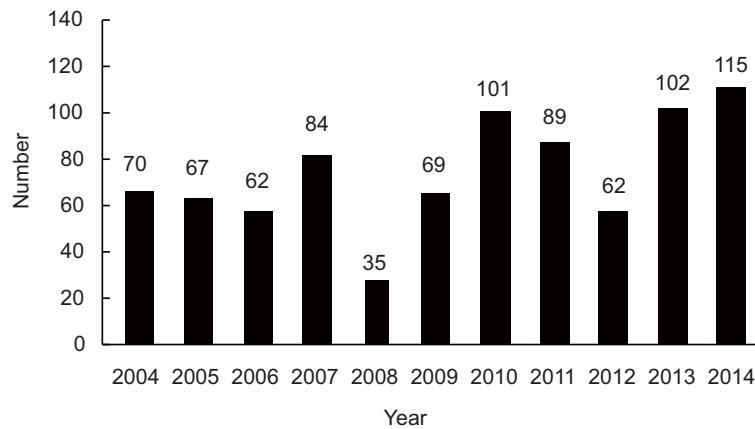
Fund-raising activities in the Hong Kong stock market

From 2009 to 2011, Hong Kong was the leading IPO centre in the world. A total of 69, 101 and 89 equity IPOs were launched during the period, raising a total of approximately HK\$248 billion, HK\$449 billion and HK\$260 billion respectively. In 2012, 62* IPOs were launched in Hong Kong raising approximately HK\$90 billion, and Hong Kong's world ranking slipped to fourth place in terms of amount raised. In 2013, 102* IPOs were launched in Hong Kong raising approximately HK\$169 billion, an increase of approximately 87.6% compared with approximately HK\$90 billion in 2012. For the year ended 31 December 2014, 115* IPOs were launched in Hong Kong raising approximately HK\$228 billion.

* Excludes any transfers of listing from GEM to the Main Board.

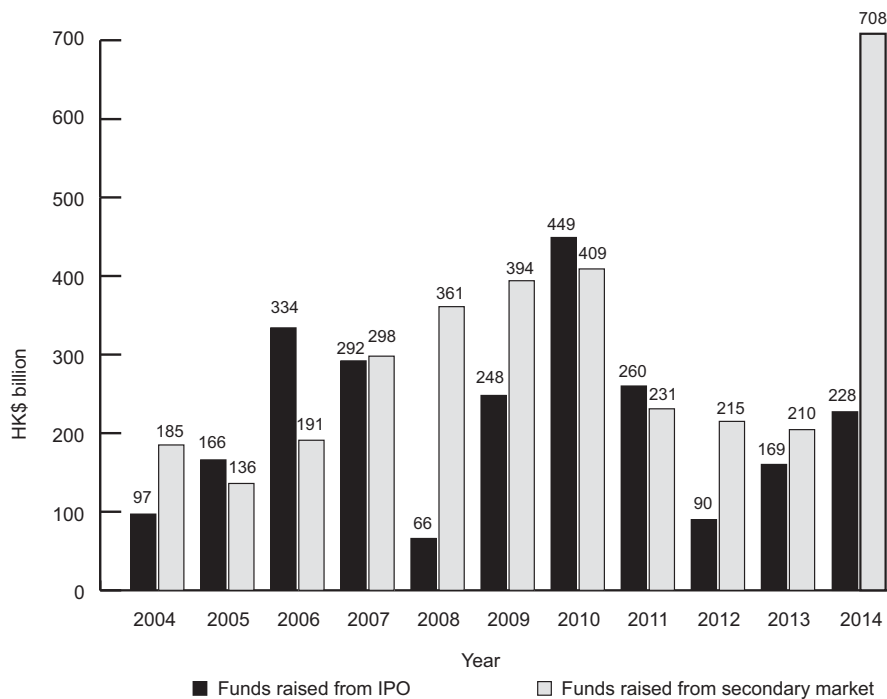
INDUSTRY OVERVIEW

Number of new listings on the Main Board and GEM from 2004 to 2014



Source: HKEx

Funds raised from IPO and secondary market from 2004 to 2014



Source: HKEx

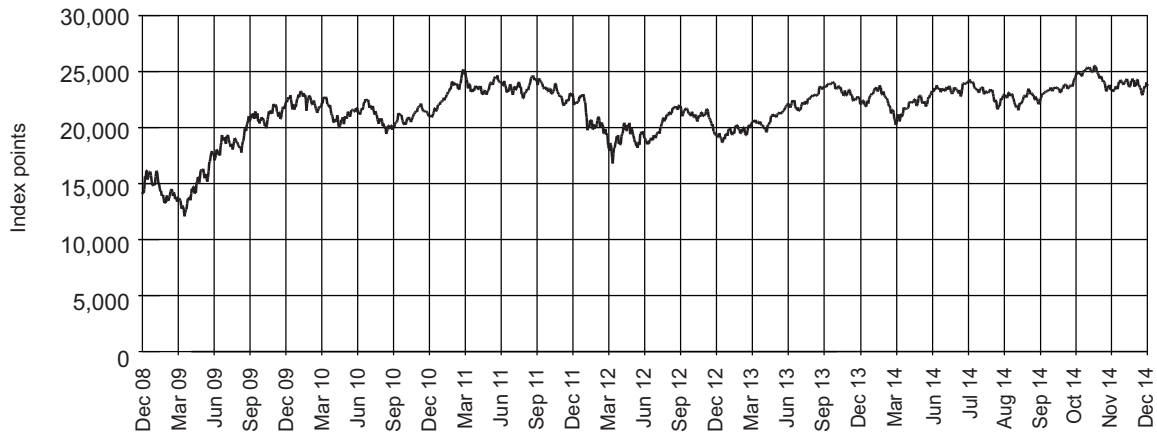
Equity fund raising in secondary market in Hong Kong was active with year-on-year growth from 2007 to 2010. However, by 2011 the amount raised fell significantly to approximately HK\$231 billion. In 2012, the amount decreased slightly to approximately HK\$215 billion and in 2013, the equity fund raising in secondary market amounted to approximately HK\$210 billion. In 2014, there was an increase of approximately 237% in the equity fund raising in secondary market when compared to that in 2013 which amounted to approximately HK\$708 billion.

INDUSTRY OVERVIEW

Hang Seng Index

The chart below sets out the Hang Seng Index from December 2008 to December 2014.

Hang Seng Index from December 2008 to December 2014



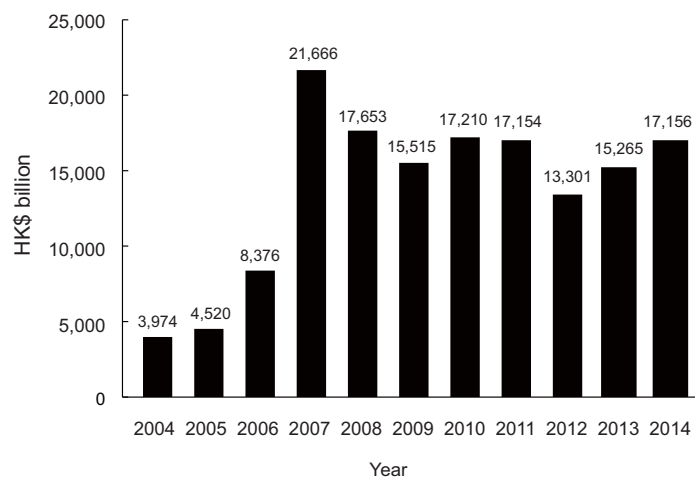
Source: Bloomberg

The Hang Seng Index was at its lowest point at less than 12,000 index points in March 2009. The index gradually increased and reached its peak at around 25,000 index points in November 2010. Subsequent to 2010, the index dropped to less than 20,000 index points in 2011 and increased back to the range of 19,800 to 24,100 index points during 2013. During the year ended 31 December 2014, the index were in the range of 20,000 to 26,000 index points.

Securities Trading in Hong Kong

The Main Board and GEM are the two markets operated by the Stock Exchange for securities trading. The Main Board provides a platform for the trading of securities of larger and more established companies while GEM provides a platform for the trading of securities of growth companies.

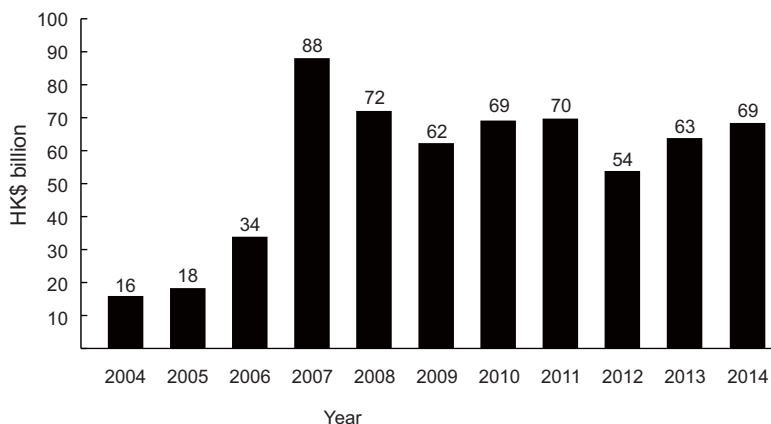
Total annual trading turnover of the Main Board and GEM from 2004 to 2014



Source: HKEx

INDUSTRY OVERVIEW

Average daily trading turnover of the Main Board and GEM from 2004 to 2014



Source: HKEx

Since 2004, trading turnover showed a general upward trend up until 2007. There was a downturn of trading turnover in 2008 and 2009 due to the global financial crisis which took place in the second half of 2008. Trading turnover in 2009 was approximately HK\$15,515 billion, representing a decrease of approximately 12.1% compared to 2008. Trading turnover improved in 2010 to approximately HK\$17,210 billion, representing an increase of approximately 10.9% compared to 2009. Trading activity was moderate in 2011. The average daily turnover amounted to approximately HK\$70 billion, approximately 1.4% higher than that in 2010. Clouded by uncertainties about the European debt problem, trading became less active in late 2011. Trading turnover was approximately HK\$17,154 billion in 2011. In 2012, trading activity further reduced and the average daily trading turnover decreased by approximately 22.9% from 2011 levels to approximately HK\$54 billion. Trading turnover was approximately HK\$13,301 billion in 2012. In 2013, trading turnover increased to approximately HK\$15,265 billion, representing an increase of approximately 14.8% when compared to that in 2012. The average daily trading also increased to approximately HK\$63 billion in 2013, representing approximately 16.7% when compared to that in 2012. In 2014, annual trading turnover further increased by approximately 12.4% from 2013 levels to approximately HK\$17,156 billion. The average daily trading turnover in 2014 was approximately HK\$69 billion, an increase of approximately 11.0% when compared with approximately HK\$63 billion in 2013.

Exchange Participants

To trade through the facilities of the Stock Exchange, a company must be an Exchange Participant. Becoming an Exchange Participant requires, among other things, a company has to be a limited company incorporated in Hong Kong or an individual ordinarily resident in Hong Kong, to meet certain liquid capital requirements. It must also be a licensed corporation under the SFO for Type 1 (dealing in securities) regulated activity and comply with the financial resources requirements as specified by the FRR and the Stock Exchange.

As at 28 February 2015, there were a total of 538 Exchange Participants, including 500 trading participants and 38 non-trading participants.

Exchange Participants are classified into three groups:

Category A – the 14 largest firms by market turnover;

Category B – the 15th to 65th largest firms by market turnover; and

Category C – other stockbrokers in the market.

INDUSTRY OVERVIEW

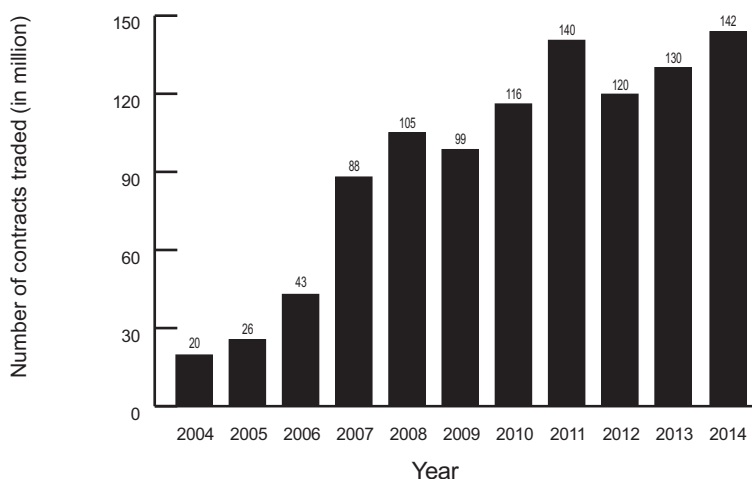
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THE FUTURES MARKET IN HONG KONG

In 1976, the Futures Exchange was established and was licensed by the Hong Kong government as the exchange company to establish and operate the commodity exchange in Hong Kong under the Commodities Trading Ordinance (Chapter 250 of the Laws of Hong Kong). On 6 March 2000, the Stock Exchange and the Futures Exchange demutualised and together with HKSCC, merged under a single holding company, namely HKEx.

The Futures Exchange provides efficient and diversified markets for the trading of futures and option contracts by its more than 170 exchange participant organisations as at 28 February 2015, including many that are affiliated with international financial institutions. The Futures Exchange provides a spectrum of financial products including stock futures, index futures and options, and interest rate futures. The total annual futures contracts and option contracts traded in Hong Kong have grown from approximately 15 million contracts in 2003 to approximately 130 million contracts in 2013. For the year ended 31 December 2014, the average daily turnover of futures contracts and option contracts traded in Hong Kong was approximately 142 million, representing an increase of approximately 9.2% when compared with that in 2013.

Total futures and option contracts traded on the Futures Exchange between the years 2004-2014



Source: HKEx

Derivatives products offered by the Futures Exchange include four main types, namely, (a) equity index products such as HSI futures and options, H-shares index futures and options, mini HSI index futures and options and mini H-shares index futures; (b) equity products such as stock futures and stock options; (c) interest rate and fixed income products such as HIBOR futures and three-year exchange fund note futures; and (d) gold futures. Among these, HSI futures are the most popular derivatives at the Futures Exchange. According to the website of the SFC, approximately 33.9% of the futures contracts traded in 2014 on the Futures Exchange were HSI futures (not including mini HSI futures).

INDUSTRY OVERVIEW

Futures Exchange Participants

A person who wishes to trade on or through the facilities of the Futures Exchange must be a Futures Exchange Participant holding a Futures Exchange Trading Right.

To become a Futures Exchange Participant, the person must be a company registered with the SFC as a licensed corporation to carry out type 2 (dealing in futures contracts) regulated activity under the SFO. A Futures Exchange Participant is also required to meet the FRR and the rules of the Futures Exchange and such other financial resources requirements as may be prescribed by the Futures Exchange.

TRADING INFRASTRUCTURE AND SETTLEMENT IN HONG KONG

Trading systems

AMS

All securities listed on the Stock Exchange are traded through AMS. AMS was first introduced in 1993 to accommodate the increasing volume of business as well as to cope with the rapid technological advances and growing demand for more efficient trading environment. Prior to the launch of AMS, trading on the Stock Exchange was conducted manually, either through its internal telephone system or the "open outcry" system.

In December 2011, HKEx rolled out AMS/3.8 for its electronic trading platform. Order processing capacity of AMS/3.8 has been increased to 30,000 orders per second, with the average latency reduced to around 9 milliseconds on average (excluding the network transmission time). AMS/3.8 offers an order routing system for Stock Exchange Participants to collect investors' orders from proprietary network service vendors (such as the internet and mobile network) for processing order transactions entered directly by their investors.

HKATS

Automatic Trading System, an electronic trading system of the Futures Exchange was introduced in 1995. It was subsequently upgraded and renamed as the Hong Kong Automatic Trading System in 1999. In 2000, HKATS became the trading platform for all products traded on the Futures Exchange when the trading in HSI futures contracts and option contracts migrated from an open outcry system to electronic trading system. Trading can be made through HKATS Click workstations or independently supplied workstations connected through OAPI located at the premises of the Futures Exchange Participants. With HKATS, users can view real-time price information on a computer screen, click on a bid or ask price and execute an order.

INDUSTRY OVERVIEW

Settlement

CCASS

CCASS, a computerised book-entry clearing and settlement system for transactions executed on the Stock Exchange, was introduced in 1992. It accepts share certificates from its participants and holds them in the CCASS depository, and posts electronic share credits to the stock accounts of the depositing participants. Settlement of transactions is recorded electronically by HKSCC as net increases or decreases in participants' stock account balances, without any physical transfer of share certificates. HKSCC also facilitates payments through the use of electronic money transfers between the participants' designated banks. Exchange Participants are required to settle all their trades in eligible securities through CCASS. Operation of investor accounts in CCASS was launched in May 1998. HKEx currently has six categories of CCASS participants, namely, investors, brokers, clearing agencies, custodians, stock lenders and stock pledgees. Trades executed on AMS are automatically transferred to CCASS for clearing for settlement among the Exchange Participants on T+2.

DCASS

The derivatives products being traded through HKEx are settled through DCASS which is owned and operated by HKFE Clearing Corporation Limited and the SEHK Options Clearing House Limited. DCASS was first launched in April 2004. It is a fully electronic and automated clearing and settlement system capable of supporting various types of derivatives products. Futures Exchange Participants can access DCASS through a terminal or through an Application Programme Interface ("**API**"), based on the HKATS Open API. Through the DCASS terminal, Futures Exchange Participants can (i) access information on specific accounts, including propagation and position details; (ii) perform on-line trade and position management functions; (iii) submit on-line exercise instructions; and (iv) estimate margin requirements based on their actual or hypothetical positions, they can also access margining parameters and data for margining.

COMPETITIVE LANDSCAPE OF BROKERAGE INDUSTRY IN HONG KONG

Entry barriers

The main entry barriers in Hong Kong's securities brokerage business are the paid-up share capital, liquid capital and licensing requirements of the SFC under the SFO. Securities dealing is a regulated activity under the SFO and is governed by the relevant rules and regulations. New entrants who wish to carry on such regulated activity must be licensed with the SFC to become a licensed corporation. Each licensed corporation must have not less than two Responsible Officers to directly supervise the conduct of each regulated activity. Depending on the type of regulated activity, licensed corporations have to at all times maintain paid-up share capital and liquid capital of not less than the specified amounts according to the FRR. Please also refer to the section headed "Regulatory and licensing requirements" in this document for details.

INDUSTRY OVERVIEW

Competition

The rapid increase in the trading turnover of the stock market in Hong Kong has created strong demand to the local brokerage industry but at the same time competition had also been increasing in recent years. As at 28 February 2015, there were 500 Stock Exchange trading participants and 38 Stock Exchange non-trading participants. Below is the distribution of their market share from 2005 to 2014:

Year	Category A (Position 1 to 14)	Category B (Position 15 to 65)	Category C (Position 66 and above)
2005	53.1%	33.2%	13.8%
2006	52.0%	35.6%	12.4%
2007	50.4%	37.8%	11.9%
2008	53.0%	36.3%	10.7%
2009	52.0%	35.3%	12.6%
2010	51.1%	36.2%	12.8%
2011	53.6%	35.0%	11.4%
2012	57.8%	31.8%	10.5%
2013	56.0%	32.5%	11.5%
2014	54.2%	34.2%	11.6%

Source: HKEx

Note: The table includes all Stock Exchange Participants that had paid transaction levy, investor compensation levy (if applicable) and trading fee to the Stock Exchange. The Stock Exchange Participants are classified into Category A, Category B or Category C participant by the Stock Exchange in terms of their respective share of the total market turnover.

As illustrated above, the brokerage business in Hong Kong is dominated by certain large firms, in particular those in Category A. The top 14 firms accounted for more than 50% of the market turnover in the past few years thus leaving competition among firms in Category B and Category C intense.

On 1 April 2003, minimum brokerage commission rates in respect of securities and commodities trading in Hong Kong had been deregulated. Since the deregulation, brokerage commissions have generally been subject to market forces and negotiations which had further intensified competition within the securities brokerage industry.

Opportunities

IPO financing and share margin financing

As demonstrated under the section "Securities market in Hong Kong" above, Hong Kong has seen a significant growth in its stock market activities in recent years. This provided the authorised institutions ("AI", as defined under Banking Ordinance (Cap.155)) with more opportunities to participate in IPOs, whether as a lending AI to finance the subscription for new shares or as a receiving bank. Lending AI means an AI which extends credit facilities to its clients for the purpose of: (i) facilitating their subscription for new shares in an IPO; (ii) financing their acquisition or holding of shares in listed stocks (in the case of lending to investors); or (iii) financing their business operations (in the case of lending to stockbrokers).

INDUSTRY OVERVIEW

According to the latest version of Supervisory Policy Manual published by HKMA in 2007, lending AIs should apply a reasonable margin requirement on their lending to individual clients; generally speaking, the market norm is a 10% margin on such lending. This requirement may be satisfied by the deposit of collateral (in the form of cash or securities) with the lending AIs or by setting an appropriate loan-to-value ratio. Lending AIs should exercise prudence in setting the ratios and having regard to the underlying financial strength, liquidity and price volatility of individual stocks. As a reference, the current market norms are: (i) around 50-60% for blue chips (with higher ratios of 70% adopted by lending AIs which specialise in share margin financing and have the expertise and sophisticated risk management systems to control the risks involved); and (ii) around 30-40% or below for selected second and third liners. Such market norms may change from time to time according to market situations.

According to the annual reports of 2010-11, 2011-12, 2012-13 and 2013-14 of the SFC, the following data was extracted from monthly financial returns submitted to the SFC in accordance with the FRR by licensed corporations licensed for dealing in securities or securities margin financing:

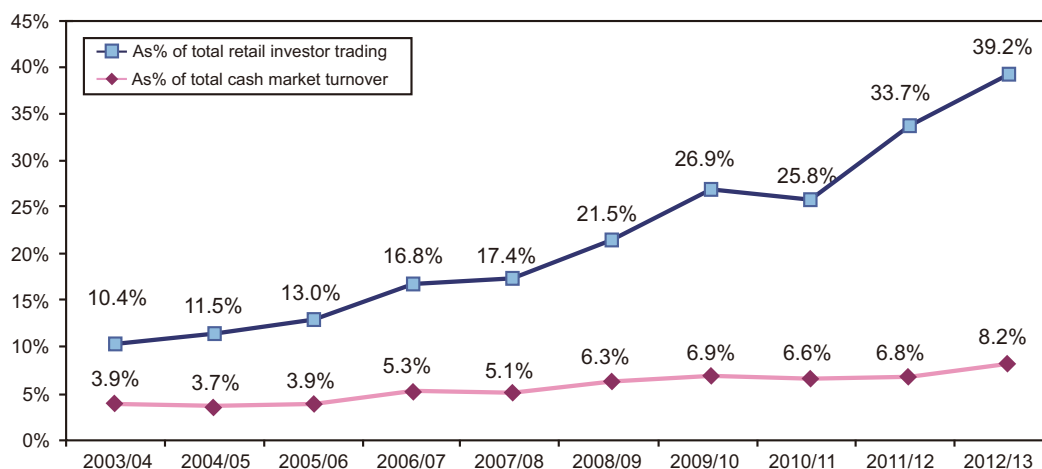
	As at 31 December				
	2009	2010	2011	2012	2013
Number of active margin clients	138,772	132,101	135,201	139,375	150,545
Amounts of receivables from margin clients	HK\$40,160 million	HK\$58,468 million	HK\$50,171 million	HK\$58,812 million	HK\$85,794 million
Average collateral coverage (Note)	5.2	4.7	3.9	4.2	3.9

Source: SFC annual report 2010-11, 2011-12, 2012-13 and 2013-14

Note: The number of times the aggregate market value of securities collateral deposited by clients covers the amounts receivables from margin clients on a given date on an industry-wide basis.

Online securities brokerage

Percentage share of retail online trading value from 2003/04 to [2012/13]



Source: HKEx

INDUSTRY OVERVIEW

According to the "Cash Market Transaction Survey 2012/13" published by the Stock Exchange in February 2014, the number of brokers that offer online trading services to retail investors increased from 126 in the 2006/07 survey (or approximately 33% of all surveyed brokers) to 245 in the 2011/12 survey (or approximately 54% of all surveyed brokers), representing an increase of approximately 94%. The share of retail online trading value had risen from approximately 16.8% of total retail investor trading during the period from October 2006 to September 2007 to approximately 39.2% of total retail investor trading during the period from October 2012 to September 2013.

Statistics on retail online trading in cash market (2008/09-2012/13)

	2008/09	2009/10	2010/11	2011/12	2012/13
Responded sample size (Note)	410	409	431	453	457
Online brokers	2008/09	2009/10	2010/11	2011/12	2012/13
Number of online brokers	173	185	209	245	250
– As % of all responding Stock Exchange Participants	42%	45%	48%	54%	55%
Online trading	2008/09	2009/10	2010/11	2011/12	2012/13
Online trading value (HK\$m)	921,416	1,095,691	1,252,109	919,187	1,235,360
– As % of total market turnover	6.34%	6.94%	6.59%	6.78%	8.22%

Source: Cash market transaction survey 2011/12 and 2012/13 of Stock Exchange, which covered Stock Exchange Participants for the 12-month period from October 2012 to September 2013

Note: Total number of Exchange Participants was 525, 538, 555, 571, 563 and 558 respectively in 2009, 2010, 2011, 2012, 2013 and 2014 according to the HKEx Fact Book 2014.

On a sample basis, which covers a majority of Stock Exchange Participants, total number of online brokers from 2008/09 to 2012/13 increased from 173 to 250 representing an increase from approximately 42% to 55% of all responding Stock Exchange Participants. Online trading value as a percentage to the total market turnover increased from approximately 6.34% in 2008/09 to 8.22% in 2012/13.

As indicated in the "Guidance Note on Internet Regulation" released by the SFC in March 1999, in general, the SFC will not seek to regulate securities dealing conducted over the Internet that originate outside Hong Kong, provided that such activities are not detrimental to the interests of the investing public in Hong Kong. As at the Latest Practicable Date, there were no additional registration and licensing requirements in Hong Kong for a company to conduct securities and commodities dealing through the Internet. The SFC would expect registered persons to put in place additional operational measures if they intend to conduct securities dealing, commodity and futures trading and leveraged foreign exchange trading activities over the Internet. These measures address suitability and general conduct, order handling and execution, system integrity, responsible personnel, written procedures, client agreements, record keeping and reporting.

REGULATIONS AND LICENSING REQUIREMENTS

SECURITIES AND FUTURES COMMISSION

Regulation of securities and futures market

Founded in May 1989, the SFC is an independent statutory body responsible for regulating the securities and futures market in Hong Kong. The SFC works to ensure orderly securities and futures market operations, to protect investors and help promote Hong Kong as an international financial centre and a key financial market in China. The SFC's regulatory objectives as set out in the SFO are:

- to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- to promote understanding by the public of the operation and functioning of the securities and futures industry;
- to provide protection for members of the public investing in or holding financial products;
- to minimise crime and misconduct in the securities and futures industry;
- to reduce systemic risks in the securities and futures industry; and
- to assist the Financial Secretary of Hong Kong in maintaining the financial stability of Hong Kong by taking appropriate steps in relation to the securities and futures industry.

Parties regulated by the SFC include, but are not limited to, licensed corporations and individuals carrying on type 1 to type 10 regulated activities under the SFO, investment products offered to the public, listed companies, HKEx, approved share registrars and all participants in trading activities.

Licensing regime

The SFC operates a system of authorising corporations and individuals (through licences) to act as financial intermediaries. Under the SFO, a corporation which is not an authorised financial institution (as defined in section 2(1) of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) and is:

- (a) carrying on a business in a regulated activity (or holding out as carrying on a regulated activity); or
- (b) actively marketing, whether in Hong Kong or from a place outside Hong Kong, to the public any services it provides, which would constitute a regulated activity if provided in Hong Kong,

must be licensed by the SFC to carry out the regulated activities, unless one of the exemptions under the SFO applies.

REGULATIONS AND LICENSING REQUIREMENTS

Through licensing, it regulates the financial intermediaries of licensed corporations and individuals that are carrying out the following regulated activities:

Type 1:	Dealing in securities
Type 2:	Dealing in futures contracts
Type 3:	Leveraged foreign exchange trading
Type 4:	Advising on securities
Type 5:	Advising on futures contracts
Type 6:	Advising on corporate finance
Type 7:	Providing automated trading services
Type 8:	Securities margin financing
Type 9:	Asset management
Type 10:	Providing credit rating services

RESPONSIBLE OFFICER

Each licensed corporation must have not less than two Responsible Officers to directly supervise the conduct of each regulated activity. For each regulated activity, it must have at least one Responsible Officer available at all times to supervise the business. The same individual may be appointed to be a Responsible Officer for more than one regulated activity provided that he is fit and proper to be so appointed and there is no conflict in the roles assumed. At least one of the Responsible Officers must be an executive director as defined under the SFO. All executive directors must seek the SFC's approval as Responsible Officers accredited to the licensed corporation.

Qualification and experience required for being a Responsible Officer

A person who intends to apply to be a Responsible Officer must demonstrate that he fulfils the requirements on both competence and sufficient authority. An applicant should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation's regulated activities. Accordingly, the applicant has to fulfil certain requirements on academic and industry qualification, industry experience, management experience and regulatory knowledge as stipulated by the SFC.

If a Responsible Officer intends to conduct regulated activities in relation to matters falling within the ambit of a particular code issued by the SFC, for instance, the Takeovers Code or the Code on Real Estate Investment Trusts, additional competence requirements specific to that field would apply.

LICENSED REPRESENTATIVE

An individual is required to be a Licensed Representative if he is performing a regulated function for his principal which is a licensed corporation in relation to a regulated activity carried on as a business or he holds out as performing such function.

REGULATIONS AND LICENSING REQUIREMENTS

Qualification and experience required for being a Licensed Representative

A person who intends to apply to be a Licensed Representative must demonstrate his competence requirement under the SFO. An applicant has to establish that he has the requisite basic understanding of the market in which he is to work as well as the laws and regulatory requirements applicable to the industry. In assessing the applicant's competence to be licensed as a Licensed Representative, the SFC will have regard to the applicant's academic qualification, industry qualification and regulatory knowledge.

FIT AND PROPER

Persons applying for licences and registrations under the SFO, including the Licensed Representatives and the Responsible Officers, must satisfy and continue to satisfy after the grant of such licences that they are fit and proper persons to be so licensed or registered.

Pursuant to Section 129 of the SFO, in considering whether a person is fit and proper for the purposes of licensing or registration, the SFC shall, in addition to any other matter that the SFC may consider relevant, have regard to the following:

- (a) financial status or solvency;
- (b) educational or other qualifications or experience having regard to the nature of the functions to be performed;
- (c) ability to carry on the regulated activity concerned competently, honestly and fairly; and
- (d) reputation, character, reliability and financial integrity of the applicant and other relevant persons as appropriate.

The above matters must be considered in respect of the person (if an individual), the corporation and any of its officers (if a corporation) or the institution, its directors, chief executive, managers and executive officers (if an authorised financial institution).

In addition, section 129(2) of the SFO empowers the SFC to take into consideration any of the following matters in considering whether a person is fit and proper:

- (a) decisions made by such relevant authorities as stated in Section 129(2)(a) of the SFO or any other authority or regulatory organisation, whether in Hong Kong or elsewhere, in respect of that person;
- (b) in the case of a corporation, any information relating to:
 - (i) any other corporation within our group of companies; or
 - (ii) any substantial shareholder or officer of the corporation or of any of its group companies;

REGULATIONS AND LICENSING REQUIREMENTS

- (c) in the case of a corporation licensed under Section 116 or Section 117 of the SFO or registered under Section 119 of the SFO or an application for such licence or registration:
 - (i) any information relating to any other person who will be acting for or on its behalf in relation to the regulated activity; and
 - (ii) whether the person has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions;
- (d) in the case of a corporation licensed under Section 116 or Section 117 of the SFO or an application for the licence, any information relating to any person who is or to be employed by, or associated with, the person for the purposes of the regulated activity; and
- (e) the state of affairs of any other business which the person carries on or proposes to carry on.

The SFC is obliged to refuse an application to be licensed if the applicant fails to satisfy the SFC that he is a fit and proper person to be licensed. The onus is on the applicant to make out a case that he is fit and proper to be licensed for the regulated activity. In relation to an application to be registered under Section 119 of the SFO by an authorised financial institution, the SFC is obliged to have regard to the advice given to it by the HKMA as to whether it has been satisfied that the applicant is a fit and proper person and the SFC may rely on such advice wholly or partly.

FINANCIAL RESOURCES

Depending on the type of regulated activity, licensed corporations have to maintain at all times paid-up share capital and liquid capital not less than the specified amounts according to the FRR. The FRR sets out the computation of a number of variables in respect of all the liquid assets and ranking liabilities of a licensed corporation and its liquid assets must exceed its ranking liabilities. If a licensed corporation conducts more than one type of regulated activity, the minimum paid-up share capital and liquid capital that it must maintain shall be the higher or the highest amount required amongst those regulated activities.

If a licensed corporation enters into any underwriting commitment under underwriting and underwritten-placing agreements, underwriting and underwritten-placing commitments, it is required to account for the exposure to each underwriting commitment based on a haircut amount that is calculated as a certain haircut percentage of the market value of the listed securities that the licensed corporation is committed to underwrite. In the case of open offer or rights issue:

- (i) where the market price of the securities is less than or equal to their subscription price, the aggregate of:

REGULATIONS AND LICENSING REQUIREMENTS

- (A) 50% of the haircut percentage in relation to the securities multiplied by the net underwriting commitment; and
 - (B) the amount by which the net underwriting commitment exceeds the market value of the securities; or
- (ii) where the market price of the securities is greater than their subscription price, 5% of the haircut percentage in relation to the securities multiplied by the net underwriting commitment; or (b) in any other case, 50% of the haircut percentage in relation to the securities multiplied by the net underwriting commitment.

In the case the underwriting commitment which is sub-underwritten to third parties, the licensed corporation is required to determine the net underwriting commitment for the purposes of liquid capital computation. The net underwriting commitment means the total exposure of the licensed corporation under its underwriting commitment other than the securities which are sub-underwritten by such third parties.

If a licensed corporation offers credit facilities to its customers who would like to purchase securities on a margin basis, or provides financing for applications of shares in connection with initial public offerings, it must monitor its liquid capital level continuously in order to satisfy the FRR requirements. If the margin requirement of the licensed corporation increases, it would be required to maintain additional liquid capital.

Minimum paid up share capital

The following table summarises the minimum paid-up capital that a licensed corporation is required to maintain for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities:

Regulated activity	Minimum paid up share capital
Type 1	
In the case where the corporation provides securities margin financing	HK\$10,000,000
In any other case	HK\$5,000,000
Type 2	
In the case where the corporation provides securities margin financing	Not applicable
In any other case	HK\$5,000,000
Type 4	HK\$5,000,000
Type 9	HK\$5,000,000

REGULATIONS AND LICENSING REQUIREMENTS

Minimum liquid capital

Pursuant to the FRR, a licensed corporation shall maintain a minimum liquid capital at all time of an amount the higher of (a) and (b) below:

(a) The amount of:

HK\$100,000 where the licensed corporation is licensed for type 4 (advising on securities), and type 9 (asset management) regulated activities in the case where the licensed corporation is subject to the licensing condition that it shall not hold assets;

HK\$500,000 where the licensed corporation is licensed for type 1 (dealing in securities) or type 2 (dealing in futures contracts) regulated activity in the case where the licensed corporation is an approved introducing agent or trader;

HK\$3,000,000 where (i) the licensed corporation is licensed for type 1 (dealing in securities) regulated activity in the case where the licensed corporation is not an approved introducing agent or a trader or (ii) the licensed corporation is licensed for type 2 (dealing in futures contracts) regulated activity that in not an approved introduction agent, a futures non-clearing dealer or a trader; or

HK\$3,000,000 where the licensed corporation is licensed in any other case for type 1 (dealing in securities), type 4 (advising on securities), and type 9 (asset management) regulated activities.

(b) 5% of the aggregate of the licensed corporation's on-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities but excluding certain amounts stipulated in the definition of "adjusted liabilities" under the SFO.

CONTINUING COMPLIANCE OBLIGATIONS

Remaining fit and proper

Licensed corporations, licensed persons and registered institutions must remain fit and proper at all times and comply with all applicable provisions of the SFO and its subsidiary legislations as well as the codes and guidelines issued by the SFC.

Submission of audited accounts

Licensed corporations and associated entities of intermediaries (except for those which are authorised financial institutions) are required to submit their audited accounts and other required documents within four months after the end of each financial year as required under Section 156(1) of the SFO.

REGULATIONS AND LICENSING REQUIREMENTS

Submission of financial resources returns

Licensed corporations are required to submit monthly financial resources returns to the SFC except for those licensed corporations for only type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 9 (asset management) and/or type 10 (providing credit rating services) regulated activities and their licenses are subject to the condition that they shall not hold client assets. In such latter case, the licensed corporations concerned shall submit semi-annual financial resources returns to the SFC as required under Section 56 of the FRR.

Payment of annual fees

Licensed corporations, licensed persons and registered institutions should pay annual fees within one month after each anniversary date of the licenses or registrations under Section 138(2) of the SFO, details of the annual fees applicable to the four types of the regulated activities that our Group is engaged in are as follows:

Type of intermediary	Annual fees for types 1, 2, 4, and 9 regulated activities
Licensed corporation	HK\$4,740 per regulated activity
Licensed Representative (not approved as Responsible Officer)	HK\$1,790 per regulated activity
Licensed Representative (approved as Responsible Officer)	HK\$4,740 per regulated activity
Registered institution	HK\$35,000 per regulated activity

Continuous professional training

According to the Guidelines on Continuous Professional Training published by the SFC pursuant to Section 399 of the SFO, a licensed corporation is held primarily responsible for designing and implementing a continuous education system best suited to the training needs of the individuals they engage which will enhance their industry knowledge, skills and professionalism. A licensed corporation should at least annually evaluate the training needs of the individuals they engage. Licensed individuals must undertake a minimum of five continuous professionalism training hours per calendar year for each regulated activity he engages in.

Obligation for substantial shareholder

As required under Section 132 of the SFO, a person (including a corporation) has to apply for SFC's approval prior to becoming or continue to be a substantial shareholder of a licensed corporation. A person, being aware that he becomes a substantial shareholder of a licensed corporation without SFC's prior approval should, as soon as reasonably practicable and in any event within three business days after he becomes so aware, apply to the SFC for approval to continue to be a substantial shareholder of the licensed corporation.

REGULATIONS AND LICENSING REQUIREMENTS

Prior approval would also need to be obtained from the SFC in cases such as addition or reduction of regulated activity, modification or waiver of licensing condition, and change of financial year end.

Employee dealings

As mentioned in the Code of Conduct, a registered person should have a policy which has been communicated to employees (including directors other than non-executive directors) in writing on whether employees are permitted to deal for their own accounts in securities. In the event that employees of a registered person are permitted to deal for their own accounts in securities:

- (i) the written policy should specify the conditions on which employees may deal for their own accounts;
- (ii) employees should be required to identify all related accounts (including accounts of their minor children and accounts in which the employees hold beneficial interests) and report them to senior management;
- (iii) employees should generally be required to deal through the registered person or its affiliates;
- (iv) if the registered person provides services in securities or futures contracts listed or traded on one of the Hong Kong exchanges or in derivatives, including over-the-counter derivatives written over such securities, and its employees are permitted to deal through another dealer, in those securities, the registered person and employee should arrange for duplicate trade confirmations and statements of account to be provided to senior management of the registered person;
- (v) any transactions for employees' accounts and related accounts should be separately recorded and clearly identified in the records of the registered person; and
- (vi) transactions of employees' accounts and related accounts should be reported to and actively monitored by senior management of the registered person who should not have any beneficial or other interest in the transactions and who should maintain procedures to detect irregularities and ensure that the handling by the registered person of these transactions or orders is not prejudicial to the interests of the registered person's other clients.

A registered person should not knowingly deal in securities or futures contracts for another registered person's employee unless it has received written consent from that registered person.

REGULATIONS AND LICENSING REQUIREMENTS

RULES FOR THE CAPITAL INVESTMENT ENTRANT SCHEME

Under the Rules for the Capital Investment Entrant Scheme (the "**Scheme Rules**") issued by the Immigration Department, the agreement entered into between an applicant (the "**Applicant**") under the CIES or an individual (the "**Entrant**") who has been granted approval by the Director of Immigration (the "**Director of Immigration**") to enter Hong Kong and/or remain in Hong Kong pursuant to the CIES, must contain the following provisions:

1. The designated account of the Applicant/Entrant, opened with the financial intermediary and operated in accordance with the instruction of the Applicant/Entrant, shall only hold:
 - (1) financial assets (the "**Specified Financial Assets**") permitted by the Scheme Rules, including equities, debt securities, certificates of deposits, subordinated debt and eligible collective investment schemes;
 - (2) cash proceeds of sale or other realisation of Specified Financial Assets;
 - (3) cash transferred to the designated account by the Applicant/Entrant for investment in Specified Financial Assets; and
 - (4) cash representing cash dividends or interest accruing in the designated account.
2. All cash transferred to the designated account by the Applicant/the Entrant and all cash proceeds of sale or other realisation of Specified Financial Assets shall be invested or re-invested in Specified Financial Assets in accordance with the Scheme Rules.
3. The financial intermediary shall notify the Director of Immigration in writing within 7 working days of acquiring actual knowledge of any of the following:
 - (1) the Applicant/the Entrant has withdrawn any assets from the designated account (other than cash dividends or interest accruing in the designated account);
 - (2) any instruction from the Applicant/the Entrant to withdraw any assets from the designated account (other than cash dividends or interest accruing in the designated account);
 - (3) the Applicant/the Entrant has not re-invested the proceeds or sale or other realisation of Specified Financial Assets in further Specified Financial Assets within specified period (or such other period as may be provided by the Scheme Rules then in force);
 - (4) any instruction from the Applicant/the Entrant to transfer the designated account or any assets in the designated account (other than cash dividends or interest accruing in the designated account) to any other financial intermediary or other person;

REGULATIONS AND LICENSING REQUIREMENTS

- (5) (except for any lien to secure payment or the financial intermediary's proper fees and expenses), the Applicant/the Entrant has charged, assigned or created any interest in favour of a third party in any assets in the designated account (including cash dividends or interest accruing therefrom, if any, provided that these are still held in the designated account);
 - (6) the Applicant/the Entrant has ceased to be the sole beneficial owner of all assets in the designated account (other than cash dividends or interest accruing in the designated account); and
 - (7) any instruction by the Applicant/the Entrant to close the designated account.
4. Within 14 working days (as defined by the Scheme Rules) after the first anniversary of the grant of formal approval to the Applicant/the Entrant to join the CIES, and within 14 working days after each subsequent anniversary if the financial intermediary still operates the designated account at such anniversary, the financial intermediary shall:
 - (1) notify the Director of Immigration in writing of the composition of the designated account at the relevant anniversary and the acquisition cost (exclusive of all dealing charges, commission and stamp duty) of the Specified Financial Assets held in the designated account at that date; and
 - (2) confirm in writing to the Director of Immigration that to the best of the financial intermediary's knowledge the financial intermediary has complied fully with the reporting obligations set out above in respect of the 12 months period immediately before the relevant anniversary, or notify the Director of Immigration in writing of all matters which should have been reported in respect of that period.
5. The financial intermediary shall promptly answer all queries addressed to it by the Director of Immigration concerning the designated account and supply such documents (whether copies or originals) concerning the designated account as the Director of Immigration requests. The Applicant/Entrant irrevocably authorises the financial intermediary to answer all such questions and provide such documents.
6. The expression "working day" in the above provisions means a day other than a Sunday, a public holiday or a gale warning day or a black rainstorm warning day (both as defined in section 71(2) of the Interpretation and General Clauses Ordinance (Cap. 1 of the Laws of Hong Kong)).
7. The financial intermediary shall supply to the Director of Immigration within 7 working days from the day it is made a copy of the contract between the Applicant/Entrant and the financial intermediary and within 7 working days a copy of every amendment or variation to such contract (but subject to the provisions of paragraph 9 below).

REGULATIONS AND LICENSING REQUIREMENTS

8. These provisions set out at paragraphs 1 to 9 shall prevail over any other provisions in the contract between the Applicant/Entrant and the financial intermediary in the event of any conflict or inconsistency between them.
9. The above provisions shall not be altered without the written consent of the Director of Immigration.

The Government of Hong Kong has announced that CIES would be suspended with effect from 15 January 2015 until further notice and applications received on or before 14 January 2015, whether already approved (including approval-in-principle and formal approval) or still being processed, will still be processed. Consequentially, no new applications under CIES submitted after 14 January 2015 would be processed by the Immigration Department of Hong Kong.

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING

Money laundering covers a wide range of activities and processes intended to alter the identity of the source of criminal proceeds in a manner which disguises their illegal origin. Terrorist financing is a term which includes the financing of terrorist acts, and of terrorist and terrorist organisations. It extends to any funds, whether from a legitimate or illegitimate source.

The four main pieces of legislation in Hong Kong that are concerned with money laundering and terrorist financing are the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong), the Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong), the Organised and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) and the United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong). The SFC has also published the Prevention of Money Laundering and Terrorist Financing Guidance Note (September 2009), which was superseded by (1) Prevention of Money Laundering & Terrorist Financing Guideline (April 2012); and (2) Guideline on Anti-Money Laundering and Counter Terrorist Financing (July 2012) which require licensed corporations to, among other thing, to adopt and enforce "know your clients" policies and procedures. Staff of licensed corporations who knows, suspects or has reasonable grounds to believe that a client might have engaged in money laundering activities must immediately report to the compliance division/senior management of its organisation which, in turn, will be reported to the Joint Financial Intelligence Unit.

In relation to the aforesaid compliance obligations, our Group has adopted various measures as set out in the operation manual of CIS which covers, among others, keeping records of staff members registered with the SFC and proper notification to the SFC for any changes in particulars or employment status, obtaining approval from the Board for appointment of Responsible Officers and conducting reference checks on new staff, providing a copy of Code of Conduct and other regulatory updates issued by the SFC to staff, proper filing of financial return to the SFC based on financial statements with supporting schedules for each item and the breakdown showing adjustment as required under the FRR.

REGULATIONS AND LICENSING REQUIREMENTS

HONG KONG EXCHANGES AND CLEARING LIMITED

Apart from the SFC, HKEx also plays a leading role in regulating companies seeking admission to the Hong Kong markets and supervising those companies once they are listed.

HKEx is a recognised exchange controller under the SFO. It owns and operates the only stock and futures exchanges in Hong Kong, namely the Stock Exchange and the Futures Exchange, and their related clearing houses. The duty of HKEx is to ensure orderly and fair markets and that risks are managed prudently, consistent with the public interest and in particular, the interests of the investing public.

In its role as the operator and frontline regulator of the central securities and derivatives marketplace in Hong Kong, HKEx regulates listed issuers; administers listing, trading and clearing rules; and provides services, primarily at the wholesale level, to customers of the exchanges and clearing houses, including issuers and intermediaries (in particular, investment banks or sponsors, securities and derivatives brokers, custodian banks and information vendors) who service the investors directly. These services comprise trading, clearing and settlement, depository and nominee services, and information services.

THE FOREIGN ACCOUNT TAX COMPLIANCE ACT OF THE U.S. ("FATCA")

FATCA was enacted by the U.S. Government in March 2010 aiming to combat tax evasion by U.S. taxpayers. The intention of FATCA is to require foreign financial institutions ("FFIs") to report details of U.S. persons holding assets to the U.S. Internal Revenue Services (the "IRS"), as a safeguard against U.S. tax evasion. The regulations will become effective in phases commencing 1 July 2014. To discourage FFIs from choosing to remain outside of the regulations, on or after 1 July 2014, a FFI that does not enter the relevant agreement (the "FFI Agreement") and comply with the FATCA regulations will be subject to a U.S. withholding tax of 30% on their income from U.S. investments and, on or after 1 January 2017, on their gross proceeds from U.S. investments and also potentially revenues from other non-U.S. investments.

The Hong Kong Government has announced on 9 May 2014 that Hong Kong and the U.S. have substantially concluded discussions on a Model 2 Intergovernmental Agreement ("IGA"). Hong Kong is now included in the list of "Jurisdictions that have reached agreements in substance". Following the completion of the substantive discussions, Hong Kong and the U.S. are expected to sign an IGA later this year.

Under FATCA, the FFI shall, among other things:-

- (a) use established due diligence procedures to identify U.S. persons (as defined under FATCA);
- (b) obtain a consent of relevant U.S. person (including individuals and entities) for reporting their relevant account balances, gross amounts of relevant interest incomes, dividend incomes and withdrawals, and identification details to the IRS; and
- (c) report information of account balances, payment amounts and number of non-consenting U.S. accounts to the IRS.

REGULATIONS AND LICENSING REQUIREMENTS

A FFI which does not comply with the FATCA or is not otherwise exempt will face a 30% withholding tax on all payments ("**Withholdable Payments**") derived from U.S. sources, including dividends, interest and certain derivative payments. In addition, starting from 2017, gross proceeds such as proceeds and returns of principal derived from stocks and debt obligations generating U.S. source dividends or interest will be treated as Withholdable Payments.

Application to our Group

CIS falls under the scope of FFI within the meaning of FATCA and is required to enter into the FFI Agreement with the IRS. When CIS entered into the FFI Agreement, it does not need to physically sign a document. Instead, CIS provided an electronic certification to certify that CIS will comply with FATCA obligations in accordance with the terms and conditions reflected in regulations, intergovernmental agreements, and other relevant administrative guidance.

Since the Hong Kong Government has announced that Hong Kong and the U.S. have substantially concluded discussions on a Model 2 Intergovernmental Agreement, CIS has taken the following actions to ensure compliance with the FATCA:

- (i) registered with the IRS and obtained a Global Intermediary Identification Numbers;
- (ii) engaged an external consultant to advise on the FATCA compliance requirements;
- (iii) reviewing and revising the know-your-client procedures to identify potential clients who may be a U.S. person within the meaning of FATCA;
- (iv) reviewing and revisiting our Group's current clients' information to identify accounts with indicia of U.S. status;
- (v) preparing and drafting relevant consent forms;
- (vi) appointed a responsible officer (as defined by the FATCA) to be responsible for the FATCA compliance matter and certifying on FATCA compliance to the IRS;
- (vii) revised our Group's operation and compliance manuals to include steps and measures to comply with FATCA;
- (viii) briefing the Group's staff on the FATCA compliance requirements; and
- (ix) compiling a separate list of accounts with indicia of U.S. states for long-term maintenance purpose.

In addition to the actions taken by CIS to ensure compliance with the FATCA as disclosed above, CIS will take the following actions in near future:

- (i) despatch confirmations to all of its existing clients to confirm, among other things, whether they are persons subject to U.S. income taxes, which will be implemented by CIS on or before 31 March 2015, being the commencement date of reporting to IRS; and

REGULATIONS AND LICENSING REQUIREMENTS

- (ii) such other measures as may be required for FATCA compliance as advised by its external consultant, which will be implemented by CIS from time to time.

Under the requirements of FATCA, a FFI is required to (i) register with the IRS as a participating FFI on or before 30 June 2014; (ii) complete the due diligence review procedures on individual accounts on or before 30 June 2015; and (iii) complete the due diligence review procedures on entity accounts on or before 31 December 2015.

In June 2014, CIS had already registered with IRS as a participating FFI. CIS expects to conduct due diligence review procedures on individual accounts by way of electronic record search and paper record search in the first quarter of 2015 and conduct further due diligence review procedures on entity accounts by way of electronic record search and paper record search in the last quarter of 2015.

CIS has not incurred any material expenses so far in relation to the registration with IRS as a participating FFI and the actions taken by CIS in compliance with the FATCA. It is expected that no material expenses will be incurred in relation to the due diligence review procedures to be conducted and there will not be any material expenses to be incurred by CIS in relation to the compliance with the reporting procedures required under the FATCA as no reporting to IRS will be required if CIS has not identified any U.S. person within the meaning of FATCA.

The commencement of FATCA have increased the compliance burden of CIS, including but not limited to the due diligence required to be carried out on clients. Moreover, if CIS fails to comply with the relevant requirements under FATCA, CIS will face a 30% withholding tax on all Withholdable Payments. However, our Directors are of the view that impact of FATCA and exposure on our Group, our clients and Shareholders and the operation of CIS are minimal and that likelihood of payment of withholding taxes to IRS is remote after taking into consideration (i) that CIS did not, during the Track Record Period, have any client which is a U.S. person within the meaning of FATCA; and (ii) the actions taken and to be taken by CIS as mentioned above are expected to enable CIS to comply with the relevant requirements under FATCA if it has identified any U.S. person within the meaning of the FATCA.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT

Our Company was incorporated under the Companies Law on 19 February 2014 as an exempted company with limited liability. Pursuant to the Reorganisation as described in the paragraph headed "Reorganisation and Group structure" in this section, our Company became the holding company of our Group on 23 June 2014. CIS is the operating subsidiary of our Group.

Our Company

Our Company was incorporated on 19 February 2014 in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. After the Reorganisation, our Company became the ultimate holding company of our Group. Our Company is an investment holding company. Details of the change in share capital of our Company are set out in the paragraph headed "Reorganisation and Group structure" in this section.

Apex Team

Apex Team was incorporated on 7 November 2013 in BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. After the Reorganisation, Apex Team is a direct wholly-owned subsidiary of our Company. Apex Team is an investment holding company. Details of the change in share capital of Apex Team are set out in the paragraph headed "Reorganisation and Group structure" in this section.

CIS

CIS was incorporated in Hong Kong on 23 February 2007 as a private company with limited liability under its former name of Coview Investments Limited (上譽投資有限公司). At the time of incorporation, the entire issued share capital of CIS was beneficially owned by Clear Palace Investments Limited. To the best knowledge, information and belief of our Directors after making all reasonable enquiries, Clear Palace Investments Limited was an Independent Third Party. In the early years, CIS was principally engaged in type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities. In 2009, CIS was acquired by CFG and details of the corporate history are set out below. CIS has an authorised share capital of HK\$1,000,000,000 divided into 1,000,000,000 shares of HK\$1.00 each. After the Reorganisation, CIS is an indirect wholly-owned subsidiary of our Company. CIS is the operating subsidiary of our Group and is principally engaged in the provision of (i) ECM related services; (ii) brokerage services; (iii) margin and IPO financing services; and (iv) CIES related services.

On the date of incorporation, one share of CIS was issued to Clear Palace Investments Limited at par. On 10 July 2007, Clear Palace Investments Limited transferred its one share in CIS to Clear Move Investments Limited at par. Following completion of the share transfer, the entire issued share capital of CIS was held by Clear Move Investments Limited. To the best knowledge, information and belief of our Directors after making all reasonable enquiries, Clear Move Investments Limited was an Independent Third Party.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 8 November 2007, 9,999,999 shares were allotted and issued by CIS to Clear Move Investments Limited at par for a consideration of HK\$9,999,999. On 26 June 2008, a further 10,000,000 shares were allotted and issued by CIS to Clear Move Investments Limited at par for a consideration of HK\$10,000,000. As a result, as at 26 June 2008, Clear Move Investments Limited was the beneficial owner of 20,000,000 shares in CIS, representing 100% equity interests in CIS.

On 20 January 2009, Clear Move Investments Limited transferred 1,000,000 shares in CIS to CFG for a consideration of HK\$720,000, which was determined after arm's length negotiation with reference to the net asset value of CIS as at 31 December 2008. On 4 June 2009, Clear Move Investments Limited transferred its remaining 19,000,000 shares in CIS to CFG for a consideration of HK\$12,000,000, which was determined after arm's length negotiation with reference to the net asset value of CIS as at 31 May 2009. As a result, as at 4 June 2009, CFG became the beneficial owner of 20,000,000 shares in CIS, representing 100% equity interests in CIS. The aforesaid transfer of shares were properly and legally completed and settled. CFG funded the acquisitions with its internal resources. Immediately before the transfer of shares on 20 January 2009, CFG was beneficially owned as to approximately 41.75% and 58.25% by Convoy Inc. and Perfect Team Group Limited respectively. Perfect Team Group Limited was beneficially owned by Convoy Inc., Mr. Shin and ten Independent Third Parties as to approximately 83.86%, 2.47%, and 13.67% respectively. Convoy Inc. was beneficially owned by Mr. Wong, Ms. Fong, Mr. Ng, Mr. Mak, Mr. Chan Chi Keung and two Independent Third Parties as to approximately 20.42%, 20.42%, 6.62%, 5.10%, 20.42% and 27.02% respectively.

Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak are the founders of our Group. Mr. Wong is an executive director and the chairman of CFHL. Ms. Fong is an executive director and the chief executive officer of CFHL. Mr. Shin is the chief distribution officer of Convoy Financial Services Limited and Mr. Ng is the managing director of CAM. Mr. Mak is a director of CIS.

On 25 August 2009, 5,000,000 shares were allotted and issued by CIS to CFG at par for a consideration of HK\$5,000,000. On 22 January 2010, 100,000 shares were allotted and issued by CIS to CFG for a consideration of HK\$5,000,000. On 25 June 2010, 40,000 shares were allotted and issued by CIS to CFG for a consideration of HK\$2,000,000. On 8 July 2010, 60,000 shares were allotted and issued by CIS to CFG for a consideration of HK\$3,000,000. On 7 March 2011, 4,500,000 shares were allotted and issued at par by CIS to CFG for a consideration of HK\$4,500,000. As a result of these series of allotments, as at 7 March 2011, CFG became the beneficial owner of 29,700,000 shares in CIS, representing 100% equity interests in CIS.

On 30 April 2012, CFG transferred all of its shares in CIS to CSHL for a consideration of HK\$19,155,665.9, which was determined after arm's length negotiation with reference to the net asset value of CIS as at 31 March 2012 and satisfied by 394 shares in CSHL allotted and issued by CSHL to CFG. On the same day, an additional 20,500,000 shares were allotted and issued at par by CIS to CSHL for a consideration of HK\$20,500,000. As a result, CSHL became the beneficial owner of 50,200,000 shares in CIS, representing 100% equity interests in CIS. The aforesaid (i) allotment and issue of shares; and (ii) transfer of shares were properly and legally completed and settled. HK\$10.0 million of the consideration was settled by CSHL through offsetting the then outstanding amount of the revolving loan owed by CIS to CFG, which owned 51% of the issued share capital of CSHL, on a dollar-to-dollar basis. For details of the revolving loan facility provided by CFG to CIS, please refer to the paragraph headed "Indebtedness" in the section headed "Financial information" in this document. The remaining of the consideration had been utilised by CIS as general working capital.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, shares of CIS shall cease to have any nominal value.

Immediately before commencement of the Reorganisation, CSHL was owned as to approximately 51% by CFG and 49% by Perfect Galaxy. CFG was owned by Perfect Team Group Limited and Convoy Inc. as to approximately 56.21% and 43.79% respectively. Immediately before the Reorganisation, Perfect Team Group Limited was wholly-owned by Convoy Inc. and Convoy Inc. was beneficially owned by Mr. Wong, Ms. Fong, Mr. Ling Wai Hoi, Mr. Ng Man Chun Paul, Mr. Shin, Mr. Ng and Mr. Mak as to approximately 21.02%, 20.97%, 20.35%, 19.69%, 6.42%, 5.79% and 5.76% respectively.

Both Mr. Ng Man Chun, Paul and Mr. Ling Wai Hoi have not expressed any interest in being involved in the Listing. As such, Ultimate Honour was set up to become the indirect holding company of the Company and to hold as to 51% equity interests in Smart Aerial.

As part of the Reorganisation, Apex Team, a wholly-owned subsidiary of Smart Aerial, acquired the entire equity interests in CIS from CSHL. CFG, the holding company of CSHL was indirectly interested in 51% equity interests in CIS before the Reorganisation, has requested and Ultimate Honour has agreed that Ultimate Honour shall pay a sum of HK\$33,453,928.63 being 51% of the net asset value of CIS as at 31 January 2014.

Declaration of dividends

On 10 September 2013 and 10 February 2014, the directors of CIS resolved to declare dividends of HK\$0.06 per share on 50,200,000 shares in CIS. Each of the dividends declared amounted to HK\$3,012,000.

The dividends for 10 September 2013 were declared based on the management accounts of CIS for the eight months ended 31 August 2013, which recorded a distributable profit of approximately HK\$3.2 million. The resolutions were duly approved by the directors of CIS and payment of the dividends was made to Perfect Galaxy in the direction of CSHL on or about 10 September 2013. The dividends for 10 February 2014 were declared based on the management accounts of CIS for the month ended 31 January 2014, which recorded a distributable profit of approximately HK\$4.1 million. Payment was made to Perfect Galaxy in the direction of CSHL on or about 21 February 2014.

During the course of preparing the relevant management accounts and the valuation of certain warrants and options held by CIS, the management of CIS used valuation parameters which were different from those used by the independent professional valuer in the valuation of such warrants and options during the preparation of CIS's audited financial statements for the year ended 31 December 2013. The use of different valuation parameters caused the distributable profits of CIS based on management accounts being stated higher than that based on the audited financial statement of CIS for the year ended 31 December 2013. Upon the discovery of such difference, the board of directors of CIS promptly resolved to revoke the distribution of the dividends on 24 March 2014. The dividends were repaid by Perfect Galaxy in the direction of CSHL to CIS on or around 25 March 2014. As confirmed by the legal counsel of our Company, the declaration and payment of the dividends were unlikely to be in contravention of the Companies Ordinance as the directors of CIS acted honestly and reasonably when declaring the dividends. As the dividends have been returned to CIS by Perfect Galaxy at the direction of CSHL, CIS would not incur any material loss from the incidents. Our Directors are of the view that the declaration and payment of the dividends did not have any material adverse impact on the existing business operation and financial position of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 13 March 2015, our Directors resolved to declare dividends of HK\$70,000 per share on 100 shares in our Company. The dividends declared amounted to HK\$7 million and were paid on 13 March 2015.

BUSINESS DEVELOPMENT

The following summaries our Group's milestones since incorporation:

Year	Major development and achievement
2007	CIS was incorporated under the former name "Coview Investments Limited (上譽投資有限公司)" CIS was registered with the SFC as a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO
2008	CIS tapped into the securities brokerage business and margin financing business CIS established online trading system to support securities trading via the Internet CIS was registered with the SFC as a licensed corporation to carry out type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO
2009	CIS was registered as a HKCC Participant of HKFE Clearing Corporation Limited and a Exchange Participant of the HKFE CIS tapped into the futures brokerage business and established online trading system to support futures trading via the Internet
2010	CIS tapped into the CIES business
2011	CIS was registered as an Exchange Participant of the Stock Exchange
2012	CIS officially established the ECM division to provide ECM related services
2013	CIS was registered with the SFC as a licensed corporation to carry out type 9 (asset management) regulated activity under the SFO

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

The subscription agreements and allotment and issue of shares in the share capital of Apex Team

The table below sets forth details of our pre-IPO investments:

Name of the Pre-IPO Investor	Date of subscriptions	Total consideration paid	Payment date of consideration	Cost per Share paid by each Pre-IPO Investor (based on [REDACTED] Shares to be held by the Pre-IPO Investor upon Listing)	Discount to [REDACTED]	Number of Shares to be held by the Pre-IPO Investor upon Listing	Approximate percentage of shareholding interests held by the Pre-IPO Investor in our Company upon Listing
China Angel	15 January 2014 and 28 February 2014	HK\$6,000,080	28 February 2014	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Leung	15 January 2014 and 28 February 2014	HK\$6,000,080	28 February 2014	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

On 15 January 2014, each of China Angel and Mr. Leung entered into a subscription agreement with Apex Team pursuant to which each of them has agreed to subscribe for 10 shares of Apex Team at the consideration of HK\$6,000,000. For the purpose of enabling each of Mr. Leung and China Angel to hold 10% of the then issued share capital of Apex Team, on 28 February 2014, each of Mr. Leung and China Angel further subscribed for an additional 10 shares in Apex Team at par (the "Additional Subscriptions"). The aggregate consideration of the 20 shares subscribed by each of Mr. Leung and China Angel was determined on arm's length basis with reference to the net asset value of CIS as at 31 December 2013. China Angel is an investment holding company incorporated in BVI and is wholly-owned by Mr. Jiang Qi Hang as at the Latest Practicable Date. Mr. Leung is a client of our Group and Mr. Jiang Qi Hang is the ultimate shareholder of Company Y, one of the five largest clients of our Group for the year ended 31 December 2013. To the best of the knowledge, information and belief of our Directors after making all reasonable enquiries, prior to being a Significant Shareholder as a result of the pre-IPO investments, each of Mr. Jiang Qi Hang, China Angel and Mr. Leung was an Independent Third Party.

Both China Angel and Mr. Leung settled the considerations under the subscription agreements and the Additional Subscriptions on 28 February 2014. Such amount could be utilised by our Group freely without being subject to any condition and such amount will be fully utilised as general working capital of our Group. The shares held by the Pre-IPO Investors are

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

considered as part of the public float and are not subject to any lock-up after Listing. China Angel and Mr. Leung are not entitled to any special rights or privileges under the subscription of shares in Apex Team. As confirmed by each of China Angel and Mr. Leung, the shares held by them are held for investment purpose. The Directors are of the view that the pre-IPO investment will broaden its shareholders' base and capital base of the Group.

Upon completion of the subscriptions, each of China Angel and Mr. Leung held 20 shares of Apex Team, representing 10% shareholding interests in Apex Team. Upon completion of the Reorganisation, details of which are set out in the paragraph headed "Reorganisation and Group structure" in this section, each of China Angel and Mr. Leung held 10% shareholding interests in our Company. Upon completion of the [REDACTED] and the Capitalisation Issue (taking into no account of any shares that may be issued under the Pre-IPO Share Options and the Share Option Scheme), each of China Angel and Mr. Leung will hold [REDACTED] Shares, representing approximately [REDACTED] shareholding interests in our Company.

To the best of the knowledge, information and belief of our Directors after making all reasonable enquiries, (i) the Pre-IPO Investors have never acted as members of a controlling group of Shareholders that could enable their interests to be aggregated with our Controlling Shareholders; (ii) each of the Pre-IPO Investors is an independent professional institutional or individual investor with a distinct and individual interest; and (iii) there has been no understanding, agreement or arrangement between China Angel and Mr. Leung that they would vote in any coordinated manner consistent with our Controlling Shareholders.

The Directors confirmed that the pre-IPO investments were entered into on normal commercial terms.

Save as disclosed above, there is no other agreement or arrangement in relation to the pre-IPO investments.

Given that (i) no special rights have been granted to the Pre-IPO Investors in respect of their investments; (ii) our Directors confirmed that the terms of the pre-IPO investments (including the consideration) were determined on arm's length basis and on normal commercial terms; and (iii) the pre-IPO investments were completed on 28 February 2014, which is more than 28 clear days before the date of submission of application for the Listing, the Sponsor is of the view that the pre-IPO investments were conducted in a fair and orderly manner and the Pre-IPO Investors are not exposed to risks significantly different from those assumed by investors investing in the [REDACTED]. Therefore, the Sponsor confirms that the pre-IPO investments are in compliance with the guidance letters HKEx-GL29-12 (January 2012) and HKEx-GL43-12 (October 2012) (Updated in July 2013) issued by the Stock Exchange.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

PRE-IPO SHARE OPTIONS

Pursuant to the Option Agreement dated 16 January 2014 (as amended by a supplemental agreement dated 20 June 2014), Apex Team (on behalf of our Company) has granted Pre-IPO Share Options to Mr. Tse Tim, the chief executive officer of our Company. Details of the grantee of the Pre-IPO Share Options are set out as follows:

Grantee Name	Address	Number of underlying Shares	Approximate percentage of issued share capital (on the basis of [REDACTED] Shares)
Mr. Tse Tim (<i>Note</i>)	Flat B, 17th Floor, Block 1 Victoria Tower 188 Canton Road Tsim Sha Tsui Hong Kong	[REDACTED]	[REDACTED]

Note: Mr. Tse Tim is the chief executive officer of our Company and joined our Group in December 2012.

Save and except the Pre-IPO Share Options, our Company does not have any other outstanding options, warrants and convertibles securities. For details of the Pre-IPO Share Options, please refer to the section headed "Statutory and general information" in Appendix IV to this document.

REORGANISATION AND GROUP STRUCTURE

In preparation for the Listing, our Group has undergone the Reorganisation and the steps are as follows:

(i) Incorporation of Apex Team

On 7 November 2013, Apex Team was incorporated in BVI with limited liability. The authorised share capital of Apex Team was US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was allotted and issued to Smart Aerial at par value. On 15 January 2014, 79 shares were allotted and issued to Smart Aerial at par value. The aforesaid allotment and issue of shares were properly and legally completed and settled.

(ii) Incorporation of our Company

On 19 February 2014, our Company was incorporated as an exempted company in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each, of which one fully-paid share was allotted and issued to the first subscriber, Sharon Pierson, which was transferred to Smart Aerial on the same day at par value. The aforesaid allotment and issue of shares were properly and legally completed and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(iii) Acquisition of the entire shareholding interests in CIS by Apex Team

On 28 February 2014, Apex Team acquired the entire issued share capital of CIS from CSHL, in consideration of HK\$65,595,938.49 (being the net asset value of CIS as at 31 January 2014), which was satisfied by Apex Team allotting and issuing 80 shares of Apex Team to Smart Aerial in the direction of CSHL, credited as fully paid. After the acquisition of CIS, a total of 160 shares of Apex Team were allotted and issued. The aforesaid allotment and issue of shares were properly and legally completed and settled.

(iv) Subscription of 20% equity interests in Apex Team by China Angel and Mr. Leung

On 15 January 2014, each of China Angel and Mr. Leung entered into a subscription agreement with Apex Team pursuant to which each of them has agreed to subscribe for 10 shares of Apex Team at the consideration of HK\$6,000,000 and on 28 February 2014, each of Mr. Leung and China Angel applied to subscribe an additional 10 shares in Apex Team at par. The aggregate consideration of the 20 shares in Apex Team subscribed by each of Mr. Leung and China Angel was determined with reference to the net asset value of CIS as at 31 December 2013. Upon completion of the subscriptions, a total of 200 shares of Apex Team were allotted and issued, and each of China Angel and Mr. Leung held 20 shares of Apex Team, representing 10% shareholding interests in Apex Team. Further details of the investment made by China Angel and Mr. Leung are disclosed in paragraph headed "Pre-IPO Investments" in this section. The aforesaid allotment and issue of shares were properly and legally completed and settled.

(v) Acquisition of the entire shareholding interests in Apex Team by our Company

On 23 June 2014, pursuant to a sale and purchase agreement entered into between our Company and Smart Aerial, China Angel and Mr. Leung, the then shareholders of Apex Team, our Company acquired all the issued shares of Apex Team, being a total of 200 shares, from Smart Aerial, China Angel and Mr. Leung, in return for 79, 10 and 10 new Shares being allotted and issued to Smart Aerial, China Angel and Mr. Leung respectively, credited as fully paid. After completion of the above transaction, Apex Team is wholly-owned by our Company and issued share capital of our Company is owned as to 80%, 10% and 10% by Smart Aerial, China Angel and Mr. Leung respectively. The aforesaid acquisition of Apex Team was properly and legally completed and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(vi) Increase in authorised share capital of our Company

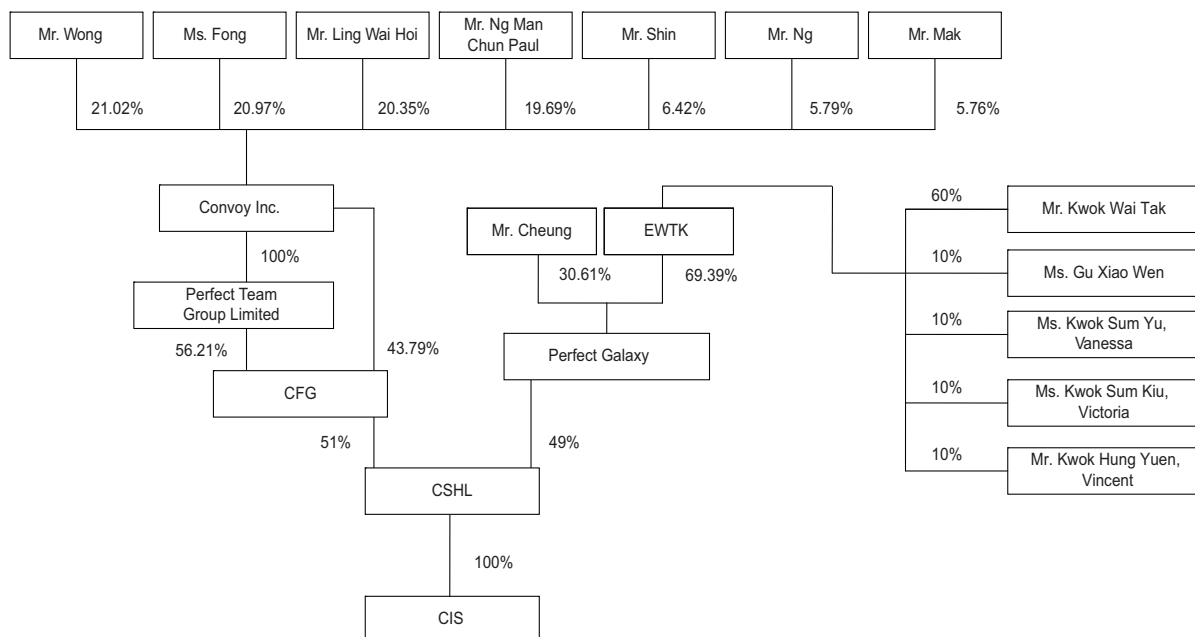
On [●], the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.10 each by the creation of an additional of 996,200,000 shares of HK\$0.10 each.

Save for the Capitalisation Issue and the [REDACTED], no further changes in shareholding of our Company and its subsidiary will take place after the Reorganisation and at the time of Listing.

Our Directors confirmed that all approvals from relevant authorities have been obtained and that the Reorganisation complies with the relevant laws and regulations.

REORGANISATION AND GROUP STRUCTURE

The following diagram sets forth our corporate and shareholding structure immediately prior to the implementation of the Reorganisation:



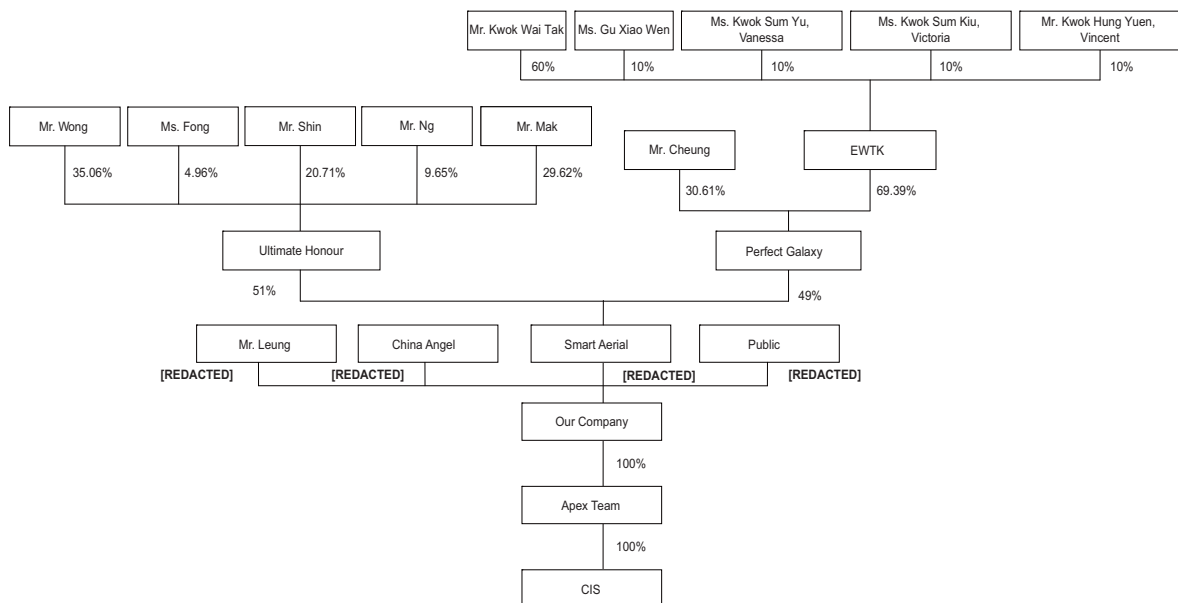
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram sets forth our corporate and shareholding structure after the implementation of the Reorganisation but before Listing:



Note: On 18 March 2014, Ms. Fong transferred 8,575 shares and 4,287 shares in Ultimate Honour to Mr. Mak and Mr. Shin respectively such that the respective shareholdings of Ms. Fong, Mr. Mak and Mr. Shin in Ultimate Honour became 4.96%, 29.62% and 20.71%.

The following diagram sets forth our corporate and shareholding structure after the implementation of the Reorganisation and upon Listing:



BUSINESS

BUSINESS OVERVIEW

Our Group carries out our business through our Company's operating subsidiary, CIS, which is a corporation registered as an Exchange Participant with the Stock Exchange, an Options Trading Exchange Participant of the Stock Exchange, a Direct Clearing Participant of SEOCH and HKSCC, a HKCC Participant of Hong Kong Futures Exchange Clearing Corporation Limited and an Exchange Participant of HKFE and licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities. Our operations are based in Hong Kong and our major operating segments include: (i) ECM related services; (ii) brokerage services; (iii) margin and IPO financing services; and (iv) CIES related services. Our Group generated approximately 86.4%, 90.6% and 94.6% of our revenue from our brokerage services and ECM related services for each of the years ended 31 December 2012, 2013 and 2014 respectively.

COMPETITIVE STRENGTHS

Our Directors believe that our success is attributable to our following competitive strengths:

We have an increasing recognition of brand name attributable to our operating history in Hong Kong of over six years

Our operating subsidiary, CIS, has more than six years of operating history in Hong Kong. We have experienced stable business development over the years in terms of number of client accounts. As at 31 December 2012 and 2013, our Group had over 4,500 and 5,890 brokerage client accounts respectively, of which over 1,120 and 1,530 were active accounts from which we had generated income in the past 12 months preceding 31 December 2012 and 31 December 2013 respectively. As at 31 December 2014, our Group had over 7,690 brokerage client accounts, of which over 2,030 were active accounts from which we had generated income in the past 12 months preceding 31 December 2014. The number of cash and margin accounts has also increased from over 4,370 and 130 respectively as at 31 December 2012 to over 5,710 and 180 respectively as at 31 December 2013, and then to over 7,420 and 270 respectively as at 31 December 2014. Our Directors believe that the increasing number of client accounts was mainly contributed by, among others, the increasing recognition of our Group's brand name.

We have a proven track record for our business in ECM related services

Our Directors believe that our Group's business in ECM services can leverage on its securities client network which comprises corporate/institutional investors and retail clients. We also maintain good relationship with other brokerage firms/financial institutions which may provide opportunities to our Group to act as syndicate members or placing agents for various new issues and fund-raising exercises in the market. Our Group has also successfully retained several companies listed on the Main Board, GEM and selected non-listed companies in its client base, such that they or their shareholders may consider appointing our Group as the syndicate member, placing agent or sub-placing agent when they have funding requirements. During the Track Record Period, our Group has undertaken and completed 10, 25 and 252 placing and underwriting transactions for each of the years ended 31 December 2012, 2013 and 2014 respectively.

BUSINESS

We have an established relationship with clients and expanding client base

Our Directors believe that we have established a good relationship with our existing clients and given our proven track record and recognised brand name, we attracted new clients and gradually developed a more diversified client base over the years. Our Group's client base has been further expanded to cover CIES clients as the Group tapped into CIES related business in 2010. Following the suspension of CIES in January 2015, our Group intends to explore the possibility of facilitating our clients to migrate to and invest in other countries. Our Directors believe that this step will in turn further strengthen our relationship with existing clients and attract new clients. Our Group recognises that market reputation and clients' confidence in our services are keys to success, which will enable our Group to attract new clients and client referrals from our existing clients. In this regard, our Group places great emphasis on winning customer loyalty by providing them with stable online trading platform for them to conduct trading timely and directly, and also with update market information services, for instance, keeping clients abreast of market development by giving them access to real-time market information and price quotations from external securities market information service providers.

We have an experienced management team

Our Group is managed by a team of experienced professionals who formulate corporate strategies, monitor compliance and day-to-day operations and implement plans for business development. The management team comprises the senior management of our Company who have over 10 years of experience in the securities dealing and financial services industry. With the extensive experience and knowledge of the management team, the Directors believe that our Group is able to react promptly to changes of market conditions and implement suitable measures in accordance with changing credit risks and to build up our solid client base. Please refer to the section headed "Directors, senior management and staff" in this document for further details on the experience of our Directors and senior management. Our Group has also regularly provided professional training to our account executives to ensure compliance with the applicable legal and regulatory requirements and to enhance their knowledge on market information which will enable them to provide quality services to the clients. Our compliance manager will also constantly monitor the legal and regulatory requirements applicable to our business and will send emails to all Responsible Officers and Licensed Representatives to notify them any changes in the relevant laws, rules and regulations.

We are a progressively growing business

Our Group has established its securities brokerage business and margin and IPO financing business in 2008 and its futures brokerage business in 2009. In respect of its business development, our Group introduced an online trading system for its securities trading in 2008 and its futures trading in 2009, with a view to allowing its clients to operate their trading activities interactively and efficiently through the use of online trading system. Our Group officially started to develop its CIES business and ECM business in 2010 and 2012 respectively. Since 2008, our Group has established four business lines operated with four types of licenses under the SFO to conduct the regulated activities.

BUSINESS

Our Directors believe that our competitive commission rate, quality and prompt service and reliable trading system, enabled our Group to establish a stable client base over the years. The revenue generated from our brokerage services increase from approximately HK\$6.6 million for the year ended 31 December 2012 to approximately HK\$12.8 million for the year ended 31 December 2013, representing a growth of approximately 93%, mainly due to the increase in the number of clients. For the year ended 31 December 2014, our Group's revenue generated from our brokerage services increased by approximately 52.2% when compared to the year ended 31 December 2013 from approximately HK\$12.8 million to approximately HK\$19.4 million. Such increase was mainly due to the increase in revenue generated from brokerage services derived from placing and underwriting transactions. Besides, our Group has undertaken and completed 10 and 25 placing and underwriting transactions for each of the year ended 31 December 2012 and 2013 respectively, which in turn generated a greater amount of ECM related revenue for the year ended 31 December 2013 compared to that for the year ended 31 December 2012. For the year ended 31 December 2014, our Group has undertaken and completed 252 placing and underwriting transactions, which in turn also generated a greater amount of ECM related revenue as compared to that for the year ended 31 December 2013.

SERVICES

During the Track Record Period, our Group's revenue was mainly generated from our major operating segments, namely, (i) ECM related services; (ii) brokerage services; (iii) margin and IPO financing services; and (iv) CIES related services.

Set out below is the breakdown of our revenue by major operating segments for the Track Record Period:

	For the year ended 31 December 2012		For the year ended 31 December 2013		For the year ended 31 December 2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
ECM related services	10,489	53.0	28,985	62.9	90,380	77.9
Brokerage services	6,606	33.4	12,766	27.7	19,427	16.7
Margin and IPO financing services	2,003	10.1	1,951	4.2	2,095	1.8
CIES related services	689	3.5	2,403	5.2	4,173	3.6
Total	<u>19,787</u>	<u>100.0</u>	<u>46,105</u>	<u>100.0</u>	<u>116,075</u>	<u>100.0</u>

ECM related services

Our Group provides ECM related services which mainly include fund-raising services such as placing of securities and bonds and acting as a syndicate member for companies to be listed on the Stock Exchange in IPOs, as well as retainer ECM services. Our clients for ECM related services are typically listed companies or non-listed companies referred by our Directors, Responsible Officers or senior management via their personal or business contacts with the representatives of the listed companies, or by fellow securities brokers.

BUSINESS

Our Group's fund-raising businesses are generally conducted on a best effort basis for clients, but our Group may also be required to conduct such businesses on an underwritten basis in accordance with clients' requirements. During the Track Record Period, our Group's participations in IPOs as a syndicate member were mainly on an underwritten basis, whereas for other fund-raising activities such as placing of securities and bonds of companies listed on the Stock Exchange were primarily on a best effort basis. We have been participating in placing activities including being engaged directly by an issuer or act as a sub-placing agent to a main placing agent in a placing transaction. Depending on the terms of the particular placing agreement, the placing activities can either be on an underwritten basis or on a best effort basis. The placing commission charged by our Group are subject to negotiation with the issuer or company concerned and is generally in line with market practice. We generally charge at market rate for our placing commission with reference to, among other matters, size of our placing commitment, the nature and background of the clients and the general market conditions, subject to negotiation with the relevant issuers/main placing agents/placees. However, we are exposed to the risk associated with our business in ECM related services. For more details, please refer to the section headed "Risk factors" in this document. During the Track Record Period, there was no call-off or under-subscription of fund-raising exercises participated by our Group which result in any loss or claim against our Group.

The table below sets out the number of placing and underwriting transactions for listed companies undertaken and completed by our Group and the relevant information of such transactions during the Track Record Period:

	For the year ended 31 December 2012	For the year ended 31 December 2013	For the year ended 31 December 2014
Number of placing transactions completed by our Group	10	16	230
Approximate gross size of placing transactions completed by our Group (HK\$'000) (Note 1)	141,786	484,550	1,745,393
Number of underwriting transactions completed by our Group	Nil	9	22
Approximate gross size of underwriting commitments undertaken by our Group (HK\$'000) (Note 2)	Nil	60,195	386,333

Note 1: The gross size of placing transactions completed by our Group in the corresponding year in its capacity as a sole placing agent, co-placing agent or sub-placing agent.

Note 2: The gross size of underwriting commitments of our Group under the underwriting transactions for listed companies undertaken and completed in the corresponding year.

BUSINESS

The tables below set out the underwriting and placing transactions for listed companies undertaken and completed by our Group during the Track Record Period:

For the year ended 31 December 2012:

Placing transactions

Name of listed company	Basis of placing	Approximate size of placing transactions completed by our Group (HK\$ million)	Commission rate charged (%) (Note 1)	Approximate amount of revenue generated (HK\$'000) (Note 2)
EPI (Holdings) Limited (stock code: 0689)	Best effort	49.5	3.0	1,485
Company Q (Note 4)	Best effort	19.8	N/A (Note 3)	802
EPI (Holdings) Limited (stock code: 0689)	Best effort	4.7	3.0	310
EPI (Holdings) Limited (stock code: 0689)	Best effort	0.3	3.0	93
Seamless Green China (Holdings) Limited (stock code: 8150)	Best effort	7.3	3.0	218
Seamless Green China (Holdings) Limited (stock code: 8150)	Best effort	9.3	3.0	278
PetroAsian Energy Holdings Limited (stock code: 0850)	Best effort	18.0	3.0	1,500
Company N (Note 4)	Best effort	13.0	5.25	683
Company O (Note 4)	Best effort (Note 5)	20.0	N/A (Note 6)	912

Notes:

1. Based on the applicable commission rate pursuant to the relevant placing agreement.
2. Revenue generated may include, amongst other things, placing/sub-placing commission, selling concession and service fee, as applicable.
3. An agreed placing commission fee of HK\$679,794 was paid to CIS.
4. Such transaction was not publicly disclosed.
5. Such entry comprised a total of 2 bond sub-placing transactions and CIS acted as a sub-placing agent in such transactions.
6. CIS was entitled to a sales incentive of HK\$500,000 for every successful subscription for the shares of Company O and shall be entitled to a bonus of HK\$1,000,000 for every ten successful subscription for the shares of Company O.

BUSINESS

For the year ended 31 December 2013:

Placing transactions

Name of listed company	Basis of placing	Approximate size of placing transactions completed by our Group <i>(HK\$ million)</i>	Commission rate charged <i>(%)</i> <i>(Note 1)</i>	Approximate amount of revenue generated <i>(HK\$'000)</i> <i>(Note 2)</i>
Convoy Financial Services Holdings Limited (stock code: 1019)	Best effort	0.8	3.0	24
Company B <i>(Note 3)</i>	<i>(Note 4)</i>	100.0	3.5	3,500
AGTech Holdings Limited (stock code: 8279)	Best effort	140.3	<i>N/A</i> <i>(Note 5)</i>	2,000
EPI (Holdings) Limited (stock code: 0689)	Best effort	123.5	3.5	4,322
Company O <i>(Note 3)</i>	Best effort <i>(Note 6)</i>	120.0	<i>N/A</i> <i>(Note 7)</i>	7,100

Notes:

1. Based on the applicable commission rate pursuant to the relevant placing agreement.
2. Revenue generated may include, amongst other things, placing/sub-placing commission, selling concession and service fee, as applicable.
3. Such transaction was not publicly disclosed.
4. CIS acted as a finder and introduced the subscriber to Company B for the purposes of the relevant subscription of shares.
5. An agreed commission fee of HK\$2 million was paid to CIS upon the successful placement of shares of AGTech Holdings Limited.
6. Such entry comprised a total of 12 bond sub-placing transactions and CIS acted as a sub-placing agent in such transactions.
7. CIS was entitled to a sales incentive of HK\$500,000 for every successful subscription for the shares of Company O and shall be entitled to a bonus of HK\$1,000,000 for every ten successful subscription for the shares of Company O.

BUSINESS

Underwriting transactions

Name of listed company	Basis of underwriting	Approximate size of underwriting commitments completed by our Group (HK\$ million)	Commission rate charged (%) (Note 1)	Approximate amount of revenue generated (HK\$'000) (Note 2)
Hong Kong Finance Group Limited (stock code: 1273)	Fully underwritten	7.2	3.5	286
RM Group Holdings Limited (stock code: 8185)	Fully underwritten	1.1	3.0	11
ECHO International Group Holdings Limited (stock code: 8218)	Fully underwritten	16.0	3.0	360
Mega Expo Holdings Limited (stock code: 1360)	Fully underwritten	20.0	3.5	898
China Success Finance Group Holdings Limited (stock code: 3623)	Fully underwritten	2.2	3.0	70
China Binary Sale Technology Limited (stock code: 8255)	Fully underwritten	3.4	3.5	195
eprint Group Limited (stock code: 1884)	Fully underwritten	6.2	3.0	114
U Banquet Group Holdings Limited (stock code: 8107)	Fully underwritten	0.1	4.0	24
China Creative Home Group Limited (stock code: 1678)	Fully underwritten	4.1	3.0	60 (Note 3)

Notes:

1. Based on the applicable underwriting commission rate as disclosed in the prospectus of the relevant listed company.
2. Revenue generated may include, amongst other things, underwriting/sub-underwriting commission, selling concession and incentive fee, as applicable, but excludes any praecipium paid to lead manager/sponsor, if any.
3. CIS acted as a sub-underwriter in such transaction and was entitled to a sub-underwriting commission of 1.0%.

BUSINESS

For the year ended 31 December 2014:

Placing transactions

Name of listed company	Basis of placing	Approximate size of placing transactions completed by our Group (HK\$ million)	Commission rate charged (%) (Note 1)	Approximate amount of revenue generated (HK\$'000) (Note 2)
Company U (Note 3)	Best effort (Note 4)	70.0	1.5	1,050
Company O (Note 3)	Best effort (Note 5)	90.0	N/A (Note 6)	5,700
Pearl River Tyre (Holdings) Limited (stock code: 1187)	Best effort (Note 7)	34.0	8.0	2,720
Company H (Note 3)	Best effort (Note 8)	64.0	4.0	5,120
Company P (Note 3)	Best effort (Note 9)	16.5	8.0	1,320
SMI Corporation Limited (stock code: 0198)	Best effort (Note 10)	120.0	1.8	2,260
Sun International Resources Limited (stock code: 8029)	Best effort (Note 11)	212.0	2.0	4,390
EPI (Holdings) Limited (stock code: 689)	Best effort	155.6	3.5	5,446
Sage International Group Limited (stock code: 8082)	Best effort	11.4	1.0	154
China Ruifeng Renewable Energy Holdings Limited (stock code: 527)	Best effort	10.0	8.0	1,500
Company R (Note 3)	Best effort (Note 12)	266.0	7.8	20,748
Company V (Note 3)	Best effort (Note 13)	95.0	7.8	7,410
Company W (Note 3)	Best effort	2.3	5.0	116
China Fortune Holdings Limited (stock code: 110)	Best effort	1.6	N/A (Note 14)	80
National Agricultural Holdings Limited (stock code: 1236)	Best effort (Note 15)	500.0	2.5	3,750
Hong Kong Finance Group Limited (stock code: 1273)	Best effort (Note 16)	31.0	(Note 17)	3,125

BUSINESS

Name of listed company	Basis of placing	Approximate size of placing transactions completed by our Group (HK\$ million)	Commission rate charged (%) (Note 1)	Approximate amount of revenue generated (HK\$'000) (Note 2)
Company AA (Note 3)	Best effort (Note 18)	20.0	1.0	200
China Tianrui Group Cement Company Limited (stock code: 1252)	Best effort	46.0	1.0	460

Notes:

1. Based on the applicable commission rate pursuant to the relevant placing agreement.
2. Revenue generated may include, amongst other things, placing/sub-placing commission, selling concession and service fee, as applicable.
3. Such transaction was not publicly disclosed.
4. Such entry comprised a total of 7 bond placing transactions and CIS acted as a bond placing agent in such transactions.
5. Such entry comprised a total of 9 bond sub-placing transactions and CIS acted as a sub-placing agent in such transactions.
6. CIS was entitled to a sales incentive of HK\$500,000 for every successful subscription for the shares of Company O and shall be entitled to a bonus of HK\$1,000,000 for every ten successful subscription for the shares of Company O.
7. Such entry comprised a total of 8 bond placing transactions and CIS acted as a bond placing agent in such transactions.
8. Such entry comprised a total of 15 bond placing transactions and CIS acted as a bond placing agent in such transactions.
9. Such entry comprised a total of 5 bond placing transactions and CIS acted as a bond placing agent in such transactions.
10. Such entry comprised a total of 11 bond placing transactions and CIS acted as a bond placing agent in such transactions.
11. Such entry comprised a total of 14 bond placing transactions and CIS acted as a bond placing agent in such transactions.
12. Such entry comprised a total of 128 bond sub-placing transactions and CIS acted as a sub-placing agent in such transactions.
13. Such entry comprised a total of 17 bond sub-placing transactions and CIS acted as a sub-placing agent in such transactions.
14. A fixed placing commission of HK\$80,000 was paid to CIS.
15. CIS acted as a sub-placing agent in such transaction.

BUSINESS

16. Such entry comprised a total of 7 bond placing transactions and CIS acted as a bond placing agent in such transactions.
17. A placing commission of (i) 12% was paid to CIS acting as a bond placing agent for every subscription of the seven-year 6% coupon unlisted bonds issued by Hong Kong Finance Group Limited; and (ii) 8.5% was paid to CIS acting as a bond placing agent for every subscription of the seven-year 4.5% coupon unlisted bonds issued by Hong Kong Finance Group Limited.
18. Such entry comprised a total of 2 bond placing transactions and CIS acted as a bond placing agent in such transactions.

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Underwriting transactions

Name of listed company	Basis of underwriting	Approximate size of underwriting commitments completed by our Group (HK\$ million)	Commission rate charged (%) (Note 1)	Approximate amount of revenue generated (HK\$'000) (Note 2)
Hengshi Mining Investments Limited (stock code: 1370)	Fully underwritten	38.8	2.5	700
Hong Wei (Asia) Holdings Company Limited (stock code: 8191)	Fully underwritten	69.3	3.0	1,017
Miko International Holdings Limited (stock code: 1247)	Fully underwritten	4.8	3.0	100
Huisheng International Holdings Limited (stock code: 1340)	Fully underwritten	2.0	3.0	91
Nanjing Sinolife United Company Limited (stock code: 3332)	Fully underwritten	9.4	3.5	31
China Metal Resources Utilization Limited (stock code: 1636)	Fully underwritten	68.1	3.5	1,551
Optics Valley Union Holdings Company Limited (stock code: 0798)	Fully underwritten	0.3	2.5 (Note 3)	21
Harbin Bank Co., Ltd. (stock code: 6138)	Fully underwritten	0.2	1.5	100
On Time Logistics Holdings Limited (stock code: 6123)	Fully underwritten	23.6	3.25	779
Central China Securities Co., Ltd. (stock code: 1375)	Fully underwritten	0	3.0	22
Hanbo Enterprises Holdings Limited (stock code: 1367)	Fully underwritten	0	3.5	20
Loco Hong Kong Holdings Limited (stock code: 8162)	Fully underwritten	43.2	3.5	986
China Rundong Auto Group Limited (stock code: 1365)	Fully underwritten	0.1	3.0	12
ELL Environmental Holdings Limited (stock code: 1395)	Fully underwritten	24.5	3.0	682
E Lighting Group Holdings Limited (stock code: 8222)	Fully underwritten	(Note 5)	4.0	10
New Concepts Holdings Limited (stock code: 2221)	Fully underwritten	0.1	3.0	112
Hin Sang Group (International) Holding Co., Ltd. (stock code: 6893)	Fully underwritten	11.8	2.0	360

BUSINESS

Name of listed company	Basis of underwriting	Approximate size of underwriting commitments completed by our Group (HK\$ million)	Commission rate charged (%) (Note 1)	Approximate amount of revenue generated (HK\$'000) (Note 2)
Inno-Tech Holdings Limited (stock code: 8202)	Fully underwritten	34.7	2.65 (Note 6)	2,209 (Note 6)
Nga Chun Holdings Company Limited (stock code: 1462)	Fully underwritten	55.0	1.25	619
Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (stock code: 520)	Fully underwritten	0.04	N/A (Note 7)	75
Linekong Interactive Co., Ltd. (stock code: 8267)	Fully underwritten	0.1	N/A (Note 8)	20
Shengjing Bank Co., Ltd. (stock code: 2066)	Fully underwritten	0.4	1.5	500

Notes:

1. Based on the applicable underwriting commission rate as disclosed in the prospectus of the relevant listed company.
2. Revenue generated may include, amongst other things, underwriting/sub-underwriting commission, selling concession and incentive fee, as applicable, but excludes any praecipium paid to lead manager/sponsor, if any.
3. CIS acted as a sub-underwriter in such transaction and was entitled to a sub-underwriting commission of 2.5%.
4. CIS acted as a sub-underwriter in such transaction and was entitled to a fixed sub-underwriting fee of HK\$50,000.
5. The size of underwriting commitments completed by our Group in such transaction was approximately HK\$6,000.
6. CIS acted as the lead underwriter in such transaction and there were other sub-underwriters involved. The underwriting commission rate disclosed was charged by CIS for acting as the lead underwriter to such transaction and the revenue included the praecipium received by CIS.
7. CIS acted as a sub-underwriter in such transaction and was entitled to an sub-underwriting incentive fee of HK\$75,000.
8. A fixed underwriting commission was paid to CIS.

BUSINESS

During the Track Record Period, our Group also provided retainer ECM services mainly to listed companies which were generally small cap with limited analyst coverage to promote them among public and professional investors in view to assisting them in expanding their investor base and developing fund-raising opportunities. During the Track Record Period, our Group has solicited clients who were not our existing ECM clients for our retainer ECM services through referrals by our existing clients and through corporate networking.

The scope of our retainer ECM services provided to listed companies generally included, among others, (a) advising our clients on (i) their strategic business planning which involves assistance in analysing the recent development and the existing business trend of our clients and exploring or introducing other potential business opportunities, such as investment in certain natural resources projects, for our clients to consider; (ii) the financial situation of our clients and the potential fund-raising activities available to our clients; (iii) the relevant marketing issues in relation to certain warrants and convertible bonds placements to be conducted by our clients, such as presentations skills and delivery of communications to the public media; and (iv) their presentation materials in order to strengthen their corporate profile and image; (b) introducing potential candidates for the role of directors or assisting in reviewing CV of potential candidates for the role of directors for our clients; (c) liaising with potential investors and presenting the profile of our clients to them to see if they will consider investing in our client as well as providing updates to our clients on some market feedbacks from potential investors regarding the fund-raising activities of our clients; and (d) liaising with other professional advisers of our clients. Such retainer ECM services are different from our placing services as the scope of our placing services provided only included liaison with potential placees for placing transactions and the execution of such placing transactions, for which we only charged placing commission from our clients of placing services. Such clients of our retainer ECM services would need to pay us separate commission fees for engaging CIS as their placing/sub-placing agents.

For each of the years ended 31 December 2012, 2013 and 2014, we entered into three, two and none service agreements with listed companies in Hong Kong for the provision of retainer ECM services respectively. Our Group entered into a service agreement with Company A in August 2012 whereby our Group acted as (i) an agent to Company A mainly to advise on the public image of Company A among public and professional investors in Hong Kong and overseas; and (ii) as a first priority agent to provide Company A with such financing, underwriting or placing services as Company A may conduct in Hong Kong and/or any other jurisdiction(s). In November 2012, our Group entered into another service agreement with Company A whereby our Group acted as a consultant to Company A to, amongst other things, introduce potential projects for the development or diversification of the business of Company A. Our Group entered into a service agreement with Company B in June 2012 whereby our Group acted as a consultant to Company B mainly to promote Company B among public and professional investors and to introduce potential projects for the development of Company B. Such agreement was renewed upon its expiry in January 2013. In April 2013, our Group entered into another service agreement with Company B whereby our Group mainly assisted in conducting roadshows for Company B to potential fund investors and Mr. Tse Tim, our chief executive officer, served Company B as an investment consultant on a part-time basis with the consent of CIS.

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For each of the years ended 31 December 2012, 2013 and 2014, the total revenue generated from the provision of retainer ECM services amounted to approximately HK\$4.2 million, HK\$9.9 million and HK\$14.8 million respectively, which represented approximately 40.0%, 34.1% and 16.4% of our Group's revenue generated from its ECM related services for the corresponding years/period. Our fees charged for our retainer ECM services were arrived at after arms' length negotiations between our clients and us and taken into consideration factors including but not limited to (i) the background and nature of our clients; (ii) the scope of services provided by our Group; (iii) our track record in assisting our clients to successfully raise funds; and (iv) the then financial status of our clients. Our Directors consider that the fees charged for our retainer ECM services provided to Company A and Company B were fair and reasonable based on the scope of services provided and the fact that our Group had successfully assisted to materialise one and five fund-raising opportunities for Company A and Company B respectively with aggregate fund-raising size of approximately HK\$629.6 million during the course of engagement of our Group by Company A and Company B for the provision of retainer ECM services during the Track Record Period.

Our Group's retainer ECM services are complementary to our fund-raising business. We generally seek to secure the right to be the first priority agent to provide the client with the financing, underwriting or placing services in the fund-raising exercises as the client may conduct in Hong Kong and/or other jurisdiction(s), including but not limited to, (i) issuing of new shares by general mandate; (ii) issuing of new shares by top-up placement; (iii) underwriting of rights issue; (iv) underwriting of warrants; (v) issuing of convertible bonds; and/or (vi) any other issuing of shares, debt instruments or other derivatives, for a period of up to 24 months from the date of entering into the retainer ECM services agreement.

For each of the years ended 31 December 2012, 2013 and 2014, our Group's revenue generated from its ECM related services amounted to approximately HK\$10.5 million, HK\$29.0 million and HK\$90.4 million respectively, which represented approximately 53.0%, 62.9% and 77.9% of our Group's total revenue for the corresponding years respectively. The increase in revenue generated from ECM related services for the year ended 31 December 2013 compared to the year ended 31 December 2012 was mainly due to the fact that the number of placing and underwriting transactions which we undertook and completed increased from 10 in 2012 to 25 in 2013, which in turn generated a greater amount of revenue for the year ended 31 December 2013 when compared to that for the year ended 31 December 2012. For the year ended 31 December 2014, our Group has undertaken and completed 252 placing and underwriting transactions respectively, which in turn also generated a greater amount of ECM related revenue as compared to that for the year ended 31 December 2013. In addition, during the year ended 31 December 2013, there were 102 new listings on the Main Board and GEM, and our Group has acted as a syndicate member for 10 new issuers, which represented approximately 9.8% of the total number of new listings on the Main Board and GEM in 2013. For the year ended 31 December 2014, there were 115 new listings on the Main Board and GEM, and our Group acted as a syndicate member for 21 new issuers, which represented approximately 18.3% of the total number of new listings on the Main Board and GEM for the same year. Hence, our revenue generated from ECM related services for the year ended 31 December 2014 increased when compared to the year ended 31 December 2013.

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The tables below set out the approximate revenue generated from our ECM related services by the largest five clients, their relationship with our Group and the year becoming our clients for each of the years ended 31 December 2012, 2013 and 2014 respectively:

For the year ended 31 December 2012:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from ECM related services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Company A (Note 1)	5,296	50.5	26.8	Independent Third Party	2012
Company B (Note 2)	2,318	22.1	11.7	Independent Third Party	2012
Company C	912	8.7	4.6	Independent Third Party	2012
Individual A	802	7.7	4.1	Independent Third Party	2012
Mr. Leung (Note 3)	683	6.5	3.5	Independent Third Party	2009

Note 1: For more details regarding Company A, please refer to the paragraph headed "Major clients and suppliers" in this section.

Note 2: For more details regarding Company B, please refer to the paragraph headed "Major clients and suppliers" in this section.

Note 3: Mr. Leung was an Independent Third Party during the year ended 31 December 2012. He became our Significant Shareholder and our Pre-IPO Investor on 28 February 2014.

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For the year ended 31 December 2013:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from ECM related services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Company B (Note 2)	12,810	44.2	27.8	Independent Third Party	2012
Company C	7,100	24.5	15.4	Independent Third Party	2012
Company A (Note 1)	4,853	16.7	10.5	Independent Third Party	2012
Company X	2,000	6.9	4.3	Independent Third Party	2013
Company I	898	3.1	2.0	Independent Third Party	2013

Note 1: For more details regarding Company A, please refer to the paragraph headed "Major clients and suppliers" in this section.

Note 2: For more details regarding Company B, please refer to the paragraph headed "Major clients and suppliers" in this section.

For the year ended 31 December 2014:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from ECM related services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Company T	28,158	31.2	24.3	Independent Third Party	2014
Company B (Note 1)	10,759	11.9	9.3	Independent Third Party	2012
Company A (Note 2)	9,504	10.5	8.2	Independent Third Party	2012
Company C	5,700	6.3	4.9	Independent Third Party	2012
Company H	5,120	5.7	4.4	Independent Third Party	2013

Note 1: For more details regarding Company B, please refer to the paragraph headed "Major clients and suppliers" in this section.

Note 2: For more details regarding Company A, please refer to the paragraph headed "Major clients and suppliers" in this section.

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Brokerage services

Our Group's business in brokerage services includes securities brokerage, futures brokerage and options brokerage, all of which are undertaken by CIS, in the capacity of a Stock Exchange Participant, a HKFE Participant, an Options Trading Exchange Participant, and a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities. Brokerage clients can place orders by phone or through our online trading platform.

The table below sets out the approximate total value of transaction in securities dealing (other than transactions in stock options contracts) and the approximate number of contracts of dealing in futures and options contracts during the Track Record Period:

	For the year ended 31 December 2012	For the year ended 31 December 2013	For the year ended 31 December 2014
Approximate total value of transaction in securities dealing (other than transactions in stock options contracts) (<i>HK\$'000</i>)	8,949,546	147,038,381	200,822,543
Approximate total number of contracts of dealing in futures and options contracts	64,000	93,000	57,000

Online trading system

Our online trading platform for securities brokerage and futures and options brokerage was established in 2008 and 2009 respectively, to support securities trading and futures and options trading respectively via the internet. Brokerage clients may use the online trading platform to conduct real-time trading in securities, to subscribe for shares under Hong Kong IPOs and to trade in overseas securities, as well as to trade futures in Hong Kong and overseas such as HSI futures and mini-HSI futures and options in Hong Kong such as HSI options and mini-HSI options. Our online trading platform allows our brokerage clients to place orders, view account information and balances, check trading positions, transaction status and trading history.

Brokerage clients using our online trading system are enabled to give instructions to CIS to transfer funds to and from their own accounts maintained with certain designated banks. Our online trading system sends electronic order confirmations to our brokerage clients. Our system also offers electronic IPO services, through which our clients may view the electronic file of a prospectus on our website or through a hyperlink, and file an electronic application for IPOs (and at the same time apply for margin financing for IPOs).

Our IT personnel is responsible for monitoring our online trading system and coordinating with trading system software vendors for maintenance and operation support. During the Track Record Period, our trading infrastructure has been stable, as there were only two incidents which caused interruption to our Group's online trading system and such interruption was caused by the breakdown of server of the internet service provider, and none of which caused

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significant impact or material interruption and financial loss to the operation of our Group. For risks associated with our Group's internet trading operations, please refer to the section headed "Risk factors – Our Group's business, financial condition and results of operation may be adversely affected if we experience failure in or disruptions to our trading system" in this document.

During the Track Record Period, our online trading system is accessible by clients via www.convoyinvest.com, our Group's trading and information website which was formally launched in 2008 to support securities trading initially. The futures and options online trading system was established in 2009 to support futures and options trading. The website provides stock quotes, financial market news, morning focus reports and up-to-date global market commentary. It also offers clients an option to subscribe for real-time stock quotes feeds provided through hyperlinks to external information providers. Our Group also provides mobile trading platform to its brokerage clients which supports smartphone systems.

During the Track Record Period, our Group engaged six IT vendors which facilitate the operation of our trading platform and settlement systems to ensure the speed and stability of trading. These IT vendors also provide maintenances and support services for the system. Trading platform related expenses amounted to approximately HK\$1.4 million, HK\$1.8 million and HK\$2.5 million for each of the years ended 31 December 2012, 2013 and 2014 respectively, representing approximately 6.9%, 3.8% and 2.2% of our Group's total revenue respectively.

Telephone trading system

Apart from online trading, our Group also has licensed customer service representatives and account executives to take telephone orders from its clients. When the licensed customer service representatives and account executives receive orders from client through telephone, he/she will place the order electronically by using the BSS/HKATS system and will give a call to client upon receiving order confirmations from the BSS/HKATS system.

Brokerage personnel

Our Group engages licensed customer service representatives who are employees of our Group and account executives who are not considered as the employees of our Group to conduct our brokerage business. Our account executives are self-employed and not under employment contracts with our Group and are not entitled to any fixed monthly salary. Each account executive is responsible for a portfolio of clients whom he or she serves personally. In general, the licensed customer service representatives and account executives take orders from clients and handle enquiries from clients. They also expand the client network through referrals. As at the Latest Practicable Date, our Group had 7 account executives and 13 licensed customer service representatives. Our Directors consider that engaging account executives can allow our Group to broaden our business network and reach out to more potential customers while minimising staff costs especially during periods of inactive trading activities from our clients, as they are not entitled to any fixed monthly salary.

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Our account executives are entitled to brokerage commission sharing, which refers to a portion of our brokerage income being shared at an agreed percentage with our account executives. During the Track Record Period, the brokerage commission sharing with our account executives was generally negotiated between our Group and the respective account executive with a range of 30% to 80% of the brokerage transaction value for securities trading. For each of the years ended 31 December 2012, 2013 and 2014, the total brokerage commission paid to account executives were approximately HK\$0.7 million, HK\$0.9 million and HK\$2.0 million respectively.

Each of our account executives are required to be a Licensed Representative to carry out regulated activities who shall maintain their professional qualifications as well as licence status during their engagement with CIS.

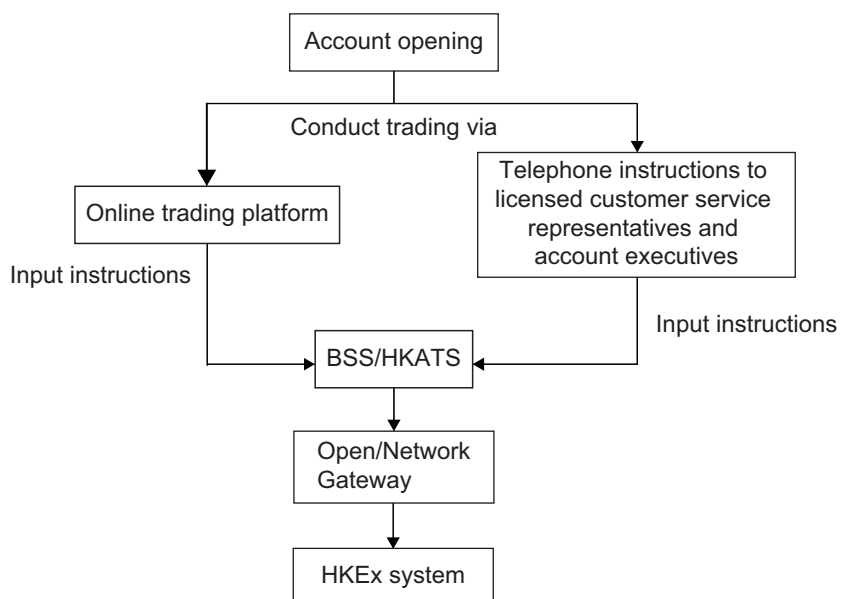
For clients who wish to open a cash account with us for brokerage services, our Group will take orders or instructions from clients who have signed the account opening forms with our Group.

Set out below are the major terms and conditions with regard to our brokerage services:-

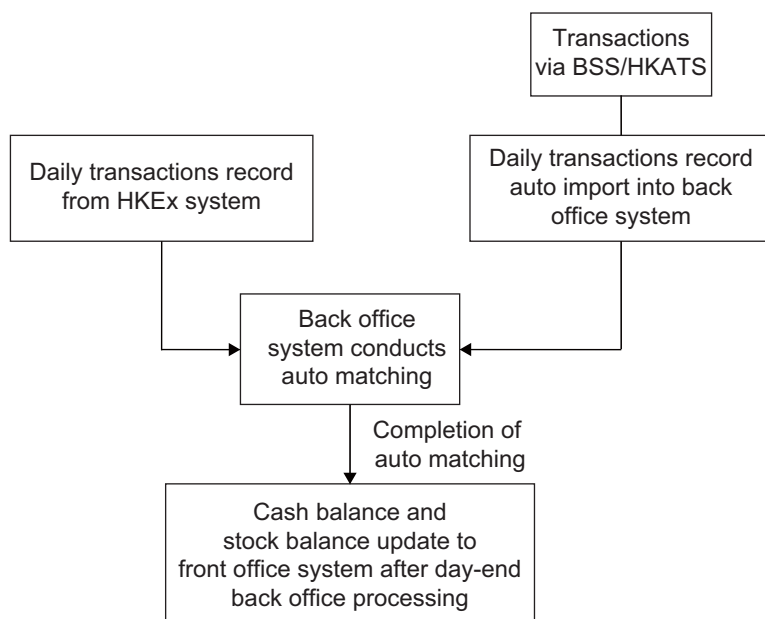
- CIS is authorised to deduct the commissions and charges in connection with any transactions effected with any person for its client, together with all applicable levies, interests, taxes and expenses immediately when it is due;
- neither CIS nor any of its directors, employees or agents shall have any liability whatsoever (whether in contract, tort or otherwise) for any loss, expenses or damages suffered by the client, save where it has been established that they or any of them have acted fraudulently or in wilful default;
- our brokerage clients take full responsibility for all trading decisions in their securities trading accounts and our Group is responsible only for the execution, clearing and carrying out the transactions in such accounts;
- client shall pay interest which shall accrue on a day-to-day basis on all debit balances on the cash account at such rates and on such other terms as CIS notifies the client from time to time, and overdue interest shall be compounded monthly and shall itself bear interest;
- CIS may charge a half-yearly maintenance fee of such amount in such currency as CIS may determine from time to time on the dormant cash account if the client has no trading activity for six months or more; and
- if an event of default constituted by the client occurs, CIS shall be entitled to, without any notice to the client, (i) immediately close such client's cash account; (ii) terminate the agreement entered into by CIS and such client; (iii) cancel any or all outstanding orders or any other commitments made on behalf of the client; (iv) close any or all contracts between CIS and the client, cover any short position of the client through the purchase of securities on the SEHK or HKFE or liquidate any long positions of the client through the sale of securities on SEHK or HKFE; (v) dispose of any or all securities held for or on behalf of the client and to apply the proceeds thereof and any cash deposits to settle all outstanding balances owing to CIS; and (vi) combine, consolidate and set-off any or all accounts of the client.

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The following flowchart illustrates the securities and futures dealing procedures of our brokerage services:



The following flowchart illustrates our back office system and settlement procedures:



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During the Track Record Period, CIS entered into asset management arrangement with independent external asset managers (the "**Asset Managers**"). Under such arrangement, CIS provided certain transaction execution and custody services to DMA which were managed by the Asset Managers. The Asset Managers were entitled to receive an amount of referral fee from CIS and the Asset Managers should pay an amount for using our certain transaction execution and custody services. Subsequent to the obtaining of the licence to carry on type 9 regulated activity by CIS in 2013, CIS entered into discretionary account agreements with its clients in respect of the provision of DMA services through external investment managers (the "**Investment Managers**"). Such Investment Managers were responsible for managing our DMA clients' discretionary accounts, including making daily investment decisions in respect of the discretionary accounts and were able to enter into sale and purchase of securities and futures option from time to time on behalf of such clients. Such Investment Managers were entitled to receive from CIS an amount of management fee and performance fee for the provision of their services. We generated revenue of approximately HK\$43,000, HK\$304,000 and HK\$690,000 from DMA services for each of the years ended 31 December 2012, 2013 and 2014 respectively.

Commission

Our Group's brokerage business generates income by charging commission for transactions executed through our Group's traditional telephone trading system and online trading platform, as well as by charging handling and scrip fees and management fees for DMA services.

For each of the years ended 31 December 2012, 2013 and 2014, revenue generated from brokerage services by our active brokerage client accounts which we had generated income from in the past 12 months preceding 31 December 2012, 2013 and 2014 respectively amounted to approximately HK\$6.6 million, HK\$12.8 million and HK\$19.4 million respectively, which represented approximately 33.4%, 27.7% and 16.7% of our Group's total revenue for the corresponding years/period respectively. As our Group's revenue is directly affected by the level of market activity and trading volume through our online trading platform, our brokerage business is dependent upon the prevailing economic environment and general market sentiment.

Please refer to the paragraph headed "Commission and fee" in this section for details of our brokerage commission rates.

Clientele

We serve our brokerage clients through our licensed customer service representatives and account executives. Our clients can be classified into institutional/corporate clients which are qualified professional investors and/or fund houses which trade in large volumes and retail clients which are mainly individuals. As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group had over 1,120, 1,530 and 2,030 active brokerage client accounts which we had generated income from the past 12 months preceding 31 December 2012, 2013 and 2014 respectively. Such active brokerage client accounts contributed a revenue of approximately HK\$6.6 million, HK\$12.8 million and HK\$19.4 million for each of the years ended 31 December 2012, 2013 and 2014 respectively to our Group.

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The table below sets out the number of our active brokerage clients falling under different ranges of the total value of transactions in securities dealing (other than transactions in futures and options contracts) and the revenue generated from them during the Track Record Period:

For the year ended 31 December 2012:

	Total value of transactions in securities dealing (other than transactions in futures and options contracts)						
	HK\$0 to HK\$10 million	Above HK\$10 million and up to HK\$30 million	Above HK\$30 million and up to HK\$100 million	Above HK\$100 million and up to HK\$200 million	Above HK\$200 million and up to HK\$1 billion	Above \$1 billion and up to HK\$2 billion	Above \$2 billion
Approximate number of brokerage clients	1,060	40	20	2	2	0	1
Approximate amount of revenue generated by such brokerage clients (HK'000)	1,698	917	793	488	733	0	70

For the year ended 31 December 2012, the total value of transactions in securities dealing (other than transactions in futures and options contracts) entered into by each of the above active brokerage client accounts ranged from approximately HK\$100 to HK\$2,595 million.

For the year ended 31 December 2013:

	Total value of transactions in securities dealing (other than transactions in futures and options contracts)						
	HK\$0 to HK\$10 million	Above HK\$10 million and up to HK\$30 million	Above HK\$30 million and up to HK\$100 million	Above HK\$100 million and up to HK\$200 million	Above HK\$200 million and up to HK\$1 billion	Above \$1 billion and up to HK\$2 billion	Above \$2 billion
Approximate number of brokerage clients	1,440	60	30	6	2	0	2
Approximate amount of revenue generated by such brokerage clients (HK'000)	1,983	1,365	1,814	1,791	114	0	971

For the year ended 31 December 2013, the total value of transactions in securities dealing (other than transactions in futures and options contracts) entered into by each of the above active brokerage client accounts ranged from approximately HK\$200 to HK\$136,684 million.

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For the year ended 31 December 2014:

	Total value of transactions in securities dealing (other than transactions in futures and options contracts)						
	HK\$0 to HK\$10 million	Above HK\$10 million and up to HK\$30 million	Above HK\$30 million and up to HK\$100 million	Above HK\$100 million and up to HK\$200 million	Above HK\$200 million and up to HK\$1 billion	Above \$1 billion and up to HK\$2 billion	Above \$2 billion
Approximate number of brokerage clients	1,850	140	30	7	3	2	1
Approximate amount of revenue generated by such brokerage clients (HK'000)	8,600	3,627	2,419	1,294	657	82	896

For the year ended 31 December 2014, the total value of transactions in securities dealing (other than transactions in futures and options contracts) entered into by each of the above active brokerage client accounts ranged from approximately HK\$200 to HK\$65,587 million.

The customer due diligence process of our Group was established in accordance with the relevant SFC guidance and is applicable to all clients, both institutional/corporate clients and retail clients. Please refer to the paragraph headed "Anti-money laundering" in this section for further details of our customer due diligence process.

The tables below set out the approximate revenue generated from our brokerage services by the largest five clients, their relationship with our Group and the year becoming our clients for each of the years ended 31 December 2012, 2013 and 2014 respectively:

For the year ended 31 December 2012:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from brokerage services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Company D	658	10.0	3.3	Independent Third Party	2011
Company J (Note)	378	5.7	1.9	Connected person	2011
Individual J	224	3.4	1.1	Independent Third Party	2012
Company K	204	3.1	1.0	Independent Third Party	2012
Individual K	155	2.4	0.8	Independent Third Party	2011

Note: Company J is a company wholly-owned by Mr. Kwok Wai Tak, a Controlling Shareholder.

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For the year ended 31 December 2013:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from brokerage services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Company Y (Note 1)	1,013	7.9	2.2	Independent Third Party	2011
Company M	840	6.6	1.8	Independent Third Party	2012
Individual L	597	4.7	1.3	Independent Third Party	2013
Convoy Financial Services Limited (Note 2)	469	3.7	1.0	Connected person	2012
Company D	407	3.2	0.9	Independent Third Party	2011

Note 1: For more details regarding Company Y, please refer to the paragraph headed "Major clients and suppliers" in this section.

Note 2: For more details regarding the relationship between our Group and Convoy Financial Services Limited, please refer to the section headed "Connected transactions" in this document.

For the year ended 31 December 2014:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from brokerage services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Company M	896	4.6	0.8	Independent Third Party	2012
Individual Y	521	2.7	0.4	Independent Third Party	2011
Individual Z	407	2.1	0.4	Independent Third Party	2013
Company S	381	2.0	0.3	Independent Third Party	2013
Company J (Note)	370	1.9	0.3	Connected person	2011

Note: Company J is a company wholly-owned by Mr. Kwok Wai Tak, a Controlling Shareholder.

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Risk management

All trading activities of our Group's brokerage clients are monitored on a real-time basis through our computer system by the staff of our finance and accounts department. Any unusual trading activities identified by our account executives and licensed customer service representatives will be brought immediately to the attention of the Responsible Officers, who are responsible for the overall daily management of the brokerage business, together with our compliance manager, would take appropriate actions in compliance with our internal control policies and procedures in order to minimise or mitigate any risk to our Group and our clients. During the Track Record Period, our Directors confirmed that there was no unusual trading activities reported by our account executives and licensed customer services representatives.

Margin and IPO financing services

We provide margin and IPO financing services through CIS to our clients who wish to purchase securities on a margin financing basis. Margin financing offers funding flexibility to our clients by assisting them to leverage their investments. IPO financing services offer our clients the financing for subscriptions of new shares relating to IPOs. Our Group's margin financing services generate interest income from our clients and are complementary to our Group's brokerage business.

As at 31 December 2012, our Group had utilised a non-interest bearing revolving credit facility granted by CFG as to HK\$13.0 million for funding our business operations, including our margin and IPO financing business. Such revolving credit facility was fully repaid by our Group during the year ended 31 December 2013. For more details of such revolving credit facility, please refer to the section headed "Financial information – Indebtedness" in this document. In May 2013, our Group also utilised an IPO margin financing facility amounted to approximately HK\$13.0 million at an interest rate of 0.75% per annum from one of our principal bankers for the provision of IPO margin financing to our clients. Save as disclosed above, our Group mainly used its internal resources as the source of funding for our margin and IPO financing business. During the Track Record Period, the margin loans granted by our Group generally had margin spread of up to Prime Rate plus 7% per annum. No impairment in respect of margin loans was made by our Group and our Group had not encountered any insufficiency of clients' margin deposit for covering loss positions during the Track Record Period. For each of the years ended 31 December 2012, 2013 and 2014, interest income generated from margin and IPO financing amounted to approximately HK\$2.0 million, HK\$2.0 million and HK\$2.1 million respectively, which represented approximately 10.1%, 4.2% and 1.8% of our Group's total revenue for the corresponding years respectively.

When determining the interest rate to be applied to each client, our Group has taken into consideration (i) the financial background; (ii) annual income; (iii) investment experience; (iv) trading volume; and (v) quality of securities pledged by each relevant client. The interest rate will be determined on a case-by-case basis by our credit committee. With reference to the background and nature of our client, our credit committee will approve a credit limit to each client, which is the maximum amount of facility that CIS will grant to our margin client irrespective of the amount of collateral (all monies and securities which our client held in their accounts with CIS) and margin ratio (the percentage of the value of the collateral up to which the client is permitted to borrow from CIS against the collateral).

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Set out below are the major terms and conditions with regard to our margin financing services:-

- the facility can only be used by our clients in connection with the acquisition or holding of securities by CIS for our clients;
- CIS may grant the client a facility of such amount up to the credit limit as may be notified to the client from time to time. The credit limit available to the client and the margin ratio may be varied by notice given by CIS from time to time. Notwithstanding the credit limit as notified to the client, CIS may at its discretion extend the facility to the client in excess of the credit limit and the client agrees that they shall be liable to repay the full amount of any facility given by CIS in accordance with the terms of our margin client agreement;
- CIS is instructed and authorised by the client to draw on the facility to settle any amounts due to CIS in respect of the client's purchase of securities, margin maintenance obligations for any positions required by CIS, or payment of any commission or other costs and expenses owing to CIS, including costs and expenses that may be incurred in connection with the realisation of any collateral;
- CIS will not at any time be obliged to provide any facility to the client when the client is in default of any provisions of the margin facility terms; or there is or has been a material adverse change in the client's financial condition or in the financial condition of any person which might adversely affect the client's ability to discharge the client's liabilities or perform the client's obligations under the margin facility terms; or making an advance would cause the applicable credit limit to be exceeded; or CIS in its absolute discretion considers it prudent or desirable for its protection not to do so;
- for so long as there exists any indebtedness to CIS on the client's part, CIS shall be entitled at any time and from time to time to refuse any withdrawal of any or all of the collateral and the client shall not without the prior written consent of CIS be entitled to withdraw any collateral in part or in whole from the client's account;
- the client shall on demand from CIS make payments or deposits of margin in monies, securities and/or other assets in such amount and in such form into a designated account and within such time as specified by CIS (referred to as a margin call) as CIS in its absolute discretion determines necessary to provide adequate security in respect of the facility;
- the client agrees to pay interest on a daily basis on the amount of the facility extended to the client. The interest rate shall be at a percentage above CIS's cost of funds which will vary according to the prevailing money market situation and as notified to the client by CIS from time to time. Such interest charges may be deducted by CIS from the margin account or any other account of the client with CIS; and
- the client shall, upon CIS's demand at any time, repay to CIS all principal and interest accrued thereon outstanding under the facility.

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The table below sets out the number of our margin clients with an outstanding margin loan amount and the approximate total amount of outstanding margin loan as at 31 December 2012, 31 December 2013 and 31 December 2014 respectively:

	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014
Number of our margin clients with an outstanding margin loan	27	31	46
Approximate total amount of outstanding margin loan (HK\$'000)	20,381	14,027	22,338

The tables below set out the approximate amount of the five largest amount of margin loan granted to our margin clients and their respective background and relationship with our Group as at 31 December 2012, 31 December 2013 and 31 December 2014:

As at 31 December 2012:

Client	Credit limit granted (HK\$ million)	Outstanding margin loan amount owed to our Group (HK\$ million)	% to our Group's total amount of margin loan granted (%)	Category of client	Relationship with our Group	Year of becoming our client
Company D	5.0	4.1	20.1	Institutional/ corporate	Independent Third Party	2011
Individual B	4.0	3.4	16.9	Retail	Independent Third Party	2012
Individual C	5.0	3.2	15.5	Retail	Independent Third Party	2011
Individual D	3.0	3.0	14.8	Retail	Independent Third Party	2011
Individual E	3.0	2.0	9.6	Retail	Independent Third Party	2011

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As at 31 December 2013:

Client	Credit limit granted (HK\$ million)	Outstanding margin loan amount owed to our Group (HK\$ million)	% to our Group's total amount of margin loan granted (%)	Category of client	Relationship with our Group	Year of becoming our client
Individual F	5.0	5.1 <i>(Note)</i>	36.2	Retail	Independent Third Party	2013
Company D	5.0	1.9	13.7	Institutional/corporate	Independent Third Party	2011
Company E	3.0	1.8	13.1	Institutional/corporate	Independent Third Party	2012
Company F	2.5	1.2	8.7	Institutional/corporate	Independent Third Party	2011
Individual G	1.5	0.7	5.2	Retail	Independent Third Party	2012

Note: The amount of approximately HK\$0.1 million represented the accrued interest incurred from the outstanding margin loan amount owed to our Group.

As at 31 December 2014:

Client	Credit limit granted (HK\$ million)	Outstanding margin loan amount owed to our Group (HK\$ million)	% to our Group's total amount of margin loan granted (%)	Category of client	Relationship with our Group	Year of becoming our client
Chan Chi Keung <i>(Note 1)</i>	8.0	7.5	33.6	Retail	Connected person	2008
Individual F	5.0	4.7	21.1	Retail	Independent Third Party	2013
Individual D	3.0	2.7	12.0	Retail	Independent Third Party	2011
Company G <i>(Note 2)</i>	4.0	2.3	10.2	Institutional/corporate	Connected person	2012
Company E	3.0	0.6	2.6	Institutional/corporate	Independent Third Party	2012

Note 1: Chan Chi Keung is a director of CIS.

Note 2: Company G is a company wholly-owned by Mr. Kwok Wai Tak, a Controlling Shareholder.

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As at 31 December 2012, 31 December 2013 and 31 December 2014, the amounts of margin loan outstanding were approximately HK\$20.4 million, HK\$14.0 million and HK\$22.3 million respectively, and total market value of securities pledged as collateral in respect of our margin loans were approximately HK\$66.0 million, HK\$51.5 million and HK\$139.7 million respectively.

As at 31 December 2012 and 2013, our Group had over 70 (of which over 10 were institutional/corporate clients and over 60 were retail clients) and 80 (of which 10 were institutional/corporate clients and over 70 were retail clients) margin clients respectively whose margin securities trading accounts had recorded activities for purchase and/or sale of securities in the past 12 months preceding 31 December 2012 and 2013 respectively. As at 31 December 2014, our Group had over 100 (of which over 10 were institutional/corporate clients and over 90 were retail clients) margin clients whose margin securities trading accounts had recorded activities for purchase and/or sale of securities in the past 12 months preceding 31 December 2014.

The tables below set out the approximate revenue generated from our margin and IPO financing services by the largest five clients, their relationship with our Group and the year becoming our clients for each of the years ended 31 December 2012, 2013 and 2014 respectively:

For the year ended 31 December 2012:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from margin and IPO financing services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Individual C	339	16.9	1.7	Independent Third Party	2011
Individual E	314	15.7	1.6	Independent Third Party	2011
Individual M	242	12.1	1.2	Independent Third Party	2012
Individual B	239	11.9	1.2	Independent Third Party	2012
Individual D	134	6.7	0.7	Independent Third Party	2011

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For the year ended 31 December 2013:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from margin and IPO financing services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Individual B	276	14.2	0.6	Independent Third Party	2012
Company D	263	13.5	0.6	Independent Third Party	2011
Company F	142	7.3	0.3	Independent Third Party	2011
Individual C	130	6.6	0.3	Independent Third Party	2011
Company J (Note)	90	4.6	0.2	Connected person	2011

Note: Company J is a company wholly-owned by Mr. Kwok Wai Tak, a Controlling Shareholder.

For the year ended 31 December 2014:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from margin and IPO financing services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Individual F	421	20.1	0.4	Independent Third Party	2013
Individual D	136	6.5	0.1	Independent Third Party	2011
Company G (Note 1)	129	6.2	0.1	Connected person	2012
Company F	120	5.7	0.1	Independent Third Party	2011
Chan Chi Keung (Note 2)	113	5.4	0.1	Connected person	2008

Note 1: Company G is a company wholly-owned by Mr. Kwok Wai Tak, a Controlling Shareholder.

Note 2: Chan Chi Keung is a director of CIS.

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Risk management

Our Group has established credit control measures to monitor its margin and IPO financing activities, which are supervised and managed by our Group's credit committee, comprising the directors of CIS, a Responsible Officer, the compliance manager and the financial controller. The credit committee is responsible for credit risk control and management procedures, and oversees all financing activities of our Group.

Our Group has a list of acceptable collateral securities with the corresponding margin ratio which generally applies to the margin financing activities of our Group. The credit committee determines our Group's list of acceptable collateral securities for margin financing and the applicable margin ratios by adopting the list of eligible stocks for margin financing of a licensed bank in Hong Kong made available from time to time which is reviewed by our Group on a regular basis, which specifies (a) the names of securities which can be considered as the acceptable collateral securities for margin financing; and (b) the corresponding pre-defined margin ratio for each of such securities ranging from 10% to 85%. The acceptable collateral securities with (i) a margin ratio of 85% are iBonds; (ii) a margin ratio of 70% are selected Hang Seng Index constituent stocks; (iii) a margin ratio of 65% are selected Hang Seng Index constituent stocks and Hang Seng China Enterprises Index constituent stocks; (iv) a margin ratio of 55% are selected constituent stocks from Hang Seng China Enterprises Index, Hang Seng China-Affiliated Corporations Index, Hang Seng HK 35 and Hang Seng Mainland 100, and selected stocks with market capitalisation of at least HK\$5 billion; (v) a margin ratio of 40% are selected stocks with market capitalisation of at least HK\$1 billion; and (vi) a margin ratio of 10% to 30% are selected stocks with market capitalisation of at least HK\$0.3 billion.

The abovementioned list of eligible stocks for margin financing of a licensed bank in Hong Kong was adopted by our Group's credit committee as the list of acceptable collateral securities of CIS after taking in consideration, among others, that (i) such licensed bank is one of the reputable banks listed in Hong Kong; (ii) the list of eligible stocks for margin financing of such licensed bank covers a broader range of collateral securities as compared to other licensed banks in Hong Kong whose eligible stocks for margin financing were made available to CIS; and (iii) the margin ratios of such acceptable collateral securities are generally in line with those of other brokerage houses in Hong Kong which are considered to have comparable size with CIS. Accordingly, our Directors consider that the list of acceptable collateral securities of CIS was determined in the interest of our Group and the Shareholders as a whole.

While such acceptable collateral securities are held as collateral for the purpose of securing a margin loan, CIS applied the haircut percentage prescribed by Schedule 2 of the FRR in respect of such acceptable collateral securities to determine the value of the margin loan as a liquid asset as part of its risk management as well as regulatory compliance for its margin financing activities. Our Directors confirm that apart from cash and listed securities which are acceptable forms of collaterals, our Group does not have any other forms of collateral which is neither cash nor listed securities.

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The credit committee also carries out due diligence exercises as to the background of each margin client, including a review of the composition of his/her investment portfolio, trading history and financial resources which were indicated by the client in the standard account opening form. In the event when a client wishes to apply for a margin facility in excess of the credit limit already granted to him/her, our account executives or customer services representatives will fill out a specified application form for such client indicating the amount of margin facility requested and such application will require approval from different level of authority such as our financial controller and a Responsible Officer, the directors of CIS or the credit committee depending on the amount of margin facility requested. Factors which shall be taken into account when approving such application include, without limitation, (i) the client's financial background; (ii) trading history and pattern; (iii) margin call record; and (iv) the relevant market situation. During the Track Record Period, no margin facility was granted by CIS to its margin clients in excess of the credit limit already granted to such client.

On a daily basis, dedicated members of the credit committee monitor the margin loans along with changes in market condition as well as the trading activities of the Group's clients. In order to avoid its clients having insufficient financial resources to repay the amounts due to our Group in the event when the margin loan granted exceeds the value of the collateral securities held under the client's margin accounts, our Group will consider to revise its client's credit limit or liquidate its clients' margin accounts in accordance with the credit control policies and procedures of CIS. In assessing whether revision to the client's credit limit is required, our Group will take into consideration factors such as (i) the client's financial background; (ii) trading history and pattern; (iii) margin call record; and (iv) the relevant market situation. In considering if liquidation for the client's margin account is required, our Group will follow our standard margin call procedure as provided in the credit control policies and procedures of CIS. In accordance with the credit control policies and procedure of CIS, margin calls will be made by the account executives and licensed customer services representatives for settlement of overdue amounts of receivables. A letter will be sent to clients requesting for settlement for overdue receivables more than five days after the due settlement date. In the event that the client's margin ratio falls between the range of 50% to 79%, such client's securities portfolio and his pre-approved credit limit will be reviewed by the members of the credit committee and such information will be passed to the Responsible Officer for monitoring such client account. In the event that the margin ratio falls between the range of 80% to 84%, our Group will consider if a margin call is required to request the client to deposit additional funds, sell securities or pledge additional securities to top up his/her margin value. In the event that such ratio is raised to 85% or above, our Group will consider to liquidate such client's account. In the event that our client is unable to meet a margin call, our Group may dispose of the pledged securities and use the sale proceeds thereof towards repayment of the loan. Our standard control policies also provide certain factors which our Group would take into consideration when deciding if a margin call could be waived when the margin ratio of margin accounts reached 80% or above, or if liquidation of margin accounts with a margin ratio of over 85% could be waived, or if a higher margin ratio threshold for liquidation of margin accounts shall be granted to a particular margin client. Such factors included, but not limited to, (i) the materiality of the outstanding loan amount of the relevant margin account (i.e. it is considered immaterial if such amount falls below HK\$3,000); (ii) if there had been any arrangement between CIS and the margin client for the setup of new repayment schedule for the outstanding loan amount in the event when the client is unable to meet a margin call; (iii) the financial background and trading history of the margin client; and (iv) the quality of the securities held by the margin client.

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Immediately prior to the implementation of the enhanced margin policy of CIS on 3 October 2013 (the "**Implementation**") as set out under the paragraph headed "Internal Control – Internal control enhancement" under this section, the total outstanding amount of margin loan which were resulted from (i) margin calls not being made when the margin ratio of margin accounts reached 80% or above; and (ii) margin accounts with a margin ratio of 85% or above which were not liquidated amounted to approximately HK\$3,680, representing approximately 0.02% of the then total amount of margin loan granted to our margin clients. Such outstanding amount were incurred by 14 margin accounts due to the fact that the outstanding loan amount of each of these 14 margin accounts was considered immaterial, and therefore no margin call or liquidation was made by our Group to these margin accounts. After the Implementation, our Directors confirm that there were no departures from our standard control policies for our margin financing activities.

Our Group's computer system tracks, on a real-time basis, all client accounts (whether traditional brokerage accounts or online trading accounts). In the event of any stock trading over the pre-defined limit, the system will be blocked such that no stock trading over the pre-defined limit is allowed through the computer system. Any client who wishes to trade over the pre-defined limit will require the approval of the credit committee. When making credit limit decisions, the credit committee would review a client's personal profile and financial position, trading history and patterns, relevant market conditions, stock/sector outlook and relevant risks posed to our Group.

For further details on our Group's risk control measures, please refer to the paragraph headed "Internal control" in this section.

CIES related services

In 2010, our Group commenced the provision of CIES related services to applicants of CIES. Our CIES clients are generally referred by the CAM Consultants. During the Track Record Period, CIS has engaged an Independent Third Party to provide immigration consultancy service to our CIES clients by submitting CIES application to the Immigration Department of Hong Kong, liaising with the Immigration Department of Hong Kong and arranging for information and documents to be submitted or obtained from the Immigration Department of Hong Kong on behalf of our CIES clients. CIS provides investment services to our CIES clients to invest in the permissible investment asset classes as defined under the CIES Rules. Under the CIES Rules, a CIES applicant must invest not less than HK\$10 million and remain invested throughout the period of the CIES applicable to them in the permissible investment asset classes as required under the CIES Rules. Such permissible investment asset classes include specified financial assets such as equities, debt securities, certificates of deposits, subordinated debt and eligible collective investment schemes. Any CIES clients who wish to invest through CIS will open a cash account with CIS to engage CIS for its brokerage services. Hence, our CIES related services are complementary to our brokerage business. CIS also provides investment services to our CIES clients who wish to invest in the eligible collective investment schemes as defined under the CIES Rules. Any services in relation to the subscription or redemption of certain eligible collective investment schemes are provided to CIS (on behalf of our CIES clients) by CAM. CAM receives certain amount of commission from fund houses for sub-distribution of eligible collective investment schemes and CAM shares certain proportion of commission to CIS. During the Track Record Period, our Group had received commission sharing from CAM for introducing

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business to CAM which provides certain eligible collective investment schemes to CIS (on behalf of our CIES clients). For each of the years ended 31 December 2012, 2013 and 2014, the total commission received by our Group from CAM accounted to approximately HK\$0.6 million, HK\$2.2 million and HK\$3.6 million respectively, which represented approximately 3.0%, 4.8% and 3.1% of the total revenue generated from our Group for the corresponding years. For more details regarding the relationship between our Group and CAM, please refer to the section headed "Relationship with our Controlling Shareholders and senior management" in this document.

For the accounts of CIES which invested through CIS, CIS will also act as a financial intermediary to such accounts of CIES for the management and operation of their accounts by submitting financial reports and other required documents of such accounts of CIES to the Immigration Department of Hong Kong annually on behalf of our CIES clients, and liaising with the Immigration Department of Hong Kong regarding any queries raised by them relating our CIES clients. Our Group generally charges an annual fee on each account of CIES for monitoring the accounts of CIES to ensure that they are in compliance with the relevant investment, reporting and documentation requirements under the CIES Rules throughout the period of the CIES applicable to them, such as, when the accounts of CIES wish to re-invest in another permissible financial asset, not more than 14 days may elapse between the date of the contract for the sale of the financial asset being sold and the date of the contract for the purchase of the reinvestment financial asset.

Set out below are the major terms and conditions with regard to our CIES related services:-

- CIS is responsible for managing the information provided by CIES applicant for the purposes of his CIES application and giving advice to the CIES applicant regarding the interview conducted by the immigration officer of the Immigration Department of Hong Kong;
- CIS shall be entitled to a service fee of approximately HK\$40,000 per CIES application and shall receive a fee of approximately HK\$10,000 on behalf of the asset valuer and accountant for their provision of asset valuation and accounting services respectively (excluding any applicable taxes and levies);
- the service fee of approximately HK\$40,000 shall not be refunded to the CIES applicant in the following events:
 - (i) when the CIES applicant forgoes his CIES application during the application process; or
 - (ii) the approval from the Immigration Department of Hong Kong regarding the CIES application is not being obtained due to the non-disclosure of any criminal records of the CIES applicant, the provision of any inaccurate information or documents, the inability to provide the required documents regarding the CIES application to the Immigration Department of Hong Kong, or the inability to comply with the relevant investment requirements under the CIES Rules.

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As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group had over 80, 310 and 620 CIES clients respectively. For each of the years ended 31 December 2012, 2013 and 2014, revenue generated from our CIES related services amounted to approximately HK\$0.7 million, HK\$2.4 million and HK\$4.2 million respectively, representing approximately 3.5%, 5.2% and 3.6% respectively of our Group's total revenue for the corresponding years, out of which (i) approximately HK\$0.6 million, HK\$2.2 million and HK\$3.6 million represented the commission income from CAM respectively; and (ii) approximately HK\$0.1 million, HK\$0.2 million and HK\$0.6 million represented the service fee income generated from our CIES clients respectively.

The tables below set out the approximate revenue generated from our CIES related services attributed to the largest five CIES clients, their relationship with our Group and the year becoming our clients for each of the years ended 31 December 2012, 2013 and 2014 respectively:

For the year ended 31 December 2012:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from CIES related services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Individual N	62	9.0	0.3	Independent Third Party	2012
Individual O	59	8.6	0.3	Independent Third Party	2011
Individual P	58	8.4	0.3	Independent Third Party	2011
Individual Q	54	7.9	0.3	Independent Third Party	2012
Individual R	50	7.3	0.3	Independent Third Party	2011

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For the year ended 31 December 2013:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from CIES related services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Individual S	60	2.5	0.1	Independent Third Party	2013
Individual T	60	2.5	0.1	Independent Third Party	2011
Individual U	60	2.5	0.1	Independent Third Party	2013
Individual V	60	2.5	0.1	Independent Third Party	2013
Individual W	49	2.0	0.1	Independent Third Party	2013

For the year ended 31 December 2014:

Clients	Revenue generated (HK\$'000)	% of our Group's revenue generated from CIES related services (%)	% of our Group's total revenue (%)	Relationship with our Group	Year of becoming our client
Individual I	137	3.3	0.1	Independent Third Party	2014
Individual FF	125	3.0	0.1	Independent Third Party	2014
Individual AA	125	3.0	0.1	Independent Third Party	2014
Individual GG	85	2.0	0.1	Independent Third Party	2013
Individual HH	51	1.2	0.04	Independent Third Party	2014

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The Government of Hong Kong has announced that CIES would be suspended with effect from 15 January 2015 until further notice and applications received on or before 14 January 2015, whether already approved (including approval-in-principle and formal approval) or still being processed, will still be processed. Consequentially, no new applications under the CIES submitted after 14 January 2015 would be processed by the Immigration Department of Hong Kong. According to the latest information published by the Immigration Department of Hong Kong, as at 31 December 2014, there were approximately 13,800 outstanding CIES applications still being processing by the Immigration Department of Hong Kong and approximately 2,500 CIES applications which have obtained approval-in-principle from the Immigration Department of Hong Kong but still pending for formal approval.*

During the Track Record Period, our Group had engaged an Independent Third Party which provided immigration related consultancy service to our CIES clients, i.e. liaising with the Immigration Department of Hong Kong and arranging for information and documents to be submitted or obtained from the Immigration Department of Hong Kong on behalf of our CIES clients. Going forward, our Group, through such Independent Third Party, will continue to process their applications submitted on or before 14 January 2015 and will maintain our investment services to the existing CIES clients. Based on (i) the number of outstanding CIES applications still being processing or pending for formal approval to be granted by the Immigration Department of Hong Kong as at 31 December 2014; (ii) the historical pace of CIES application approval of the Immigration Department of Hong Kong; and (iii) the annual service fees to be generated from our existing and prospective CIES clients over the period required by the CIES Rules, our Directors believe that our Group will be able to continue to carry on the CIES business for the coming few years. Following the suspension of CIES by the Government of Hong Kong, our Group intends to leverage on our established client base and network to explore the possibility of facilitating our clients to migrate to and invest in other countries. For more information, please refer to the section headed "Future plans and use of proceeds – Business strategies" in this document. For risk associated with our CIES business, please refer to the section headed "Risk factors – We are exposed to the risk associated with our CIES business following the suspension of CIES by the Government of Hong Kong which may affect our Group's business, financial condition, operating results and prospects" in this document.

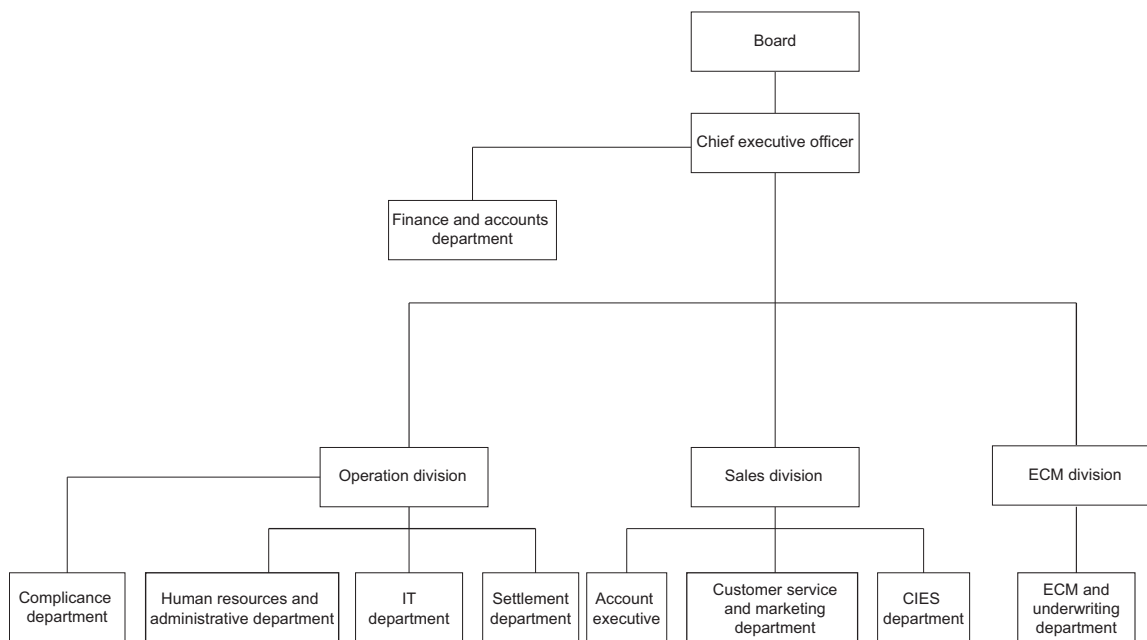
Having considered that (i) our Group's revenue generated from the provision of CIES related services only represented approximately 3.5%, 5.2% and 3.6% of our Group's total revenue for the each of the years ended 31 December 2012, 2013 and 2014, respectively; and (ii) our Group is expected to be able to carry on our CIES business for the coming few years, our Directors are of the view that the suspension of CIES by the Government of Hong Kong will not have an immediate material impact on the financial performance of our Group.

* *According to the CIES, when approval-in-principle is given to an entrant, he/she will be initially allowed to enter Hong Kong on visitor status for three months. If evidence of active progress in investment can be shown, his/her visitor status can be extended for another three months. When the entrant has furnished proof that the requisite level of investment has been made, permission to stay for two years (formal approval) will be granted*

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MANAGEMENT ORGANISATION STRUCTURE OF OUR GROUP

Set out below is the management organisation structure of our Group.



The operation of our Group are divided into the following major departments:

Finance and accounts department: The finance and accounts department is primarily responsible for inputting accounting data and daily accounting entry as well as reconciliation, ensuring the asset and liabilities of our Company are sufficient to fulfil the requirement under the FRR, preparing the daily reports for Responsible Officer's verification, preparing the monthly financial return reports for submission to the SFC and monitoring all trading activities of our Group on a real-time basis through our computer system. It is also responsible for testing the control system and to make recommendations to the management on improvement of the system.

Compliance department: The compliance department supports our Group in the perspective of monitoring and implementing compliance policies, overseeing legal and regulatory matters and monitoring internal and management procedures. It ensures compliance with internal and external policies and requirements and handle complaints and requests from clients and regulatory bodies.

Human resources and administrative department: The department is responsible for providing the functions of recruitment and selection, performance management, compensation and benefits, training and development and managing of all employees-related matters, such as mandatory provident fund and payroll, for our internal staff.

Settlement department: The settlement department supports the dealing operations, complete and perfect settlement of securities and futures transactions, handle all matters in relation to CCASS, DCASS, SEOC and administration of the nominee services provided to all the clients and input, store and update relevant transaction data and information.

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IT department: The IT department is responsible for the perspective IT infrastructure, network communication system operation and server maintenance to our Group. It monitors our trading system, settlement system, website, recording system, telephone system, internal network and ensures that our Group adopts the information technology system which meets with the regulator's requirements. Our IT personnel is also responsible for maintaining the backup data storage system maintained outside our office premises as required under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong).

Sales division: The sales division comprises the customer services and marketing department and the CIES department. The division carries out the exploration of business opportunities and expansion of business volume. This division consists of account executives and licensed customer services representatives who are responsible for providing customer services and liaising with potential clients for our Group's services.

ECM division: The ECM division is responsible for negotiating placing and underwriting transactions with our potential clients and acts as placing agent or syndicate member for IPO transactions. It also contacts institutional/corporate clients from its client database to subscribe for shares in these transactions.

MAJOR CLIENTS AND SUPPLIERS

The tables below set out the approximate revenue generated from the largest five clients, the service provided by our Group, their relationship with our Group and the year becoming our clients, during the Track Record Period:

For the year ended 31 December 2012:

Client	Revenue HK\$'000	% of our Group's total revenue %	Service provided by our Group	Relationship with our Group	Year of becoming our client
Company A (Notes 1, 2)	5,296	26.8	Securities placing and retainer ECM services	Independent Third Party	2012
Company B (Notes 3, 4, 5, 6, 7)	2,318	11.7	Securities placing and retainer ECM services	Independent Third Party	2012
Company C	912	4.6	Sub-placing of bonds	Independent Third Party	2012
Individual A	802	4.1	Securities placing	Independent Third Party	2012
Company D	740	3.7	Brokerage services and margin and IPO financial services	Independent Third Party	2011

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For the year ended 31 December 2013:

Client	Revenue HK\$'000	% of our Group's total revenue %	Service provided by our Group	Relationship with our Group	Year of becoming our client
Company B (Notes 3, 4, 5, 6, 7)	12,810	27.8	Securities placing and retainer ECM services	Independent Third Party	2012
Company C	7,100	15.4	Sub-placing of bonds	Independent Third Party	2012
Company A (Notes 1, 2)	4,853	10.5	Retainer ECM services	Independent Third Party	2012
Company X (Note 8)	2,000	4.3	Securities placing	Independent Third Party	2013
Company Y (Note 9)	1,015	2.2	Brokerage services	Independent Third Party	2011

For the year ended 31 December 2014:

Client	Revenue HK\$'000	% of our Group's total revenue %	Service provided by our Group	Relationship with our Group	Year of becoming our client
Company T	28,158	24.3	Sub-placing of bonds	Independent Third Party	2014
Company B (Notes 3, 4, 5, 6, 7)	10,759	9.3	Securities placing and retainer ECM services	Independent Third Party	2012
Company A (Notes 1, 2)	9,504	8.2	Retainer ECM services	Independent Third Party	2012
Company C	5,700	4.9	Sub-placing of bonds	Independent Third Party	2012
Company H	5,120	4.4	Bonds placing	Independent Third Party	2013

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Notes:

1. On 15 December 2012, Company A issued to CIS the warrants conferring rights to CIS to subscribe for 350,000,000 shares in the share capital of Company A as consideration for retainer ECM services to be provided by CIS over a period of 36 months from 15 December 2012. During the year ended 31 December 2013, such warrants were fully disposed by CIS, out of which, on 28 January 2013, CIS transferred to Specialty Plus Limited, a company wholly-owned by Mr. Tse Tim, the chief executive officer of our Company, the warrants conferring the rights to subscribe for 60,000,000 shares in the share capital of Company A. As at the Latest Practicable Date, the above warrants had been disposed by Mr. Tse Tim.
2. During the Track Record Period, Ms. Yan Siu Fung, our executive Director and chairlady of our Board, Mr. Wong, our Controlling Shareholder, and Mr. Leung, a Pre-IPO Investor and a Significant Shareholder, held shares of Company A. As at the Latest Practicable Date, Ms. Yan Siu Fung, Mr. Wong and Mr. Leung had disposed their respective shares of Company A.
3. On 11 April 2013, Company B issued to CIS the options conferring rights to CIS to subscribe for 32,000,000 shares in the share capital of Company B as consideration for retainer ECM services to be provided by CIS over a period of 36 months from 11 April 2013.
4. On 4 May 2012, CIS has successfully completed a placing transaction in which it acted as a placing agent for Company B to place 330,000,000 shares of Company B to not less than 6 placees, including CIS. Upon completion of such transaction and up to the Latest Practicable Date, CIS holds 14,500,000 shares of Company B, representing approximately 0.3% of the issued share capital of Company B as at the Latest Practicable Date.
5. On 11 April 2013, Company B has granted Specialty Plus Limited, a company wholly-owned by Mr. Tse Tim, the chief executive officer of our Company, the options conferring rights to subscribe for 32,000,000 shares in the share capital of Company B.
6. During the Track Record Period, Mr. Tse Tim, the chief executive officer of our Company, held 4,000,000 shares of Company B, representing approximately 0.08% of the issued share capital of Company B as at the Latest Practicable Date. As at the Latest Practicable Date, the 4,000,000 shares of Company B had been disposed by Mr. Tse Tim.
7. On 28 March 2014, Company B issued to Mr. Leung, a Pre-IPO Investor and a Significant Shareholder, the warrants conferring rights to Mr. Leung to subscribe up to HK\$125,000,000 in aggregate for shares of Company B. During the Track Record Period, Mr. Leung, Ms. Yan Siu Fung, our executive Director and the chairlady of our Board, Mr. Wong and Mr. Cheung, both our Controlling Shareholder, held shares of Company B. As at the Latest Practicable Date, Mr. Leung, Ms. Yan, Mr. Wong and Mr. Cheung had disposed their respective shares of Company B.
8. During the Track Record Period, the spouse of Mr. So Kwok Keung ("**Mrs. So**"), our executive Director, held shares of Company X. As at the Latest Practicable Date, Mrs. So had disposed her shares of Company X.
9. Company Y is wholly-owned by Mr. Jiang Qi Hang, who is the ultimate shareholder of China Angel, which became our Significant Shareholder and our Pre-IPO Investor on 28 February 2014.

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For each of the years ended 31 December 2012, 2013 and 2014, our Group's revenue attributable to its five largest clients accounted for approximately 50.9%, 60.2% and 51.0% of our Group's total revenue respectively. During the same years/period, our largest client accounted for approximately 26.8%, 27.8% and 24.3% of our Group's total revenue for such years/period respectively.

Save as disclosed above, to the best knowledge of our Directors, none of the Directors, chief executives or their respective associates or the existing Shareholders who own more than 5% of our Company's issued share capital, has or had any interest in any of our five largest clients during the Track Record Period.

The table below sets out the movement of our cash and margin client accounts during the Track Record Period:

	Approximate number of accounts		Total
	Cash accounts	Margin accounts	
As at 31 December 2011	3,790	70	3,860
Addition during 2012	620	70	690
Termination during 2012	(40)	(10)	(50)
As at 31 December 2012	4,370	130	4,500
Addition during 2013	1,370	60	1,430
Termination during 2013	(30)	(10)	(40)
As at 31 December 2013	5,710	180	5,890
Addition during 2014	1,780	100	1,880
Termination during 2014	(70)	(10)	(80)
As at 31 December 2014	7,420	270	7,690

The total number of cash and margin client accounts had been increasing during the Track Record Period. The number of client accounts opened during the year ended 31 December 2013 had increased when compared to that of the year ended 31 December 2012, whilst the number of client accounts terminated during the year ended 31 December 2013 had decreased when compared to that of the year ended 31 December 2012. The number of client accounts opened and terminated during the year ended 31 December 2014 had increased when compared to that of the year ended 31 December 2013. Our Directors believe that the reason for the increase in the total number of accounts during the Track Record Period was mainly due to, among others, the increasing recognition of our Group's brand name and the increase in headcounts in our sales division during the Track Record Period which created an increase in our marketing efforts in promoting our brokerage services.

BUSINESS

The table below sets out the movement of our active accounts (being accounts which we had generated income from in the past 12 months preceding the date specified) during the Track Record Period:

	Approximate number of active accounts with trading activity		
	Cash accounts	Margin accounts	Total
As at 31 December 2011	1,230	40	1,270
Became active accounts during 2012	310	50	360
Ceased to be active accounts during 2012	(490)	(20)	(510)
As at 31 December 2012	1,050	70	1,120
Became active accounts during 2013	700	30	730
Ceased to be active accounts during 2013	(300)	(20)	(320)
As at 31 December 2013	1,450	80	1,530
Became active accounts during 2014	960	30	990
Ceased to be active accounts during 2014	(480)	(10)	(490)
As at 31 December 2014	1,930	100	2,030

The number of active accounts which we had generated income from in the past 12 months preceding 31 December 2013 had increased when compared to that as at 31 December 2012, whilst the number of accounts ceased to be active which we had not generated income from in the past 12 months preceding 31 December 2013 had decreased when compared to that as at 31 December 2012. The number of active accounts which had generated income from in the past 12 months preceding 31 December 2014 and the number of active accounts which ceased to be active which we had not generated income from in the past 12 months preceding 31 December 2014 had increased when compared to that of the year ended 31 December 2013. Our Directors believe that the reason for the increase in the total number of active accounts which we had generated income from in the past 12 months preceding 31 December 2012, 31 December 2013 and 31 December 2014 respectively was mainly due to, among others, the increasing recognition of our Group's brand name and the increase of headcounts in our sales division during the Track Record Period which led to an increase in our marketing efforts in promoting our brokerage services.

Due to the nature of our business activities, our Group has no major suppliers.

BUSINESS

COMMISSION AND FEE

Set out below are the general charging basis, in relation to our principal business activities as at the Latest Practicable Date.

	As at the Latest Practicable Date
Securities brokerage commission (for trading in Hong Kong securities)	0.01% to 0.25% of transaction value (with a minimum charge of HK\$50) (Note)
Securities brokerage commission (for trading in overseas securities)	0.2% to 0.7% of transaction value
Futures brokerage commission (for trading in Hong Kong futures)	a fixed charge of HK\$11 to HK\$80 per contract
Futures brokerage commission (for trading in overseas futures)	A fixed charge of US\$10 to US\$12 per contract
Margin and IPO financing interest	Up to Prime Rate plus 7% per annum
Handling and scrip fee income	Fixed charge on one time basis depending on the nature of service

Notes:

1. We generally do not actively offer plans such as monthly-fixed-charge plan and commission ceiling plan to our clients. However, we may consider the proposal of such monthly-fixed-charge plan or commission ceiling plan initiated at client's specific request. The monthly-fixed-charge plan is negotiated on a case-by-case basis, with reference to the trading volume of the customer. In considering whether to offer monthly-fixed-charge plan to a client, such client must be an active client of our Group at the time of such request, who have a good settlement record with relatively large trading volume. During the Track Record Period, we offered a monthly-fixed-charge plan to one corporate client.
2. As at 31 December 2012, 31 December 2013 and 31 December 2014, the maximum margin and IPO financing interest of Prime Rate plus 7% was only charged to approximately 19%, 10% and 4% of our Group's total number of margin clients respectively. Such clients were being charged at a maximum margin and IPO financing interest rate of Prime Rate plus 7% after being assessed by our Group based on their trading history and the quality of securities pledged by them. The remaining margin clients of our Group as at 31 December 2012, 31 December 2013 and 31 December 2014 were generally being charged at an interest rate of Prime Rate plus 4% or below.

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SALES AND MARKETING

Our Group's sales and marketing strategy mainly focuses on building good relationship with existing clients and sourcing new clients through referrals from our Directors, senior management, Responsible Officers and account executives. Our sales and marketing function also includes customer enquiries, account opening procedures and provide after-sales services and technical support.

Each account executive is responsible for a portfolio of customers whom he or she serves personally. In general, the customer service representatives and account executives take orders from customers and handle customer enquiries. They also expand the client network through referrals.

Upon Listing, we intend to apply the net proceeds from the [REDACTED] for, among others, expanding our brokerage client network, ECM related services and margin and IPO financing services. Our Group's marketing efforts will therefore emphasis its brokerage services, ECM related services and margin and IPO financing services. We have increased and will continue to increase the number of professional personnel in our ECM division. Further, the Directors believe that the expansion of our margin and IPO financing services would enhance our ability to increase our interest income by providing margin and IPO financing to clients to conduct securities trading using our Group's securities trading system. The Listing will also help to promote our Group's corporate image and to enhance public awareness towards our services, which will enable it to attract more customers and enrich our client profile.

INTERNAL CONTROL

Under the Code of Conduct, a licensed corporation should have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, customers and other licensed or registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omissions.

Our Group's overall internal control system is carried out by the compliance department, the finance and accounts department and the credit committee.

BUSINESS

A. The compliance department

Our compliance department plays an important role in setting the standards by devising internal control policies and procedures. As at the Latest Practicable Date, our compliance department comprised one compliance manager.

The compliance function of our compliance department consists of setting up internal control standards and policies for regulatory compliance. On the regulatory compliance side, we have our compliance manager to constantly monitor the requirements applicable for our business and the changes in licensing as well as regulatory requirements of the SFC. On the internal control side, we set out procedures such as staff dealing policy and review control areas such as chinese wall, segregation of duties, conflict of interests, policies on accounts opening and dealing practices. Our compliance department also periodically reviews the internal control policies in order to cope with the new development of the relevant laws and regulations. Any customer complaint received by the customer services department should immediately be referred to the Responsible Officer or the compliance manager for investigation and management decision. There are regular meetings between the compliance manager and the Responsible Officer to discuss and evaluate the need for improvement in the internal control system.

B. The finance and accounts department

The financial controller is responsible for testing the control system and to make recommendations to the management on improvement of the system. The personnel from the finance and accounts department regularly reviews our Group's balance sheet, profit and loss accounts and credit granted to clients to identify the risks exposure of our Group. It is also responsible for preparing the daily reports for verification by the Responsible Officer and the Directors and prepare the monthly financial return reports for submission to the SFC.

Internal control enhancement

Our Group has implemented a number of rectifications or improvements in the internal control measures in order to address the internal control deficiencies of CIS identified by a regulatory authority in 2010 and during the Track Record Period. Such review was limited in scope and may not reveal all breaches, deficiencies and irregularities that may exist at the relevant time. The findings identified by such regulatory authority did not and shall not be taken to imply that CIS complied with all applicable legal and regulatory requirements other than their findings identified at the relevant time.

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The following sets out the details of such internal control deficiencies and the measures which our Group had subsequently implemented:

1. *Findings by the regulatory authority in 2010*

Deficiencies identified	Measures implemented
<p>(i) Failure to comply with the FRR – It was noted by the regulatory authority that CIS breached the FRR by failing to account for its assets and liabilities in its financial returns for June to August 2010 in accordance with the requirements under the FRR for the purposes of calculating its liquid capital and required liquid capital. The management of CIS had failed to note such non-compliances until receiving enquiries from the regulatory authority. Upon repeated requests by the regulatory authority, CIS provided the regulatory authority with the revised financial returns and breakdowns to the balances reported in the financial returns.</p> <p>CIS was advised by the regulatory authority to enhance its controls over the monitoring of the compilation of the financial returns to ensure compliance with the FRR. CIS was also reminded by the regulatory authority to take all reasonable steps to ensure future compliance with all applicable requirements of the FRR at all times. CIS was also advised by the regulatory authority to ensure that its staff preparing the financial returns should thoroughly understand and are conversant with the requirements of the FRR, and that adequate management supervision and control procedures should be in place such that the financial returns are accurately and properly compiled.</p>	<p>Our Group has taken steps to enhance our internal control procedures in compiling financial returns such that CIS is in compliance with all applicable requirements of the FRR by ensuring that all financial returns are prepared by our financial controller and the financial returns are checked and endorsed by a Responsible Officer.</p>

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	Deficiencies identified	Measures implemented
(ii)	<p>Designation of client accounts – It was noted by the regulatory authority that certain client securities of CIS were deposited in accounts maintained with certain securities companies. However, such accounts were not properly designated as a trust or client account.</p> <p>CIS was reminded by the regulatory authority to implement proper controls to ensure compliance with the relevant regulatory requirements and to ensure that client assets are adequately safeguarded and properly accounted for.</p>	<p>Our Group has taken steps to implement proper controls regarding client's assets such that CIS is in compliance with the relevant regulatory requirements by ensuring proper designation of trust and client account</p>
(iii)	<p>Failure to comply with Rule 215 of HKFE Clearing Corporation Limited ("HKFECC") – the regulatory authority note that CIS only maintained its liquid capital at HK\$4,782,000 as at 31 May 2010. Under the HKFECC Rule 215, a clearing participant shall maintain its liquid capital no less than the higher of the required liquid capital under the FRR or HK\$5 million. Thus, CIS was in breach of HKFECC Rule 215.</p> <p>CIS was advised by the regulatory authority to designate a Responsible Officer to monitor the liquid capital positions in the future and was reminded to ensure strict compliance with the requisite financial requirement under HKFECC Rule 215 at all times in the future.</p>	<p>CIS notified the regulatory authority that the breach was due to the operating loss in May 2010. The breach was rectified in June 2010 by a capital injection of HK\$2 million from the then holding company of CIS. CIS has designated a Responsible Officer to monitor the liquid capital positions of CIS.</p>

BUSINESS

2. *Findings by the regulatory authority during the Track Record Period*

Deficiencies identified	Measures implemented
(i) Late notification of changes of bank accounts – CIS notified the regulatory authority in April 2013 and July 2014 respectively regarding the changes of 31 bank accounts of CIS and such notifications were made beyond the statutory time limit. Pursuant to section 4(3) of the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong), a licensed corporation shall give a notice in writing of such changes within 7 business days.	CIS has taken measures to ensure its compliance with Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong). Such measures include (i) enhancing the workflow and the finance and accounts department would update related parties once bank account were opened or closed; and (ii) the compliance department would review the bank accounts list regularly.

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Deficiencies identified	Measures implemented
<p>(ii) Intra-day trading limits granted to client – Trading limits granted to clients appear to be excessive based on the financial information available about clients, for example, excessive trading limits were granted to one of the clients. Furthermore, CIS did not maintain proper documentation on clients' investment history, past settlement records or other criteria to demonstrate how the intra-day trading limits granted were determined.</p>	<p>The management instructed the credit committee to maintain formal documentation for their review and approval of intra-day trading limit in September 2013 and reminded the credit committee for the said requirement from time to time.</p>
<p>The regulatory authority drew CIS's attention to paragraph VIII(2) of the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC which requires a licensed corporation to establish and follow appropriate and effective procedures to ensure that the firm's risks of suffering loss, financial or otherwise, as a consequence of client defaults or changing market conditions, are maintained at acceptable and appropriate levels. CIS was advised by the regulatory authority to establish and maintain proper risk management policies and procedures in place to avoid building up excessive exposures on any particular client and perform regular reviews of trading limits granted. CIS was also advised to maintain proper records to demonstrate compliance with the said requirement.</p>	

BUSINESS

Deficiencies identified

- (iii) Margin control for securities dealing – neither CIS had maintained any documentation nor its margin lending policy had set out (a) the circumstances in which deviation from the policy in relation to margin call may be approved by the management and the approval limits applicable to each level of the management; and (b) whether all clients with a loan to margin value would be subject to review in order to determine if a margin call shall be issued and the requirements for waiving the issue of margin calls.

The regulatory authority drew CIS's attention to paragraph 2 of Schedule 5 to the Code of Conduct and reminded CIS that a licensed corporation should have a prudent risk management policies and procedures. CIS was advised by the regulatory authority to tighten the credit control over margin client receivables by strictly enforcing its margin control with reference to the marginable value of the securities collateral. CIS was also advised to review and revise its current margin lending policy and strictly enforce such policy to ensure full compliance with Paragraph 12(l) of Schedule 5 to the Code of Conduct. CIS was advised to exercise careful discretion in allowing deviation from the margin lending policy. In this regard, CIS was advised to ensure appropriate assessment and written explanations be made while written management approval be obtained.

Measures implemented

Margin policy was being updated with effect from October 2013 and was being further updated with effect from November 2014 to ensure that a letter will be sent to clients requesting for settlement for overdue receivables more than five days after the due settlement date. In the event that the client's margin ratio falls between the range of 50% to 79%, such client's securities portfolio and his pre-approved credit limit will be reviewed by the members of the credit committee and such information will be passed to the Responsible Officer for monitoring such client account. In the event that the margin ratio falls between the range of 80% to 84%, our Group will consider if a margin call is required to request the client to deposit additional funds, sell securities or pledge additional securities to top up his/her margin value. In the event that such ratio is raised to 85% or above, our Group will consider to liquidate such client's account. In the event that our client is unable to meet a margin call, our Group may dispose of the pledged securities and use the sale proceeds thereof towards repayment of the loan. Our Group would take into consideration certain factors when deciding if a margin call could be waived when the margin ratio of margin accounts reached 80% or above, or if liquidation of margin accounts with a margin ratio of over 85% could be waived, or if a higher margin ratio threshold for liquidation of margin accounts shall be granted to a particular margin client. Such factors included, but not limited to, (i) the materiality of the outstanding loan amount of the relevant margin account (i.e. it is considered immaterial if such amount falls below HK\$3,000); (ii) if there had been any arrangement between CIS and the margin client for the setup of new repayment schedule for the outstanding loan amount in the event when the client is unable to meet a margin call; (iii) the financial background and trading history of the margin client; and (iv) the quality of the securities held by the margin client.

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	Deficiencies identified	Measures implemented
(iv)	<p>Margin call record – CIS failed to maintain proper record or documentation regarding details of margin call made by the account executive for individual clients.</p> <p>This is in breach of the requirements under section 7(2)(d)(iv) of the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong). CIS was advised by the regulatory authority to institute necessary measures to comply with the record-keep requirements.</p>	<p>From October 2013, record and documentation setting out the details sent by the credit committee to the account executives and/or licensed customer services representatives for individual clients, and the responses and/or the actions taken had been maintained by our Group.</p>
(v)	<p>Designation of segregated bank accounts and client's ledgers – CIS failed to maintain separate ledger accounts in respect of HKFE trades and non-HKFE trades for clients in accordance with paragraph 17 of Schedule 4 to the Code of Conduct. It was also noted that the bank accounts for the purpose of segregating client money in relation to HKFE trades and non-HKFE trades were not designated as such in accordance with paragraph 7(b) of Schedule 4 to the Code of Conduct.</p> <p>CIS was required by the regulatory authority to rectify the said deficiencies and implement appropriate controls and procedures to ensure compliance with the relevant requirements.</p>	<p>From October 2013, our Group had maintained the segregated ledger accounts for the clients in respect of HKFE trades and non-HKFE trades.</p>

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	Deficiencies identified	Measures implemented
(vi)	Controls for complying with the Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong) – CIS failed to (a) perform stock reconciliation between internal stock records and the stock holdings maintained in each of the CCASS sub-accounts; and (b) deposit client securities received in safe custody in a segregated account	From September 2013, our Group had conducted the daily stock reconciliation in respect of its internal stock ledger and CCASS's sub-accounts. In the circumstances where any discrepancy is to be found, our Group would perform the transfer in CCASS terminal no later than the next business day, where applicable.
(vii)	Controls over CCASS user profile – CIS failed to ensure that the access control and the limits for input or authorisation functions granted to each authorized person for operating the CCASS accounts were given on a needs basis and to ensure proper checks and balances were present	CCASS user profile was being reset in September 2013 where the maker and checker functions were segregated for each card.
(viii)	Late notification of cessation of auditor – CIS notified the regulatory authority in January 2014 of the cessation of its former auditor and such notification was made beyond the statutory time limit. Pursuant to section 154 of the SFO, a licensed corporation shall give a notice of a motion to change auditor in a general meeting within 1 business day.	CIS advised the regulatory authority that in order to ensure compliance with the SFO going forward, CIS had taken the following steps including (i) enhancing inhouse communication flow and the management would update related parties once there were any changes of auditor; and (ii) the compliance department would review the SFO regularly.
(ix)	Late notification of cessation to act as a licensed representative – CIS notified the regulatory authority in April 2014 that a licensed representative of CIS had ceased to be its licensed representative and such notification was made beyond the statutory time limit. Pursuant to section 123(1)(a) of the SFO, the principal should notify the regulatory authority of such cessation within 7 business days.	CIS advised the regulatory authority that in order to ensure compliance with the SFO going forward, CIS had enhanced the inhouse communication flow.

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Save as disclosed on the above, our Directors confirmed that our Group has not been subject to any review by the regulatory authority and that our Group had not experienced any significant loss arising from the deficiencies of our Group's internal control system during the Track Record Period and up to the Latest Practicable Date and there had been no disciplinary action or reprimand by any regulatory authority against CIS, its directors or any of its staff.

In order to closely monitor the implementation of the internal control system, the Responsible Officers will ensure that all relevant staff and account executives are aware of the procedures and/or changes as laid down in the operation manual, and the compliance manager will send emails to all Responsible Officers and Licensed Representatives to notify them any changes in the relevant laws, rules and regulations, and internal policies and procedures. The Responsible Officers will review and endorse the work done by the staff and the account executives during day-to-day operations. The compliance manager will perform compliance review from time to time to ensure that the relevant internal control rules and policies are properly followed by the staff and account executives.

Operational risk management

It is our Group's policies to ensure proper surveillance and monitoring of the operation of our Company and client and the employees' dealings. For this purpose, we have adopted a compliance manual which covers the regulatory compliance regime, such as the FRR and the relevant trading rules and our Company's own compliance code of practice in relation to matters such as account opening procedures.

Our Group enforces a set of internal control procedures on (i) opening and handling client accounts; (ii) customer service; (iii) sales; (iv) dealing practices; (v) tracking and handling error trades; and (vi) money settlement.

Opening and handling client accounts

In accordance with the provisions under the "Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission" and "Client Identity Rule Policy", client account opening procedures are handled exclusively by account executives and customer service representatives who are licensed by the SFC and are required to take all reasonable steps to establish, confirm and maintain the true identities of the client, beneficial owner(s) (if a company), authorised third parties who represent the client and its financial background, investment experience and objectives. All account openings will be further approved by the Responsible Officer and the compliance manager. Related specimen signatures and supporting documents must be obtained prior to the operating of an account. All information relating to the clients are kept in strict confidentiality and maintained in an orderly manner.

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Our account opening application form requires the client to disclose the details of any relative(s) currently employed by our Group. Moreover, our securities trading agreement imposes an obligation on the client to warrant that he/she is not associated with any of our Group's employees or agents and to agree that, if he/she becomes associated with any such persons after the date of account opening, he/she shall promptly notify CIS of the existence and nature of such association.

Our account opening application form also requires our client to declare if he/she is an employee of other SFC licenced corporations. Where the answer is yes, we will request written consent from the client's employer.

Customer service

Our Group has applied certain procedures for handling complaints. Upon receipt of a complaint by our customer service representatives who are licenced by the SFC, such complaint will be passed to the compliance department. The compliance department will study the details and conduct investigation and such complaints will be communicated to the Responsible Officers. Where there is any non-compliance with statutory regulations or internal guidelines found, such case shall be reported to the Board and the Responsible Officers for taking appropriate actions. Ultimately, the compliance department reverts to the client with investigation results and takes remedial action where appropriate.

Our Company and our Directors confirmed that, our Group has not received any customer complaints regarding non-compliance with statutory regulations or internal guidelines during the Track Record Period and up to the Latest Practicable Date.

Sales

Account executives and licensed customer service representatives are responsible for taking daily orders placed by clients and expanding the client network through referrals. Our Company and employees are prohibited from providing brokerage related services to another person through the use of unsolicited calls which are prohibited under the SFO.

Dealing practices

Our licensed customer service representatives or the account executive are under a duty to verify the identity of the person placing orders and shall ensure that the person from whom an order is received is either the account holder or an authorised person of the relevant account.

As a matter of general policies, for orders placed by telephone, our Company requires our licensed customer services representatives or our account executive to make use of the centralised tape recording phone to receive order from and make trade confirmation to clients. Where such orders are accepted, our Company requires our licensed customer services representatives or our account executive to record the details of the orders on the "order log" form and submit the form to customer services department for central filing. Use of mobile phones for receiving client order is discouraged.

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Tracking and handling error trades

Error trade may be due to system or human error. If an employee becomes aware of any error trade, he/she must immediately report it to the Responsible Officers, who shall then rectify the same as soon as possible to the best interest of our Company. Unless inevitable or with the approval of our Directors, no error trade should be carried over to the next trading day. The employee(s) responsible for the error trade must complete an "error report". The report is then signed by the responsible employee(s), the compliance manager and the Responsible Officers, and submitted to the settlement department to be booked into the house account and finally passed to the compliance department for permanent record.

Number of error trade occurred was 18, 44 and 46 which accounted for a loss of approximately HK\$21,000, HK\$45,000 and HK\$109,000 respectively suffered by our Group for each of the years ended 31 December 2012, 2013 and 2014. Please also refer to the section headed "Risk factors – Our Group's profitability and reputation may be adversely affected by error trading" in this document for details. Our Directors confirm that the error trades during the Track Record Period were due to human error and has been resolved by re-allocation of trade positions by the settlement department and such error had not resulted in any material profit or loss to our Group for the years ended 31 December 2012, 2013 and 2014. During the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any regulatory fines or penalties as a result of error trades.

In order to prevent the re-occurrence of error trade, management would alert all dealers, account executives and customer service personnel serving trading accounts when error trade occurred and remind them the importance of exercising clients' orders with care. Warnings would be given to the account executive, customer service personnel serving trading accounts or dealer who repeatedly commits error trades. Our management will also from time to time review the workflow of placing orders to ensure that sufficient manpower to handle clients' orders.

Money settlement

Securities transactions must be settled within the time limited prescribed by the Stock Exchange (T+2) and all monies and securities for settlement should be processed and conducted only through the settlement department and, in any event, not through the account executives. The client's cheques for settlement must not be made payable to the account executives. All cheques made payable to our Company must be in the form of crossed cheque. For futures contracts, clients are required to deposit margin before trading and to maintain sufficient margin level which is managed by the finance and accounts department.

BUSINESS

Staff dealing policies and procedures

Our Group strictly enforces our internal policies in respect of staff dealing in securities, and other financial products. Under our Group's operational manual, each staff member who is allowed to have a securities trading account is required to disclose information about the employee's accounts, the employee's children under the age of 18 and all other accounts in which the employee has a beneficial interest. The employees and licensed persons are subject to an on-going obligation to declare their interests. All employees and licensed persons shall not deal in (i) any securities of which the employee or the licensed person has in the course of or in connection with his/her employment or dealing on behalf of CIS and/or our clients the knowledge of any information which is not generally available to the public and holders of the securities concerned; and (ii) any investment which to his/her knowledge would cause conflict of his/her own interest with that of CIS or any client of our Company or with his/her duty to CIS or any client of CIS. Our staff members should generally be required to deal through CIS pursuant to paragraph 12.2 of the Code of Conduct, and staff members who wish to open an account with another licensed corporation must obtain prior written approval from our compliance department. Such approval will generally be granted, on a case-by-case basis and subject to the discretion of our Responsible Officer, to staff members if the requested dealings in securities or other financial products conducted by the relevant staff members are not available in CIS. When conducting personal trading activities by staff members, our staff members are not allowed to deal with any restricted trading activities as provided under the compliance manual of CIS. In accordance with the compliance manual of CIS, the trading activities of the staff accounts of our accounts executives or customer service representatives shall be monitored and reviewed daily by our Responsible Officer in order to avoid trading activities of any such staff accounts being more favourable than that conducted by the relevant accounts executives or customer service representatives on behalf of their clients, or to avoid the trading activities of such staff accounts being contradicting to the trading activities conducted by such accounts executives or customer service representatives on behalf of their clients. If any irregularities of the trading activities of any staff accounts are identified by our Group, our compliance manager will immediately report them to the Responsible Officers.

BUSINESS

Conflict of interests

It is our Group's policies to ensure adequate level of staff awareness of issues relating to conflict of interests and understanding of basic principles relating to client priority, inside dealing, confidentiality and staff dealing. Our Group's operational manual and the compliance manual address situations where two or more interests are present and compete or conflict with each other. Staff must avoid actual or potential conflict of interests whenever possible. Where a staff has material interest in a transaction with or for a client or a relationship which gives rise to an actual or potential conflict of interest in relation to such transaction, he shall neither advise, nor deal, in relation to the transaction unless he has:

- (i) fairly disclosed that material interest to the client and received such client's informed prior consent either orally or in writing;
- (ii) taken all reasonable steps to ensure fair treatment of the client; and
- (iii) obtained the approval from the Responsible Officers.

In order to prevent potential conflict of interest arising amongst clients and our staff as well as to ensure that non-public material information regarding listed companies which is obtained in one part of our business is not released to other divisions of our Group, our Group has developed and implemented policies and procedures such as the Chinese wall. The Chinese wall aims to isolate those persons who make investment decisions from those who are privy to non-public material information which may influence those decisions and to safeguard inside information in order to ensure no improper trading occurs. To enforce the Chinese wall policy on an administrative level, our Group has established separate closed working area and password-protected access between departments and functional units. Our Group has also adopted independent filing of record and information and the sharing of transmission devices such as fax/photocopy machine is disallowed.

The Board will adopt the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules immediately before Listing as additional corporate governance measures to manage potential conflict of interests between our Group and our Directors such that in the event that a Director has a conflict or potential conflict of interest in a matter, such Director shall declare to the Board the nature of the matter, the relationship between the parties and the issue involved. In the event that the Board has determined the conflict to be material, the matter shall not be dealt with by way of circulation or by a committee but a board meeting would be held. Such Director must abstain from voting on such Board meeting and that he/she and his/her associates shall not be counted in the quorum present at such Board meeting. Independent non-executive Directors who, and whose associates, have no material interest in the transaction shall be present and take the lead at such Board meeting.

BUSINESS

IT infrastructure and trading system

Our Group's business is largely dependent on our IT infrastructure and trading system. In order to maintain a reliable and effective computer system and network infrastructure to meet the demands of our clients on a timely basis, our Group had engaged six IT vendors which facilitate the operation of our trading platform and settlement systems to ensure the speed and stability of trading during the Track Record Period. These IT vendors also provide maintenances and support services for our systems. They closely monitor our systems to prevent any breakdown or interruption of our systems and to ensure that our systems are properly functioning. In accordance with the contingency plan established by CIS, in the event when there is any breakdown or interruption of our systems, our IT personnel will try to revive our systems by restarting the relevant programme and will notify the IT vendors immediately to look into the situation. Before our systems resume normal, all trade orders will be diverted to a separate system to continue the trading.

During the Track Record Period, our trading infrastructure has been stable, as there were only two incidents which caused interruption to our Group's online trading system and such interruption was caused by the breakdown of server of the internet service provider, and none of which caused significant impact or material interruption and financial loss to the operation of our Group. For risks associated with our Group's internet trading operations, please refer to the section headed "Risk factors – Our Group's business, financial condition and results of operation may be adversely affected if we experience failure in or disruptions to our trading system" in this document.

Data protection

System users are assigned different levels of access authority according to their ranking and needs. They are required to keep each password confidential and reset of passwords can only be performed by the system administrator. The Responsible Officer is responsible for reviewing the access authorities periodically and any changes in access rights must be approved by our Responsible Officer. For IT vendor who can remotely access the system, a timetable for remote access should be obtained. Back-ups of all clients' transactions are kept for at least seven years and will be in a place outside the office premises to be identified by our Group.

Anti-money laundering

Our Group has adopted policies and procedures in our compliance manual to identify and detect money laundering activities, which include the following:

- (i) Customer due diligence – Staff is required to
 - (a) identify the customer, i.e. know who the individual or legal entity is;
 - (b) verify the customer's identity using reliable source documents, data or information; and
 - (c) conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with their knowledge of the customer;

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- (ii) Retention of records – Staff is required to
 - (a) maintain all necessary records on transactions, both domestic and international, for at least seven years; and
 - (b) keep records on customer identification, account files and business correspondence for at least seven years after the account is closed;
- (iii) Our Group provides anti-money laundering and anti-terrorist financing updates to staff at regular intervals; and
- (iv) Staff are required to report any suspicious transactions directly to our Responsible Officer for further action.

Our Directors confirmed that during the Track Record Period, our Group has not identified or reported any suspected or actual cases of money laundering to the Joint Financial Intelligence Unit.

C. The credit committee

Under the supervision of the Board, the credit committee which comprises the directors of CIS, a Responsible Officer, the compliance manager and financial controller was established to oversee and ensure that the risks are properly identified, managed and reported. To accomplish this, our Group has established a set of internal policies and procedures to preserve the integrity of the risk control process, to assure a regular review of the entire risk management process by the credit committee, and to ascertain the effective communication and cooperation among the business units and senior management in order to ensure that our Group's risk taking is consistent with its business strategies, capital structure and current market conditions. The credit committee participates in the decision making of the Group by linking risk management to the Shareholders value.

Risk management

Our Group has internal policies and procedures to ensure the proper management of risks to which our Group and, if applicable, our clients are exposed, particularly with regard to their identification, whether financial or otherwise, and the provision of timely and adequate information to management to enable it to take appropriate and timely action to manage such risks. Principal types of risk inherent in our Group's business include credit, market, liquidity and operational risks. Credit risk occurs mainly in relation to our Group's financing activities. Market risk is associated with our Group's position in changing market position. Liquidity risk arises across the liquidity of our Group's balance sheet. Operational risk is associated with our Group's internal processes and our staff. Such risks and the policies on how our Group mitigate these risks are set out below. Our credit committee manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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Credit risk

Prior to granting approval on credit limits for any client, our Group applies established policies and procedures for evaluating the financial and other status of such client. Credit limits are monitored by the credit committee and are subject to review from time to time. In the case of credit review, the credit committee makes reference to the clients' trading and margin call records maintained by our Group.

Our margin clients are assigned a minimum credit limit of HK\$200,000 for trading of securities and margin. Should our client requests for additional credit limit, our client is required to fill in and submit the relevant forms and provide supporting documents such as financial proof for our assessment and approval. For risk control purpose, depending on the application amount, level of authority approval required will be different. Our credit committee will perform periodical review on individual clients' credit limit to control our Company's risk exposure.

Client receivables for dealings in securities are settled on T+2 whereas client receivables for dealings in futures contracts are settled on T. Our Group has from time to time identified those receivables which are not properly settled on the prescribed settlement basis. Our Group will follow our standard margin call procedure as provided in the credit control policies and procedures of CIS for the settlement of overdue receivables. For details of our standard margin call procedure, please refer to the paragraph headed "Margin and IPO financing services – Risk management" under this section. During the Track Record Period, no bad debt provision were made by our Group.

The Responsible Officers are responsible for monitoring clients' securities and cash positions to ensure no short sales transaction. Regulated activities of CIS are covered by license holders indemnity insurance in an aggregate amount of HK\$30 million for the period from 1 April 2014 to 31 March 2015 for third parties liabilities or failure to complete transactions as stipulated in the insurance policy as required under the Securities and Futures (Insurance) Rules (Chapter 571A1 of the Laws of Hong Kong).

The personnel from the finance and accounts department generates daily reports on outstanding securities-backed loans and outstanding receivables. The committee members would review such reports and take action as necessary. For example, making downward adjustments to the margin ratio or, if the risk related to a margin account exceeds certain pre-determined levels, the client may be requested to deposit additional funds into the account to cover the positions.

Our Group has a list of acceptable collateral securities with the corresponding margin ratio which generally applies to the margin financing activities of our Group. The credit committee determines our Group's list of acceptable collateral securities for margin financing and the applicable margin ratios by adopting the list of eligible stocks for margin financing of a licenced bank in Hong Kong made available from time to time, which specifies (i) the names of securities which can be considered as the acceptable collateral securities for margin financing; and (ii) the corresponding pre-defined margin ratio for each of such securities ranging from 10% to 85%. While such acceptable collateral securities are held as collateral for the purpose of securing a margin loan, CIS applied the

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haircut percentage prescribed by Schedule 2 of the FRR in respect of such acceptable collateral securities to determine the value of the margin loan as a liquid asset as part of its risk management as well as regulatory compliance for its margin financing activities. Our Directors confirm that apart from cash and listed securities which are acceptable forms of collaterals, our Group does not have any other forms of collateral which is neither cash nor listed securities. The credit committee will review the repayment records of clients and newly granted credit limits to see whether our Group's credit control procedures are properly followed.

For all loans and advances applications, the credit committee will assess, in accordance with our credit control procedures, each application and grant approval where appropriate. The committee would make reference to the quality of securities pledged to determine the terms of the loans and advances.

Market risk

Our Group uses different methodologies to assess the impact of changing market conditions on our Group and our clients. The Board and the finance and accounts department regularly review our Group's balance sheet, profit and loss accounts and credit granted to clients to identify the risk exposure of our Group, especially during adverse market movements.

During trading hours, the credit committee monitors our clients' trading activities. The credit committee will also monitor securities with the biggest drops in share price for each day and stocks classified as highly concentrated collaterals of our Group. If a client's trading exceeds the margin ratio, our Group will follow our standard margin call procedure as provided in the credit control policies and procedures of CIS, details of which are set out under the paragraph headed "Margin and IPO financing services – Risk Management" in this section.

Liquidity risk

As part of ordinary brokerage activities, our Group is exposed to liquidity risk arising from timing difference between settlement with CCASS or brokers and clients. It is our Group's policy to seek assuring liquidity all the time to manage its assets and liabilities and to meet the funding needs of business activities and regulatory requirements. To address the risk, our Group's finance and accounts department works closely with the settlement department on monitoring the liquidity gap. Pursuant to the operation manual, daily reports are prepared to monitor cash deposits in hand and bank facilities utilisation for better management of the overall liquidity position. For contingency purposes, unutilised loan facilities are obtained as additional precautions. Pursuant to the compliance manual, our Group is required to maintain a minimum paid-up share capital and liquid capital under the FRR in order to engage in each of the 4 regulated activities under the SFO. For more details regarding the FRR requirement. Please refer to the section headed "Regulations and licensing requirements" in this document.

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Operational risk

Our management regularly reviews our Group's operations to ensure that our risk of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed.

For details of our Group's operational risk management, please refer to the section headed "Business – Internal control – The compliance department – Operational risk management" in this document.

COMPETITION

The performance of the industry that our Group operates in is largely subject to the general market conditions. Details of the competition our Group currently faces and will continue to face are set out in the section headed "Industry overview" in this document.

Our Directors believe that our Group's financial strength will be further enhanced with funds to be raised from the [REDACTED] and after the Listing, we will be able to access to the secondary fund-raising market in Hong Kong, such that our overall financial strength would become more comparable to a few small and medium sized listed companies which involve in brokerage business in Hong Kong and are the major competitors of our Group. Our Directors are confident that the Listing will have positive impact on our Group's brand image and our Group will continue enhancing public awareness towards our services and brand.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group owned the following domain names: (i) cisholdings.com.hk, which was registered on 30 May 2014 and will expire on 30 May 2015, subject to renewal; and (ii) convoyinvest.com, which was registered on 6 May 2008 and will expire on 6 May 2015, subject to renewal.

PROPERTY INTERESTS

As at the Latest Practicable Date, we did not own any property.

As at the Latest Practicable Date, CIS entered into a lease agreement with an Independent Third Party for the rental of one office premise in Hong Kong which we occupy as our principal place of business in Hong Kong. The premise is located at Unit C, 24th Floor, @CONVOY, 169 Electric Road, North Point, Hong Kong. The term of tenancy is three years commencing on 16 December 2013 and expiring on 15 December 2016 (both days inclusive). The monthly rental (exclusive of rates, management charges and other outgoings) is HK\$51,810. Prior to the entering of such lease agreement, CIS has occupied various part of the properties leased by Convoy Financial Services Limited without consideration during the Track Record Period. For more details regarding such properties, please refer to the section headed "Connected Transactions" in this document.

No valuation report for this office premise is required in reliance upon the exemption provided by section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses

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from Compliance with Provisions) Notice (Chapter 32L) of the Laws of Hong Kong. Our Directors confirm that none of our property interests is individually material to us in terms of rental expenses.

INSURANCE COVERAGE

During the Track Record Period, our Group and CFHL and its subsidiaries have jointly taken out general liability insurance, staff medical insurance and licence holders insurance and our Directors believe that it is in line with the industry practice.

For each of the years ended 31 December 2012, 2013 and 2014, the total amount of premium paid by us were approximately HK\$15,000, HK\$93,000 and HK\$83,000 respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been subject to any material insurance claim.

As at the Latest Practicable Date, our Group has taken out staff medical insurance, employees' compensation insurance and licence holders insurance which provide insurance coverage of our Group.

LICENCES AND REGULATORY COMPLIANCE

The securities market in Hong Kong is highly regulated. The principal regulatory bodies governing our Group's businesses are the SFC and the Stock Exchange. For details, please refer to the section headed "Regulations and licensing requirements" in this document. Our Group's businesses are subject to a number of legislations and regulations and the respective rules of the Stock Exchange and, upon Listing, the GEM Listing Rules.

[REDACTED]

Licence/certificate/ holder	Licence/certificate	Date of first issue/admission
CIS	Licence under SFO to carry on type 1 (dealing in securities) regulated activities	7 December 2007

[REDACTED]

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Licence/certificate/ holder	Licence/certificate	Date of first issue/admission
	Licence under SFO to carry on type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities	24 December 2008
	Licence under SFO to carry on type 9 (asset management) regulated activities	11 January 2013
	Exchange Participant Certificate	7 February 2011
	Options Trading Exchange Participantship	20 February 2009 (Note)
	SEOCH Direct Clearing Participantship	24 June 2011
	HKSCC Direct Clearing Participantship	20 February 2009 (Note)
	HKCC Participant Certificate	20 February 2009
	HKFE Participant Certificate	20 February 2009

Note: The information available on the Stock Exchange shows that CIS changed its name on 20 February 2009.

Our Directors confirmed, and the legal advisers of our Company as to Hong Kong advised, that our Group obtained all the necessary licences and participantships which are required to carry on our Group's activities as set out in this document as at the Latest Practicable Date.

As confirmed by our Directors, and advised by the legal advisers of our Company as to Hong Kong law, save as disclosed in the paragraph headed "Internal control" in this section, during the Track Record Period and up to the Latest Practicable Date, CIS, the subsidiary of our Group being a licensed corporation under the SFO and a participant of HKEx was in compliance with the relevant rules/legislations/codes in all material respects in performance of its relevant business in all relevant jurisdictions. Our Directors further confirmed that, during the Track Record Period, our Group has not failed or received any objection from the SFC or other relevant competent authorities during renewal of licenses and participantships; and has not committed any offence, violation or breach of laws or regulations in all relevant jurisdictions where it operates. All staff members currently performing regulated activities are properly registered under the SFO as either Licensed Representatives or Responsible Officers.

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Under the SFO, a licensed corporation shall not carry on any regulated activity unless not less than two Responsible Officers are approved by the SFC in relation to the regulated activity. Save as disclosed in this document, our Directors confirmed that (i) during the Track Record Period and up to the Latest Practicable Date, CIS has no less than two Responsible Officers carrying on each of the above four regulated activities; and (ii) CIS maintained the required paid-up share capital and liquid capital under the FRR in order to engage in each of the four regulated activities under the SFO during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, our Group has the following Responsible Officers:

Responsible Officer	License to carry out regulated activities under the SFO as a Responsible Officer
Chan Chi Keung	Types 1, 2, 4 and 9
Fong Wai Lok	Types 1, 2 and 4
Lau Shek Yuen Simon (an executive Director)	Types 1, 2, 4 and 9
Mak Kwong Yiu	Types 1 and 4
So Kwok Keung (an executive Director)	Types 1, 2, 4 and 9

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that, neither our Company, any of our subsidiaries nor our Directors and senior management is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that may have a material adverse effect on our business, financial condition and operating results.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

OVERVIEW

Immediately following completion of the [REDACTED] and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the share options which may be granted under the Pre-IPO Share Options and Share Option Scheme), each of Smart Aerial, Perfect Galaxy, Ultimate Honour, EWTK, Mr. Cheung, the Kwok's Family and Mr. Wong is entitled to directly/indirectly exercise or control the exercise of 30% or more of voting rights at general meetings of our Company.

Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak have confirmed by a confirmatory deed dated 23 June 2014 that since 1 January 2013 or the date of incorporation (as the case may be) and up to the Latest Practicable Date:

- (i) they had jointly invested in Convoy Inc. and Ultimate Honour for more than four years;
- (ii) there was frequent occurrence of unanimous resolutions on material issues and decisions in all meeting of shareholders of Convoy Inc. and Ultimate Honour;
- (iii) consensus building process was adopted to arrive at a voting or business decision by Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak, where mutual trust and bonding as a group could be demonstrated amongst Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak in the consensus building process;
- (iv) Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak held regular meetings, reached consensus on key decisions, and had unanimous voting patterns; and
- (v) no single largest shareholder or single largest group of shareholders among Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak ever attempted to exercise his/their voting rights independently without the concurrence of the other Remaining Shareholders.

Based on the above reasons and facts, Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak are a group of controlling shareholders for at least the most recent audited financial year of our Company and they are expected to remain as a group of controlling shareholders until the Listing.

As Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak had been acting as part of a controlling group of Shareholders (but not as parties acting in concert within the meaning of the Takeovers Code) for at least the most recent financial year, our Directors consider that each of Smart Aerial, Perfect Galaxy, Ultimate Honour, EWTK, Mr. Cheung, the Kwok's Family, Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak is regarded as a Controlling Shareholder.

Immediately prior to 21 November 2014, Mr. Wong, Mr. Mak, Mr. Ng and Mr. Shin, through their equity interests in CFG, were interested in approximately 22.61% equity interests of CFHL. On 21 November 2014, CFG fully disposed of its equity interests in CFHL to its then shareholders, including Mr. Wong, Mr. Mak, Mr. Ng and Mr. Shin. After the disposal, CFG ceased to have any shareholding in CFHL and each of Mr. Wong, Mr. Mak, Mr. Ng and Mr. Shin became directly interested in approximately 5.54%, 5.26%, 1.31% and 2.01% of the equity interests in CFHL. Subsequently, Mr. Ng and Mr. Shin fully disposed of their equity interests in CFHL. As a result of the above, as at the Latest Practicable Date, each of Mr. Wong and Mr. Mak was directly interested in approximately 5.54% and 5.26% equity interests in CFHL respectively, which is an indirect holding company of CAM, a major operating subsidiary of CFHL.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

Since December 2013 and up to the Latest Practicable Date, CFG's shareholdings in CFHL have changed from approximately 59.16% to nil, details of which are set out below in reverse chronological order:

Date of change	Details of the change in CFG's shareholding in CFHL	Approximate percentage of CFG's shareholding in CFHL before completion	Approximate percentage of CFG's shareholding in CFHL upon completion
21 November 2014	Disposal of 34,054,398 shares, 32,308,916 shares, 8,927,617 shares, 8,043,214 shares, 27,356,256 shares and 28,273,703 shares of CFHL held by CFG to Mr. Wong, Mr. Mak, Mr. Shin, Mr. Ng, Mr. Ng Man Chun Paul and Mr. Ling Wai Hoi, who are the ultimate beneficiaries of CFG, respectively at a price of HK\$0.78 per share. The consideration was determined with reference to the then prevailing market price of the shares of CFHL.	22.61%	Nil
15 October 2014	Dilution by the placing of new shares by CFHL to its independent third parties.	26.78%	22.61%
27 May 2014	Dilution by the placing of new shares by CFHL to its independent third parties.	29.0%	26.78%
3 March 2014	Issue of an aggregate of 16,104,000 consideration shares at the issue price of HK\$1.87 per consideration share by CFHL to CFG for acquiring CAM and Kerberos (Nominee) Limited from CFG. Details of which were disclosed in the circular of CFHL dated 22 November 2013.	26.54%	29.0%
21 February 2014	Disposal of 3,049,700 shares and 9,030 shares of CFHL held by CFG to Mr. Shin and an independent third party of CFG respectively at a price of HK\$1.51 per share. The consideration was determined with reference to the then prevailing market price of the shares of CFHL.	27.2%	26.54%
5 December 2013	Placing of 148,000,000 shares of CFHL held by CFG at a price of HK\$1.50 per share to placees including a subsidiary of Town Health International Investments Limited and RHB Asset Management Sdn Bhd to realise part of CFG's investments in CFHL. The placing price was determined with reference to the then prevailing market price of the shares of CFHL.	59.16%	27.2%

Mr. Wong, Mr. Mak and Ms. Fong are also the executive directors of CFHL. CFHL is principally engaged in independent financial advisory business, asset management, money lending business and proprietary investment business through its subsidiaries, including Convoy Financial Services Limited and CAM. As at the Latest Practicable Date, Mr. Shin is the chief distribution officer of Convoy Financial Services Limited and Mr. Ng is the managing director of CAM.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

DELINEATION AND POTENTIAL COMPETING BUSINESS BETWEEN THE CFHL GROUP AND OUR GROUP

CAM is also a licensed corporation under the SFO and is principally engaged in the provision of investment advisory, funds dealing, introducing broker and asset management services in Hong Kong and is licensed by the SFC to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

As advised by our Controlling Shareholder, as at the Latest Practicable Date, a wholly-owned subsidiary of CFHL has entered into a non-legally binding memorandum of understanding with five individuals in respect of the potential acquisition of a company (the "**Target Company**") which is licensed by the SFC to carry out type 1 regulated activity (dealing in securities) and is principally engaged in the provision of securities brokerage services and margin financing services in Hong Kong. Such acquisition will be conditional upon, among other matters, the SFC having granted the approval or consent or having no objection to the acquisition and the transactions contemplated under such agreement.

Operational independence

Business focus

CIS offers financial services including but not limited to ECM related services, brokerage services, margin and IPO financing services, and CIES related services. CIS is registered in the Stock Exchange as an Exchange Participant and is licensed by the SFC to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

At present, the business and operation of CAM and CIS can be delineated.

In respect of type 1 (dealing in securities) regulated activity under the SFO, CAM is currently focusing on acting as introducing brokers to provide investing advice or recommendation to an investor. For type 1 regulated activity, CAM cannot conduct its business other than as an introducing broker. Being an introducing broker means it may receive orders from a customer who wish to effect dealings in securities or trading in futures or options contracts and refers the clients to an exchange participant for trade execution. As a condition to its type 1 regulation activity, CAM is not permitted to execute trade orders or deal with clients' monies and assets. As such, CAM has delegated the task of executing trades to firms who operate on a trading floor. No such restriction has been imposed on type 1 (dealing in securities) regulated activity of CIS.

In respect of type 4 (advising on securities) regulated activity under the SFO, CAM and CIS are currently advising on their respective services provided under type 1 (dealing in securities) licence, by taking into account the difference between the services provided by CAM and CIS under type 1 (dealing in securities) licence as stated above.

CAM also provides asset management services under type 9 (asset management) regulated activity under the SFO. CAM's managed portfolio focuses on investment funds whilst CIS's managed portfolio focuses on bonds and various equities listed on the Stock Exchange, cash and cash equivalents.

At present, CAM does not have type 2 (dealing in futures contracts) license under the SFO which CIS possesses.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

The table below sets out a comparison regarding the business activities between CIS, CAM and the Target Company:

	Target Company	CAM	CIS
Licensed activities	Type 1	Types 1, 4 and 9	Types 1, 2, 4 and 9
Type 1 regulated activity	<ul style="list-style-type: none"> – dealing in securities – providing margin financing 	<ul style="list-style-type: none"> – dealing in securities as an introducing broker only. Dealing in securities shall be prohibited – ECM related services (e.g. placing) 	<ul style="list-style-type: none"> – dealing in securities; – ECM related services (e.g. placing, underwriting and IPO syndicates); – providing margin and IPO financing; and
Type 2 regulated activity	N/A	N/A	– dealing in futures contracts
Type 4 regulated activity	N/A	– providing advisory services in relation to services provided under type 1 regulated activity	– providing advisory services in relation to all brokerage and ECM related services
Type 9 regulated activity	N/A	– providing services to discretionary accounts which are managed by portfolio managers on a discretionary basis who would invest in funds; managing a portfolio of futures contracts shall be prohibited	– managing DMA on a discretionary basis by investing in securities, options and futures traded on recognised stock exchanges only

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

	Target Company	CAM	CIS
Financial products offered	– securities traded on the Stock Exchange	– investment funds only, include: (1) mutual funds (or unit trust); (2) sponsored funds; and (3) eligible funds under CIES Rules.	– securities, options and futures traded on recognised stock exchanges only
Other major services	N/A	N/A	– maintaining clients' accounts that wish to invest in CIES to ensure compliance with the CIES requirements

On 28 January 2015, CAM as the placing agent entered into placing agreements with two companies listed on the Main Board of the Stock Exchange respectively, pursuant to which CAM agreed to procure placees to subscribe for the notes issued by the respective listed companies. However, as confirmed by our Controlling Shareholders, each of the above transactions was a one-off transaction and was not the core business of CAM. In addition, the above transactions were not referred to by our Controlling Shareholders and hence, our Directors consider that the above placing exercises performed by CAM have a minimal adverse effect to our business.

Currently, the business focus of the Target Company is principally on the provision of securities brokerage services and margin financing services. Upon completion of the acquisition of the Target Company, which is expected to be on or before 31 August 2015, the restrictions on type 1 regulated activity (dealing in securities) of the CFHL Group will be lifted and the CFHL Group will have the capacity to execute trade orders or deal with client's monies and assets.

Continuing connected transactions with CAM

During the Track Record Period, our Group received commission sharing from CAM for introducing business to CAM in providing certain eligible collective investment schemes to CIS (on behalf of our Group's CIES clients). For the years ended 31 December 2012, 2013 and 2014, the total commission received by our Group from CAM amounted to approximately HK\$0.6 million, HK\$2.2 million and HK\$3.6 million respectively, which represented approximately 3.0%, 4.8% and 3.1% of our Group's total revenue for the corresponding years respectively and was insignificant to total revenue of our Group. The Directors are of the view that our Group operates independently from the CFHL Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

Management independence

As at the Latest Practicable Date, CFHL is the 100% beneficial owner of Convoy (BVI) Limited a company incorporated in the BVI ("**Convoy (BVI)**") which is interested in 100% equity interest in Favour Sino Holdings Limited ("**Favour Sino**"), a company incorporated in the BVI. Favour Sino is the 100% beneficial owner of CAM.

As at the Latest Practicable Date, the executive directors of CFHL are Mr. Wong, Ms. Fong, Mr. Mak and Dr. Hui Ka Wah, Ronnie, JP. and the independent non-executive directors of CFHL are Dr. Wu Ka Chee, Davy, Mr. Ma Yiu Ho, Peter and Mr. Lam Chi Keung. The directors of Convoy (BVI) are Mr. Wong, Ms. Fong and Mr. Mak. The sole director of Favour Sino is Mr. Mak. The directors of CAM are Mr. Ng and Mr. Lee Ho Yin Derek. Save as Mr. Mak, a director of CIS, there is no overlapping of directors between our Group and the CFHL Group.

Financial independence

Our Company is financially independent from CFHL Group. As at the Latest Practicable Date, there is currently no outstanding borrowing nor any corporate guarantee provided by CFHL nor any other non-trade payables or receivables between the CFHL Group and our Group.

Set out below is a summary of the audited financial information of CAM for each of the year ended 31 December 2012 and the six months ended 30 June 2013 respectively as extracted from the circular of CFHL dated 22 November 2013 (*Note 1*):

	For the year ended 31 December 2012 HK\$	For the six months ended 30 June 2013 HK\$
Revenue (<i>Note 2</i>)	63,104,444	41,894,050
Net profit before taxation (<i>Note 2</i>)	5,973,455	4,469,573
Net profit after taxation (<i>Note 2</i>)	5,973,455	4,277,575
	As at 31 December 2012	As at 30 June 2013
Net assets	16,821,966	21,088,777

Note 1: Our Group has only disclosed the financial summary of CAM for the year ended 31 December 2012 and the six-month period ended 30 June 2013 in this document based on the financial information of CAM disclosed in the circular of CFHL dated 22 November 2013 in relation to the acquisition of CAM. It is noted that the financial information of CAM for the years ended 31 December 2013 and 2014 has never been published and since CFHL is a company listed on the Main Board of the Stock Exchange and that the directors of CFHL are obliged to keep the financial information of the CFHL Group confidential, the financial information of CAM for these periods has not been included in this document.

Note2: The majority of CAM's revenue and profits for the year ended 31 December 2012 and the six months ended 30 June 2013 were generated from funds dealing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

As described above, the businesses of CAM and that of CIS can be delineated. As represented by the management of CAM, their present intention is to continue to focus on their existing managed investment portfolio.

Therefore, our Company does not see any material business competition between CAM and CIS at present. However, as both CAM and CIS are licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, there may be potential business competition in case CIS or CAM expands its services in the future.

Based on the preliminary information of the Target Company provided by our Controlling Shareholder, it is noted that (i) the total revenue of the Target Company for the year ended 31 December 2014 amounted to less than 4% of our Group's total revenue for the same financial year; (ii) the Target Company was loss making for each of the years ended 31 December 2012, 2013 and 2014; and (iii) the approximate total number of cash and margin client accounts of the Target Company as at 31 December 2014 amounted to less than 10% of our Group's approximate total number of cash and margin client accounts as at the same date.

Having considered the scale and historical financial performance of the Target Company when compared to our Group, our Directors are of the view that, even if the potential acquisition of the Target Company has been materialised, there will not be any material adverse effect in our financial or trading position or prospects in the short to medium term.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

Assessment of potential business competition

Our Directors are of the view that competition between the CFHL Group and CIS will be limited for the following reasons:

1. Assuming (i) the restrictions on type 1 regulated activity of the CFHL Group have been lifted; and/or (ii) the potential acquisition of the Target Company has been materialised, it is unlikely that the CFHL Group will be able to expand its brokerage services and/or margin and IPO financial services and/or ECM related services to such scale and size as CIS. Our Group has experienced stable business development over the years in terms of number of client accounts. As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group had over 4,500, 5,890 and 7,690 brokerage client accounts respectively, of which over 1,120, 1,530 and 2,030 were active accounts from which our Group had generated income in the 12 months immediately preceding 31 December 2012, 31 December 2013 and 31 December 2014 respectively. Our Directors believe that the increasing number of client accounts was mainly contributed by, among other things, the increasing recognition of our Group's brand name established in the course of over six years.
2. Our Group also has a proven track record for the business in ECM related services. Our Group's success in this business segment was mainly attributable to (i) the leverage on our securities client network which comprises corporate/ institutional investors and retail clients; and (ii) our relationship maintained with other brokerage firms/ financial institutions which may provide opportunities to our Group to act as syndicate members for IPO transactions. The ECM related services segment is operated by our Group's ECM division consisting of two core members who have on average 10 years of experiences in type 1 and type 2 regulated activities. The ECM division is led by Mr. Tse Tim ("**Mr. Tse**"), the chief executive officer of our Company. Since he joined our Group in late 2012, Mr. Tse has secured and completed 10 and 46 placing and underwriting transactions for our Group for the years ended 31 December 2013 and 2014 respectively. The revenue attributable to these transactions was approximately HK\$11.7 million and HK\$26.8 million for the years ended 31 December 2013 and 2014 respectively which represented approximately 25.4% and 23.1% of our Group's total revenue for the corresponding years. The revenue generated from our Group's ECM related services increased from approximately HK\$10.5 million for the year ended 31 December 2012 to approximately HK\$29.0 million for the year ended 31 December 2013 which represented a year-on-year growth of approximately 176.2%, and further to approximately HK\$90.4 million for the year ended 31 December 2014 which represented a year-on-year growth of approximately 211.7%. Given Mr. Tse's contributions and with a view to retain Mr. Tse for future success of our Group, he was granted the Pre-IPO Share Options which our Directors believe will serve as an effective incentive scheme. With the expected continued service of Mr. Tse and the ECM division, our Directors expect that our Group's ECM related services segment will continue to be a competitive strength of our Group.
3. On the other hand, even if (i) CAM expands its business to brokerage services, margin and IPO financing services and other ECM related services; and/or (ii) the

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potential acquisition of the Target Company has been materialised, our Directors consider that establishing a team which can compete in size and scale with CIS will take considerable time and expenses on the CFHL Group's part. As such, our Directors are of the view that should the CFHL Group commenced operation in brokerage services and/or margin and IPO financing services, the profitability of our Group will not be affected in any material respects in short to medium term.

4. In relation to type 9 regulated activity, our Group's revenue generated from managing DMA accounted for approximately 0.2%, 0.7% and 0.6% of our Group's total revenue for the years ended 31 December 2012, 2013 and 2014 respectively. As such, our Directors are of the view that considering the insignificance of the revenue generated from our DMA services to our Group's total revenue, should CAM expand its DMA services by investing in securities, options and futures traded on recognised stock exchanges for and on behalf of its clients, our Group's profitability will not be materially affected.

Based on the reasons above, our Directors are of the view that there would be considerably limited competition between the CFHL Group and CIS.

Each of the Controlling Shareholders has entered into a Deed of Non-competition and our Company has adopted the certain corporate governance measures for conflict situation in order to safeguard the interests of the Shareholders as a whole. Please refer to the paragraphs headed "Non-competition undertakings" and "Corporate governance measures" in this section for more details.

For risk associated with potential competition with the CFHL Group in the future, please refer to the section headed "Risk factors – Our Group's business, financial condition, operating results and prospects could be adversely affected by the potential competition with the CFHL Group going forward" in this document.

Save as disclosed above and the disclosures as set out in the paragraph headed "Non-competition undertakings" in this section, the Controlling Shareholders did not have any interests in any other businesses that compete or are likely to compete, either directly or indirectly, with the business of our Group during the Track Record Period and as at the Latest Practicable Date.

Details of the shareholdings of the Controlling Shareholders are set out in the section headed "Substantial shareholders" and the paragraph headed "Disclosure of interests" in Appendix IV to this document.

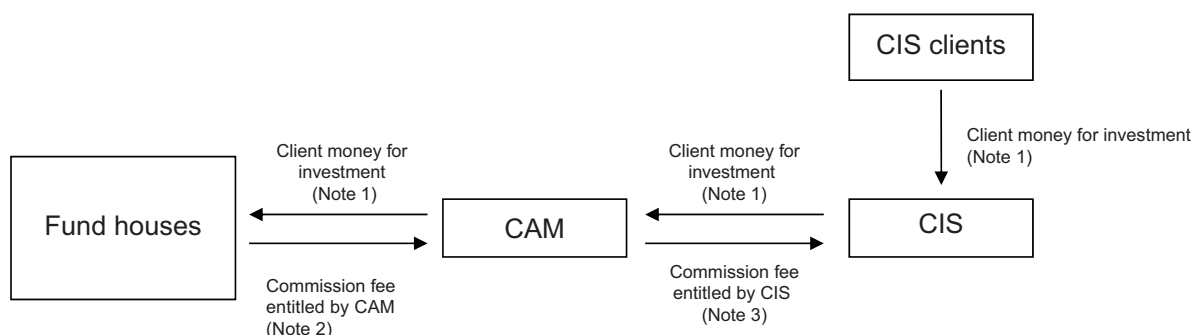
BUSINESS RELATIONSHIP WITH CAM

During the Track Record Period, our Group received commission sharing from CAM for introducing business to CAM in providing certain eligible collective investment schemes to CIS (on behalf of our CIES clients). For the years ended 31 December 2012, 2013 and 2014, the total commission received by our Group from CAM amounted to approximately HK\$0.6 million, HK\$2.2 million and HK\$3.6 million respectively, which represented approximately 3.0%, 4.8% and 3.1% of our total revenue for the corresponding years respectively and was insignificant to total revenue of our Group.

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Our Directors consider that the current arrangement with CAM is fair and reasonable and in the interests of the Company and Shareholders as a whole because: (i) CIS currently has no well-established business relationship with fund managers to enable it to subscribe and redeem funds for and on behalf of its CIES clients. Therefore, it is necessary for CIS to cooperate with external parties to provide such services in order to meet CIS's clients objectives; (ii) to establish a new segment in funds dealing will require considerable amount of investment on CIS's part as CIS would need to establish an experienced team in dealing with funds and the related administrative matters. Such investment and the costs which may incurred may not be proportionate to the size of our CIES related services segment. Our Directors consider that outsourcing the fund investments services is more cost effective and enables our Group to focus on its existing core businesses in the foreseeable future.

The following flowchart illustrates the accounting treatments in respect of shared commission received from CAM by CIS in relation to our CIES related services:



- (1) All the services in relation to subscriptions or redemptions of certain eligible investment schemes under CIES are provided to our CIES clients through CIS by CAM. When our CIES clients subscribe funds for those schemes, CIS places instruction and settles with the fund houses via CAM on behalf of CIS clients. CIS deposits the corresponding client money to CAM and derecognise the Segregated Clients Account Balances (Note 23 to Accountant's Report) and Accounts Payable – Segregated Client Account Balances (Note 25 to Accountant's Report) accordingly. CAM then deposits the corresponding client money to fund houses for subscription of fund.
- (2) CAM receives certain amount of commission from fund houses for sub-distribution of certain eligible investment schemes under CIES.
- (3) After deduction of commission (if any) payable to any CAM Consultants under the terms and conditions of the respective consultancy agreement entered into between CAM and the CAM Consultants, CIS is entitled to 50% of the balances of the aggregate commission paid by the fund houses to CAM in connection with or arising from the orders placed by CIS for and on behalf of its clients. Commission income and accounts receivable from CAM are recognised accordingly.

RELATIONSHIP WITH CAM CONSULTANTS

Our revenue generated from the businesses referred by the CAM Consultants amounted to approximately HK\$1.9 million, HK\$9.5 million and HK\$54.5 million for each of the years ended 31 December 2012, 2013 and 2014 respectively, representing approximately 9.6%, 20.6% and 47% of our total revenue for the corresponding years respectively.

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The CAM Consultants would individually enter into service contract with CAM as independent contractors of CAM. Pursuant to the service contract, the CAM Consultants are generally responsible for advising on securities, unit trusts and mutual funds in Hong Kong in the scope of independent financial advising, financial planning and wealth management and the CAM Consultants shall not represent himself/herself as employee of CAM. The commission rates paid by CAM to the CAM Consultants were determined with reference to the corporate title of the CAM Consultants. As at the Latest Practicable Date, there were about 1,192 CAM Consultants.

The CAM Consultants generally referred brokerage and bond placing transactions which CAM is not permitted to carry out under its license to carry on type 1 regulated activities to our Group. During the Track Record Period, the commission paid by CIS to the CAM Consultants for business referred amounted to approximately HK\$0.9 million, HK\$4.8 million and HK\$27.1 million, representing approximately 6.9%, 20.5% and 28.5% of our Group's total operating expenses for each of the years ended 31 December 2012, 2013 and 2014 respectively. The commission rates paid to the CAM Consultants by CIS during the Track Record Period in relation to bond placing transactions ranged from 1.5% to 2.6% on the principal amount of the relevant bond placed, which were determined with reference to the corporate title of the CAM Consultants, and the commission rates paid to the CAM Consultants by CIS during the Track Record Period in relation to brokerage transactions ranged from 20% to 30% on the relevant brokerage commission received by CIS.

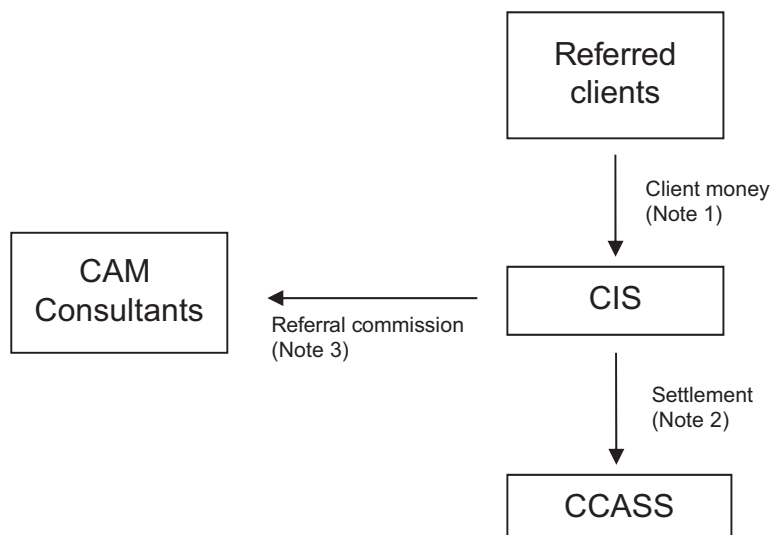
The table below sets out a summary of our Group's revenue attributable to business referred from CAM Consultants for the Track Record Period:

Business referred from CAM Consultants	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Brokerage services	430	1,162	4,672
ECM related services (bond placing)	912	6,175	46,143
CIES related services	563	2,173	3,643

Our Directors are of the view that the referral of businesses from the CAM Consultants should not be considered as our reliance on CAM because (i) the CAM Consultants are self-employed; (ii) we approached the CAM Consultants directly but not through CAM and the referral of businesses were the results of direct negotiations between CIS and the CAM Consultants; (iii) the CAM Consultants, instead of CAM, are entitled to the commissions from CIS for the referral of businesses; and (iv) we will approach these CAM Consultants irrespective of whether they are licensed under CAM.

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The following flowchart illustrates the accounting treatments in respect of the commission received by the CAM Consultants for the referral of brokerage service business to CIS during the Track Record Period:

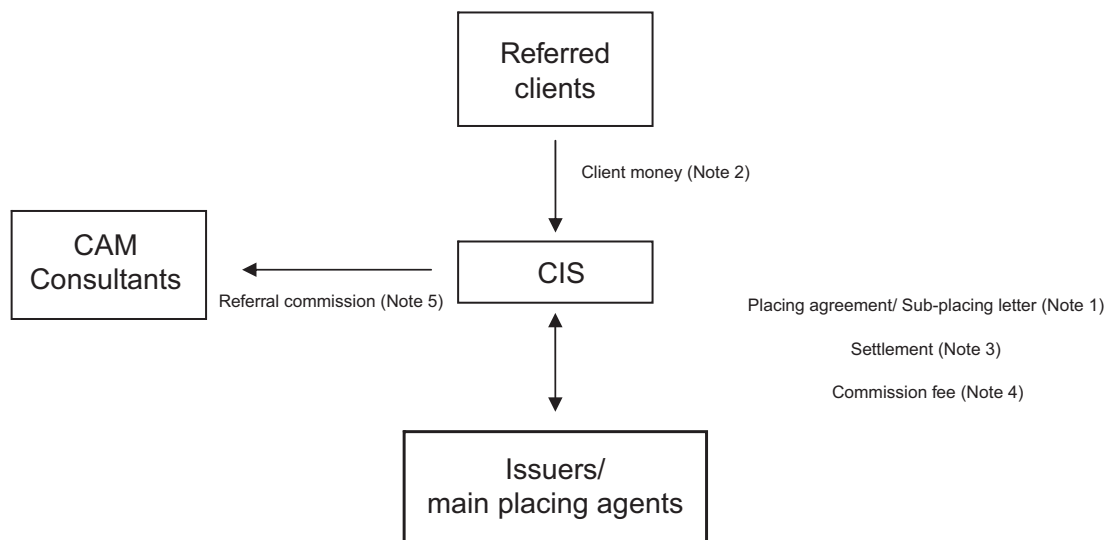


Notes:

- (1) Referred clients open accounts with CIS for investment through CIS. Clients deposit client money to CIS accounts for trading purpose. CIS records the cash deposit into the segregated client account balances (Note 23 to Accountant's Report) and accounts payable – segregated client account balances (Note 25 to Accountant's Report).
- (2) CIS recognises advances to customers in margin financing (Note 18 to Accountant's Report) or accounts receivable from clients (Note 19 to Accountant's Report) and accounts payable – brokers/CCASS (Note 25 to Accountant's Report) when clients place orders by phone or online trading platform. On the settlement date, CIS settles the transactions on behalf of the clients. Client money is being transmitted from segregate bank account to CCASS settlement bank account and CIS derecognise the advances to customers in margin financing (Note 18 to Accountant's Report) or accounts receivables from clients (Note 19 to Accountant's Report), segregated clients account balances (Note 23 to Accountant's Report), accounts payable – segregated client account balances and accounts payable – brokers/CCASS (Note 25 to Accountant's Report) accordingly.
- (3) The CAM Consultants are entitled to the commission from CIS for the referral of business, which refers to a portion of brokerage income being shared at agreed percentages with the CAM Consultants. CIS recognises both commission expenses and accrued expenses incurred from the payment of commission to the CAM Consultants when the referral transactions are being executed.

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The following flowchart sets out the accounting treatments in respect of the commission received by the CAM Consultants for the referral of bond placing transactions to CIS during the Track Record Period:



- (1) CIS enters into placing agreements/sub-placing letters with the issuers/main placing agents to perform placing services.
- (2) Referred clients open accounts with CIS for investment through CIS. Clients deposit client money to CIS accounts for trading purpose. CIS records the cash deposit into the segregated client account balances (Note 23 to Accountant's Report) and accounts payable – segregated client account balances (Note 25 to Accountant's Report). CIS enters into the placing letters with the referred clients for subscription of bonds.
- (3) On the execution date of the bond placing, CIS settles the transactions on behalf of referred clients with the issuers/main placing agents. Client money is being transmitted from segregated bank account to the issuers/main placing agents and CIS derecognise the segregated clients account balances (Note 23 to Accountant's Report) and accounts payable – segregated client account balances (Note 25 to Accountant's Report) accordingly.
- (4) At the same time, CIS is entitled to the sales incentive, or placing commission and/or placing service fee from the issuers/main placing agent at agreed terms. CIS recognises the ECM related services fee income (Note 6 to Accountant's Report) and accounts receivables (Note 19 to Accountant's Report) for the commission income.
- (5) CAM Consultants are entitled to the commission fee from CIS for the referral of business, which refers to a portion of commission income being shared at agreed percentages with the CAM Consultants. CIS recognises both commission expenses and accrued expenses incurred from the payment of commission to the CAM Consultants when the placing are being executed.

To the best knowledge of our Directors, the above referral arrangements among our Group and the CAM Consultants are in line with industry practice.

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INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

As described below, our Directors consider that our Group will be able to be operationally and financially independent from the Controlling Shareholders and their respective associates.

Financial independence

On 9 December 2009, CIS as borrower, CFG as lender and the SFC entered into an irrevocable revolving credit facility agreement (the "**Facility Agreement**") pursuant to which CFG shall provide a revolving loan for an amount not exceeding HK\$20.0 million to CIS for a term of five years commencing from the date of the agreement to 9 December 2014. The facility is unsecured and non-interest bearing. CFG is the associate of Mr. Wong. The Facility Agreement was entered into for the purpose of satisfying the liquid capital requirement under the FRR. As at 31 December 2012, the revolving credit facility was utilised as to HK\$13.0 million. Such Facility Agreement has expired in December 2014. Our Group will not renew the Facility Agreement with CFG and the SFC. Therefore, there is no financial dependence by our Group on CFG upon Listing. For details of the Facility Agreement, please refer to the paragraph headed "Discontinued connected transactions" in the section headed "Connected transaction" and the paragraph headed "Revolving subordinated loan facility" in the section headed "Financial information" in this document.

Our Group has an independent financial system and makes financial decisions according to our own business needs. As at the Latest Practicable Date, there was no guarantee, loan or pledge provided by the Controlling Shareholders to our Group. Therefore, there is no financial dependence by our Group on the Controlling Shareholders or any of their respective associates.

Operational independence

During the Track Record Period, in 6 out of the 252 completed placing, sub-placing or underwriting transactions in relation to our Group's ECM related services, a portion of the securities involved in these transactions were placed to the Controlling Shareholders and/or their respective associates as placees. As such, a portion of the placing, sub-placing and underwriting commission income received by our Group was attributable to securities placed to the Controlling Shareholders and/or their respective associates. The income attributable to these Controlling Shareholders and/or their respective associates were approximately HK\$529,000, HK\$273,000 and HK\$549,000 for each of the years ended 31 December 2012, 2013 and 2014 respectively, which represented approximately 2.7%, 0.6% and 0.5% of our Group's total revenue for the corresponding years. Our Directors consider that the placing, sub-placing or underwriting commission income attributable to the Controlling Shareholders and/or their respective associates was insignificant to the total revenue of our Group.

Other than the transactions disclosed above, in the section headed "Connected transactions" in this document and note 36 in the Accountant's Report set out in Appendix I to this document, there was no business transaction between our Group on one hand and the Controlling Shareholders and/or their respective associates on the other hand during the Track Record Period. Therefore, our Directors consider that our Group's operations do not rely on the Controlling Shareholders and/or any of their respective associates.

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Management independence

Our Board comprises three executive Directors and three independent non-executive Directors.

Each Director is aware of his fiduciary duties as a director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors and/or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meeting of our Company in respect of such transactions.

The independent non-executive Directors have been appointed in compliance with the requirements under the GEM Listing Rules to ensure that the decisions of our Board will be made only after due consideration of independent and impartial opinion. Our Directors believe that the presence of independent non-executive Directors provides a balance of view and opinion. Further, our Board acts collectively by majority decisions in accordance with the Articles and the laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

NON-DISPOSAL UNDERTAKINGS

Each of the Controlling Shareholders has given their non-disposal undertakings to our Company, the Sponsor, the Lead Manager and the Underwriter, details of which are set out in the paragraph headed "Undertakings" in the section headed "Underwriting" in this document.

Mr. Kwok Wai Tak ("**Mr. Kwok**"), a member of the Kwok's Family and one of our Controlling Shareholders, was involved in a high court action taken out against him involving an allegation of breach of trust that Mr. Kwok did not invest a sum of money he was entrusted in designated projects. The relief sought by the plaintiff in the action was for an account, and payment of a total sum of HK\$98 million and such money as may be found due upon the taking of the account. To ensure the ownership continuity requirement under Rule 11.12A(2) of the GEM Listing Rules can be met if the High Court concludes the case in favour of the plaintiff and Mr. Kwok may then need to sell his interests in the Company, in addition to [REDACTED], Mr. Kwok has further undertaken that he will not dispose his interest, directly or indirectly, in the Company in the course of the proposed Listing. The Directors are of the view that Mr. Kwok will be able to comply with [REDACTED] as it is expected that should the action proceed to final, the time required to dispose of the plaintiff's claim will take place more than one year after Listing.

NON-COMPETITION UNDERTAKINGS

Each of the Controlling Shareholders has entered into a Deed of Non-competition on [●] pursuant to which, each of the Controlling Shareholders (save and except Ms. Kwok Sum Yu, Vanessa, Ms. Kwok Sum Kiu, Victoria and Mr. Kwok Hung Yuen, Vincent, who are children under 18 of Mr. Kwok Wai Tak and Ms. Gu Xiao Wen as at the Latest Practicable Date) has irrevocably

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and unconditionally undertaken to and covenanted with our Company (for itself and for the benefit of each member of our Group) that during the continuation of the Deeds of Non-Competition, each of the Controlling Shareholders shall not, and shall procure each of his/her/its associates and/or companies controlled by him/her/it will not, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on, or engage, invest, be interested or involved or engaged in, acquire or hold any rights or interests, or otherwise involved (in each case whether as a shareholder, partner, principal agent, director, employee or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (other than, in respect of each Controlling Shareholder, as a holder of not more than 5% of the issued shares or stocks of any class or debentures of any company listed on any recognised stock exchange) including but not limited to provision of (i) ECM related services; (ii) brokerage services; (iii) margin and IPO financing services; and (iv) CIES related services and businesses ancillary to any of the foregoing ("**Restricted Business**").

Pursuant to the Deeds of Non-Competition, each of the Controlling Shareholders has also undertaken that if each of the Controlling Shareholders and/or any of his/her/its associates is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he/she/it shall (i) promptly within ten business days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; (ii) use his/her/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/her/it and/or his/her/its associates; and (iii) invest or participate by him/her/it or any of his/her/its associates and/or entities or companies controlled by him/her/it in the New Business Opportunity which have been rejected by our Company and the principal terms of which are no more favourable than those made available to our Company.

Further, each of the Controlling Shareholders (except Ms. Kwok Sum Yu, Vanessa, Ms. Kwok Sum Kiu, Victoria and Mr. Kwok Hung Yuen, Vincent, who are children under 18 of Mr. Kwok Wai Tak and Ms. Gu Xiao Wen) has undertaken, among other things, that during the period in which he/she/it and/or his/her/its associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (i) he/she/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time (other than, in respect of each Controlling Shareholder, as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange);
- (ii) he/she/it will not solicit any existing or then existing employee of our Group for employment by him/her/it or his/her/its associates (excluding our Group);
- (iii) he/she/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/her/its knowledge in his/her/its capacity as the Controlling Shareholder for any purposes; and

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- (iv) he/she/it will procure his/her/its associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Deeds of Non-Competition.

Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak are interested or involved in the business engaged by CFHL. Pursuant to the terms of the Deeds of Non-Competition, Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak are entitled to invest, participate and be engaged in the business engaged by CFHL and its subsidiaries provided always that:

- (a) if any of Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak and/or any of his/her associates intends to offer any project or New Business Opportunity that relates to the Restricted Business to CFHL or its subsidiaries, whether directly or indirectly, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities, in which resolutions have been duly passed by the majority of our independent non-executive Directors), confirmed its rejection to be involved or engaged, or to participate, in the relevant business opportunity; and
- (b) provided also that the principal terms on which that CFHL or its subsidiaries invest(s), participate(s) or engage(s) in the business opportunity are substantially the same as or not more favourable than those disclosed to our Company.

Subject to the above, if CFHL or its subsidiaries decided to be involved, engage, or participate in the relevant business opportunity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

Pursuant to the terms of the Deeds of Non-Competition, if each of the Controlling Shareholders and/or the relevant registered holders intends to sell, dispose of, or permit or suffer a transfer of the whole or any part of the shares in CFHL ("**CFHL Shares**") held by him/her/it and/or the relevant registered holders and registered in his/her/its name or in the name of the relevant registered holders to a purchasing party by accepting a bona fide offer given by such purchasing party, our Company or our subsidiaries shall have a right of first refusal (the "**Right of First Refusal**") with respect to such transfer as provided below:

- (a) if the relevant Controlling Shareholder and/or the relevant registered holders proposes to sell or transfer any of his/her/its/ the relevant registered holders' CFHL Shares under such bona fide offer, the relevant Controlling Shareholder shall and shall procure the relevant registered holders to send a written notice (the "**Transfer Notice**") to our Company within 5 business days after receipt of such bona fide offer, which notice shall state (i) the number of CFHL Shares to be transferred under such bona fide offer (the "**Transferred Shares**"), (ii) the price that such purchasing party offers to purchase the Transferred Shares under such bona fide offer (the "**Offer Price**") and (iii) the other terms and conditions of such bona fide offer in reasonable details;

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- (b) for a period of seven days from the date of receipt of the Transfer Notice (the "**Offer Period**"), our Company or our subsidiaries shall have the right to purchase all or any part of the Transferred Shares at a purchase price per Transferred Share equal to the Offer Price per Transferred Share and upon the other terms and conditions set forth in the Transfer Notice;
- (c) the Right of First Refusal of our Company and our subsidiaries shall be exercisable by delivering a written acceptance notice of exercise (the "**Acceptance Notice**") within the Offer Period to the relevant Controlling Shareholder and/or the relevant registered holders. The Acceptance Notice shall include a statement of the number of Transferred Shares that our Company or our subsidiaries intends to purchase. The Acceptance Notice shall be irrevocable and shall constitute a binding agreement by our Company or our subsidiaries to purchase the relevant number of Transferred Shares stated in such Acceptance Notice. Notwithstanding any other provisions, failure of our Company or our subsidiaries to give the Acceptance Notice within the Offer Period shall be deemed to be a waiver of the Right of First Refusal;
- (d) unless our Company or our subsidiaries elects to purchase all of the Transferred Shares, the relevant Controlling Shareholder and/or the relevant registered holders is entitled to transfer the remaining portion of Transferred Shares not purchased by our Company or our subsidiaries to a purchasing party on the terms and conditions set forth in the Transfer Notice; provided, however, that (i) such sale is bona fide, (ii) the price for such sale of each Transferred Share to such purchasing party is not less than the Offer Price per Transferred Share and the sale is on the terms and conditions not more favourable to the purchasing party than those set forth in the Transfer Notice and (iii) such sale is made within 90 days from the date of the Transfer Notice. If such a sale does not occur within such 90 days period for any reasons, the restrictions provided for herein shall again become effective, and no transfer or sale of Transferred Shares may be made by the relevant Controlling Shareholder and/or the relevant registered holders thereafter without again making an offer to our Company in accordance with this provision; and
- (e) the closing of the purchase of all or any of the Transferred Shares by our Company or our subsidiaries shall be held at such place at such time on the date falling 10 business days from the date of the Acceptance Notice, unless otherwise mutually agreed by the relevant Controlling Shareholder and/or the relevant registered holders and our Company or our subsidiaries. The said 10-Business-Day period shall be extended if necessary to obtain any regulatory approvals required for such purchase and payment. At such closing, the relevant Controlling Shareholder shall and shall procure the relevant registered holders to deliver share certificates representing the Transferred Shares being transferred to our Company or our subsidiaries, accompanied by duly executed instruments of transfer and the relevant Controlling Shareholder's and/or the relevant registered holders' portion of the requisite transfer taxes (if any) or such other relevant documents to show the completion of the transfer of the Transferred Shares to our Company or our subsidiaries. Such Transferred Shares shall be free and clear of any encumbrance, and the relevant Controlling Shareholder shall and shall procure the relevant registered holders so represent and warrant and shall and shall procure the relevant

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registered holders further represent and warrant that it is the beneficial and legal owner of such Transferred Shares. Our Company or our subsidiaries shall deliver at such closing payment in full for the purchase of the Transferred Shares. At such closing, all the parties to the transaction shall execute such additional documents as may be necessary or appropriate to affect the transfer of the Transferred Shares to our Company or our subsidiaries. Any stamp duty or transfer taxes or fees payable on the transfer of any Transferred Shares shall be borne and paid equally by the relevant Controlling Shareholder and/or the relevant registered holders and our Company or our subsidiaries.

Each of the Controlling Shareholders (except Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng, Mr. Mak, Ms. Kwok Sum Yu, Vanessa, Ms. Kwok Sum Kiu, Victoria and Mr. Kwok Hung Yuen, Vincent, who are children under 18 of Mr. Kwok Wai Tak and Ms. Gu Xiao Wen) has represented and warranted to our Company that none of the Controlling Shareholders nor his/her/its associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group.

Each of Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak represents and warrants to our Company that save and except each of them is interested, involved or engaging, directly or indirectly, in the business engaged by CFHL and its subsidiaries, neither he/she nor any of his/her associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through the Group.

Under the Deeds of Non-Competition, the Controlling Shareholders (except Ms. Kwok Sum Yu, Vanessa, Ms. Kwok Sum Kiu, Victoria and Mr. Kwok Hung Yuen, Vincent, who are children under 18 of Mr. Kwok Wai Tak and Ms. Gu Xiao Wen) have agreed to indemnify us for breach of any provisions contained in the Deeds of Non-competition.

The Deeds of Non-Competition will take effect upon Listing and shall expire on the earlier of:

- (i) the day on which the Shares cease to be listed on GEM or other recognised stock exchange; or
- (ii) the day on which the Controlling Shareholders and his/her/its associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company, directly or indirectly, or cease to be deemed as Controlling Shareholder (within the meaning defined in the GEM Listing Rules) or cease to be a Director, or do not have power to control our Board.

CORPORATE GOVERNANCE MEASURES

Our Company [has adopted] the following corporate governance measures for conflict situation in order to safeguard the interests of the Shareholders as a whole:

- (a) our Audit Committee comprising all independent non-executive Directors and our Board shall both decide whether or not to pursue the opportunity offered by our Controlling Shareholders and/or their respective associates (other than our Group).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

When considering whether or not to pursue such opportunity, our Audit Committee and our Board will consider whether the relevant business opportunities are expected to present a sustainable level of profitability, accord with the development strategy of our Group at the material time, and would be in the best interest of the Shareholders as a whole. Our Audit Committee may appoint an independent financial adviser or other professional advisers to give the necessary advice;

- (b) our Company has appointed Quam Capital as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the GEM Listing Rules;
- (c) our Audit Committee shall meet at least four times per year to monitor the non-competition undertakings from our Controlling Shareholders given under the Deeds of Non-competition ("**Non-competition Undertakings**") and any actual or potential conflict of interests between our Controlling Shareholders and our Group ("**Actual or Potential Conflict of Interests**");
- (d) our Audit Committee shall be delegated with the authority to review on a quarterly basis the Non-competition Undertakings from our Controlling Shareholders and any Actual or Potential Conflict of Interests;
- (e) our Company will disclose in the annual reports compliance and enforcement of the Non-competition Undertakings by our Controlling Shareholders and the appropriate actions to be taken by our Company;
- (f) our Company will disclose the details and basis of the decisions on the matters reviewed by our Audit Committee in relation to the compliance and enforcement of arrangement of the New Business Opportunity;
- (g) our Board will ensure any event relating to the Actual or Potential Conflict of Interests will be disclosed to our Audit Committee will be dealt with as soon as practicably when it realises or suspects any event relating to Actual or Potential Conflict of Interests may occur during the daily operations;
- (h) following the reporting of any event relating to potential conflict of interests between our Controlling Shareholders and our Group, our Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the GEM Listing Rules in order to monitor any irregular business activities and alert our Board and our Audit Committee to take any precautionous actions;
- (i) disclose details of all incidents relating to the Non-competition Undertakings given by our Controlling Shareholders and any Actual or Potential Conflict of Interests in our annual report or by way of announcement to the public in addition to complying with the disclosure requirements under the GEM Listing Rules;
- (j) each of our Controlling Shareholders has undertaken to provide all information necessary for the enforcement of the Non-competition Undertakings as requested by our Audit Committee from time to time and make an annual declaration in compliance with the Non-competition Undertakings in the annual report of our Company;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

- (k) each of our Controlling Shareholders has undertaken to our Company to provide and procure that their respective associates to provide our Audit Committee with all information necessary for the review by our Audit Committee and do all such acts and things from time to time to assist our Audit Committee to perform its function relating to any Actual or Potential Conflict of Interests including but not limited to (i) having quarterly meetings with our Audit Committee; (ii) cooperate and promptly respond to the request of any person designated by our Audit Committee for the purpose of monitoring any Actual or Potential Conflict of Interests between our Controlling Shareholders and our Group; and (iii) to communicate regularly with or report any Actual or Potential Conflict of Interests to our Audit Committee or such person designated by our Audit Committee for the purpose;
- (l) each of our Controlling Shareholders has granted our Company a right of first refusal to purchase the CFHL Shares held by the relevant Controlling Shareholders or the relevant registered holders in the event that our Controlling Shareholders and/or the relevant holders intend to sell, dispose of, or permit or suffer a transfer of the whole or any part of the CFHL Shares held by each of them and registered in their respective name to a purchasing party by accepting a bona fide offer given by such purchasing party pursuant to the Deeds of Non-competition;
- (m) each of Mr. Wong, Ms. Fong, Mr. Shin, Mr. Ng and Mr. Mak has also undertaken to our Company that they shall not and shall use their best endeavours to procure that the relevant registered holders not to increase their percentage shareholding interests in CFHL from approximately 5.54%, 5.26%, 2.01% and 1.31% which were owned by Mr. Wong, Mr. Mak, Mr. Shin and Mr. Ng respectively as at 30 November 2014; and
- (n) in the event that our Controlling Shareholders fail to comply with the provisions of the Deeds of Non-competition, our Company will consider commencing legal proceedings against our Controlling Shareholders.

RELATIONSHIP WITH SENIOR MANAGEMENT

Our Group's revenue generated from our ECM related services increased by approximately 176.2% from approximately HK\$10.5 million for the year ended 31 December 2012 to approximately HK\$29.0 million for the year ended 31 December 2013. Such increase was mainly contributed by the increase in number of placing and underwriting transactions we had undertaken and completed from 10 for the year ended 31 December 2012 to 25 for the year ended 31 December 2013, which in turn generated a greater amount of revenue for the year ended 31 December 2013 when compared to that for the year ended 31 December 2012. For the year ended 31 December 2014 as compared with the year ended 31 December 2013, our Group's revenue generated from our ECM related services increased by approximately 211.7% from approximately HK\$29.0 million to HK\$90.4 million. Such increase was also mainly contributed by the increase in number of placing and underwriting transactions which our Group had undertaken and completed from 25 for the year ended 31 December 2013 to 252 for the year ended 31 December 2014, which in turn also generated a greater amount of ECM related revenue for the year ended 31 December 2014 compared to that for the year ended 31 December 2013. The increase in number of placing and underwriting transactions was primarily

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SENIOR MANAGEMENT

attributable to the joining of our chief executive officer to lead our ECM division in late 2012, who successfully secured 10 and 46 placing and underwriting transactions for our Group for the year ended 31 December 2013 and 2014 respectively and the revenue attributed to these transactions was approximately HK\$11.7 million and HK\$26.8 million for the year ended 31 December 2013 and 2014 respectively, which represented approximately 25.4% and 23.1% of our Group's total revenue for the corresponding years.

As such, our Group relies on Mr. Tse Tim ("**Mr. Tse**") for his business networks, experience and expertise and our Group's future success in placing and underwriting business is dependent upon the continued services of Mr. Tse Tim. Given (i) Mr. Tse has joined the Group for a relatively short period of time with the Group as compared to other Directors (not including the independent non-executive Directors) and senior management; (ii) he has not held any directorship or position which requires him to oversee or manage the operation of a listed company in Hong Kong; and (iii) should he be appointed as a Director, Mr. Tse will have to devote more time to fulfill the duties of a director of a listed company which in turn will divert his attention from our ECM related services segment. The Board considers that it will be in the interests of the Company and Shareholders' as a whole that Mr. Tse remained as a chief executive officer for the time being. With a view to mitigation the risks associated with its reliance on Mr. Tse, CIS and Mr. Tse has entered into a letter of employment (the "**Employment Letter**") under which Mr. Tse and CIS agreed that:

- (a) Mr. Tse shall not divulge any confidential information of the Group during or after termination of his employment with CIS;
- (b) during the term of the employment of Mr. Tse and for a period of six months after the termination of Mr. Tse's employment, Mr. Tse shall not, directly or indirectly, solicit or induce any consultant or staff employed or engaged by CIS and with whom he has any dealings in the course of his employment with CIS to terminate his or her employment or engagement with the Group;
- (c) during the term of the employment of Mr. Tse and for a period of six months after the termination of Mr. Tse's employment, Mr. Tse shall not, directly or indirectly, solicit business from any customers or accounts of CIS with whom he has served or has dealings in the course of his employment with CIS; and
- (d) to mitigate the risk of affecting the operation of CIS upon termination of Mr. Tse's employment, CIS and Mr. Tse have entered into a supplemental letter of employment to amend the certain terms in the Employment Letter, such that the notice period for termination of Mr. Tse's employment is extended from one month to three months. The Directors are of the view that the extended notice period will allow CIS to have sufficient time to recruit candidates of Mr. Tse's caliber and to make arrangement for the transfer of Mr. Tse's duties and responsibilities to his replacement or the ECM team to ensure the operation of CIS will not be interrupted.

For risks associated with our reliance on our management, please refer to the section headed "Risk factors – We rely on key personnel for carrying on our operations which may adversely affect our Group's business and prospects if such key personnel discontinues their service for our Group" in this document.

CONNECTED TRANSACTIONS

During the Track Record Period, we had entered into certain arrangements with our connected persons (where applicable, including their associates) which constituted connected transactions for our Company pursuant to the GEM Listing Rules. Certain transactions have ceased or will cease upon the Listing while some are expected to continue after the Listing. Our Directors confirm that they are of the view that these connected transactions were and will be conducted in our normal course of business and based on normal commercial terms. Save as disclosed in this document, our Directors has confirmed that there are no other expenses paid by the connected person on behalf of or for the benefit of our Group during the Track Record Period and up to the Latest Practicable Date.

Each of the persons stated below, who is or was a connected person (where applicable, including their associates) had and/or will continue to have transactions with our Company.

Connected person (Note 1)	Connected relationship
CAM	Associate of CFHL, a deemed connected person of our Company
CFG (Note 2)	Associate of Controlling Shareholder
CFHL (Note 4)	Deemed connected person of our Company
Convoy Financial Services Limited (Note 3)	Deemed connected person of our Company
Chan Chi Keung	Director of CIS
Au-Yong Shong, Samuel (Note 5)	Independent non-executive Director
Kwok Wai Tak	Controlling Shareholder
Mr. Wong	Controlling Shareholder
Ms. Fong	Controlling Shareholder
Mr. Shin	Controlling Shareholder
Mr. Ng	Controlling Shareholder
Mr. Cheung	Controlling Shareholder
Mr. Mak (Note 6)	Controlling Shareholder, a former non-executive Director and director of CIS
So Kwok Keung	Executive Director
Lau Shek Yuen Simon	Executive Director
Tse Tim	Chief executive officer of our Company

Notes:

1. Associates of the connected persons listed above who have maintained an account(s) with CIS and had received ECM related services, brokerage services, and/or margin and IPO financing services from our Group during the Track Record Period are not listed.
2. As at the Latest Practicable Date, CFG was wholly-owned by Convoy Inc.. As at the Latest Practicable Date, Convoy Inc. was wholly-owned by Mr. Wong. As such, CFG is an associate of our Controlling Shareholder.
3. During the Track Record Period and as at the Latest Practicable Date, Convoy Financial Services Limited was wholly-owned by Convoy (BVI) Limited. Convoy (BVI) Limited was wholly-owned by CFHL, a deemed connected person of our Company. As such, Convoy Financial Services Limited will be considered as a deemed connected person of our Company upon Listing.

CONNECTED TRANSACTIONS

4. CFHL was deemed a connected person of our Company by the Stock Exchange.
5. Mr. Au-Yong Shong, Samuel ("**Mr. Au-Yong**"), our independent non-executive Director, had previously maintained securities trading accounts and margin accounts with CIS. Mr. Au-Yong had closed his securities trading account on or about 23 June 2014. Mr. Au-Yong did not engage in any trading activity with his account and therefore no income was received from Mr. Au-Yong during the Track Record Period. With a view to avoid compromising the independence of Mr. Au-Yong in the future, the Company has requested that Mr. Au-Yong to close his brokerage and/or margin accounts and the Company has ceased to provide any financial services to him. As such, there is no circumstance which may fall within the factors to be considered by the Stock Exchange under Rule 5.09 of the GEM Listing Rules.
6. Mr. Mak resigned as a non-executive Director on 12 March 2015.

PREVIOUS CONNECTED TRANSACTION

(i) Transfer of warrants from our Group to Mr. Tse Tim, the chief executive officer of our Company

On 28 January 2013, CIS transferred to Specialty Plus Limited, a company wholly-owned by Mr. Tse Tim, the chief executive officer of our Company, warrants conferring rights to subscribe for 60,000,000 shares in the capital of Company A at the initial exercise price of HK\$0.18 (subject to adjustment) at the consideration of HK\$1.00. The transfer of the warrants served as an incentive to Mr. Tse to promote Company A subsequent to the entering of an ECM retainer service agreement between CIS and Company A on 15 December 2012. As at the Latest Practicable Date, the above warrants had been disposed by Mr. Tse Tim.

(ii) Placing of warrants of CFHL

On or about 25 February 2013, CIS, acting as placing agent, entered into a warrant placing agreement with CFHL in connection with a placing of 80,000,000 non-listed warrants at a placing price of HK\$0.01 issued by CFHL conferring rights to subscribe for (i.e. HK\$800,000) 80,000,000 shares in CFHL (the "**Warrant Shares**") at the warrant exercise price of HK\$1.41 per Warrant Share. CIS charged CFHL a placing commission of 3% of the aggregate warrant placing price in relation to the 80,000,000 Warrants Shares (i.e. HK\$800,000) placed by it and amounted to HK\$24,000.

DISCONTINUED CONNECTED TRANSACTIONS

(i) Sharing of administrative services

CFHL was beneficially owned by CFG as to not less than 57% until 5 December 2013. It had been providing certain administrative and back office support services to our Group without consideration during the Track Record Period. The administrative and back office support services provided by CFHL include certain information technology support, human resources, management and administrative services. On or about 5 December 2013, CFG became interested in approximately 27.20% of CFHL and CFHL therefore ceased to become a connected person of our Company. Our Company also confirmed that CFHL had ceased to provide administrative and back office support services to our Group since June 2014. The administrative and back office support provided by CFHL was estimated to be approximately HK\$223,000 and HK\$235,000 for each of the years ended 31 December 2012 and 2013

CONNECTED TRANSACTIONS

respectively, which represented approximately 2.3% and 3.2% of our Group's profit for the corresponding years. Such amounts of expenses which could have been paid by CIS to CFHL in relation to the administrative and back office support services are calculated based on the estimated proportion of hours the relevant staff of CFHL spent on providing the administrative and back office support services to CIS multiplied by the remuneration of the staff for the relevant year. Our Directors consider that the administrative and back office support expenses that could have been paid by our Group were insignificant to the profit of our Group during the Track Record Period.

During the Track Record Period, CFHL has provided the following administrative and back office support services to CIS:

(1) *Information technology services ("IT Services")*

The IT Services required by CIS include general maintenance, database back-up, software/hardware update and website maintenance. During the Track Record Period, an IT assistant manager of CIS was responsible for general maintenance software/hardware update and website maintenance while only database back-up was provided by CFHL. Since June 2014, all IT Services has become the responsibilities of the said IT assistant manager who is a full time employee of CIS.

(2) *Human resources services ("HR Services")*

During the Track Record Period, HR Services, including payroll, arranging insurance coverage and recruitment were provided by CFHL. One HR assistant manager was responsible for liaising with CFHL in relation to the above matters. Since June 2014, all HR Services has become the responsibilities of the said HR assistant manager who is a full time employee of CIS.


(3) *Administrative services*

During the Track Record Period, a subsidiary of CFHL provided finance and accounting and compliance support. Mr. Tam and another accounts officer, while still being employed by the CFHL Group, oversaw and were responsible for all finance and accounts functions of CIS. With a view to maintain independence from the CFHL Group, each of Mr. Tam and the said accounts officer ceased to be employed by the CFHL Group and has formally entered into employment contract with CIS in December 2013. Under the employment contracts, Mr. Tam and the accounts officer will continue to oversee and be responsible for all finance and accounts functions of CIS.

CONNECTED TRANSACTIONS

(ii) Use of trademark

During the Track Record Period, our Group had been permitted to use, with a consideration of HK\$1.00, the trademark owned by Convoy (Trademarks) Limited, a company wholly-owned by CFG. The trademark was registered under the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong). Particulars of the trademark are set out below:–

Trademarks	Name of registered owner	Place of registration	Class	Registration number
	Convoy (Trademarks) Limited	Hong Kong	35, 36	300064485

As confirmed by our Directors, our Group has ceased to use the trademark since June 2014. As such, this arrangement of trademark usage will not be considered as a continuing connected transaction of our Company under the GEM Listing Rules upon Listing. On 26 September 2014, application had been made by our Group for registration of a new trademark. For further details regarding the intellectual rights of our Group, please refer to the section headed "Statutory and general information – Intellectual property rights" in this document. Since the cessation of the use of the trademark, the Company has not observed any material effect to the Company's operational and financial position. As such, the Directors are of the view that the cessation of the use of the trademark owned by Convoy (Trademarks) Limited and the adoption of a new trademark does not have a material impact on the Company's operation and financial position.

(iii) Occupation and use of part of the properties leased by Convoy Financial Services Limited

During the Track Record Period, CIS had occupied part of two properties (the "Properties") leased by Convoy Financial Services Limited ("CFS") without consideration. CFS is wholly-owned by Convoy (BVI) Limited which is wholly-owned by CFHL; an associate of Mr. Wong, Mr. Shin, Mr. Ng and Mr. Mak. CFHL was beneficially owned by CFG as to not less than 57% till 5 December 2013. On or about 5 December 2013, CFG became interested in approximately 27.20% of CFHL and CFHL therefore ceased to become a connected person of our Company. As confirmed by our Directors, our Group has ceased to occupy/use the Properties as of the Latest Practicable Date. The rental and related expenses (including air-conditioning, management fees and government rates) which could have been paid by our Group were estimated to be approximately HK\$676,000 and HK\$689,000 for each of the years ended 31 December 2012 and 2013 respectively, which represented approximately 6.9% and 9.4% of our Group's profit for the corresponding years. The rental and related expenses which could have been paid by the Group to CFS are calculated based on the headcount ratio of CIS to CFS (and its related companies) occupying the Properties multiplied by the total rental and related expenses in relation to the Properties.

CONNECTED TRANSACTIONS

Details of the terms of the Properties are set out below:

Properties	Term of lease by CFS	Rental	Air-conditioning and management fees	Approximate portion of the Properties occupied by CIS based on headcount ratio	Period in which CIS occupied/ used part of the Properties during the Track Record Period
Whole of the 17th Floor, Cityplaza Three, Taikoo Shing, Island East, Hong Kong	1 March 2009 to 28 February 2015	(i) For the period commencing from 1 March 2009 to 29 February 2012, HK\$695,916 per month (exclusive of air-conditioning, management fees and government rates)	HK\$127,585 per month	5.9%	January 2012 to November 2012
		(ii) For the period commencing from 1 March 2012 to 28 February 2015, HK\$840,899 per month (exclusive of air-conditioning, management fees and government rates)			
Whole of 1/F and portion of G/F, Li Po Chun Chambers, 189 Des Vieux Road Central, Hong Kong	1 May 2011 to 30 April 2014	HK\$703,612 per month (exclusive of air-conditioning and management charges and government rates)	HK\$91,626 per month	5.9%-6.9%	November 2012 to December 2013

(iv) Insurance coverage of CIS

During the Track Record Period, our Group and CFHL Group have jointly taken out general liability insurance, staff medical insurance and licence holders insurance.

For each of the years ended 31 December 2012, 2013 and 2014, the total amount of premium paid by us were approximately HK\$15,000, HK\$93,000 and HK\$83,000 respectively. CFHL was beneficially owned by CFG as to not less than 57% until 5 December 2013. On or about 5 December 2013, CFG became interested in approximately 27.20% of CFHL and CFHL ceased to be a connected person of our Company. As such, CFHL is not considered to be a connected person of our Company and the transaction will not be considered as a continuing connected transaction of our Company under the GEM Listing Rules upon Listing.

CONNECTED TRANSACTIONS

As at the Latest Practicable Date, our Group has taken out insurance policy to provide insurance coverage of our Group. For more details, please refer to the section headed "Business – insurance coverage" in this document.

(v) Revolving loan agreement

The Facility Agreement dated 9 December 2009 was entered into between CIS, CFG and the SFC pursuant to which CFG offered to CIS a revolving credit facility of HK\$20,000,000 for the purpose of meeting the FRR requirements under the SFO. CFG was an associate of Mr. Wong as at the Latest Practicable Date, therefore, CFG is a connected person of our Company under the GEM Listing Rules. The loan was unsecured, non-interest bearing and available for five years, and if such loan was drawn down, it was repayable by 8 December 2014. The Facility Agreement has expired in December 2014. As confirmed by our Company, our Group will not renew such Facility Agreement with CFG.

CONTINUING CONNECTED TRANSACTIONS

(A) EXEMPT CONTINUING CONNECTED TRANSACTIONS

Commissions, fees and interests income from our connected persons (where applicable, including their associates) in relation to our provision of brokerage services and margin and IPO financing services

During the Track Record Period, Mr. Chan Chi Keung, Mr. Kwok Wai Tak, Mr. Cheung, Mr. Mak, Mr. Shin, Mr. Ng, Mr. So Kwok Keung, Mr. Lau Shek Yuen Simon, Mr. Tse Tim and Mr. Wong (where applicable, including their associates) had received brokerage services and margin and IPO financing services from CIS from time to time on normal commercial terms and at rates no more favourable to the connected persons than those offered to (i) our staff and/or (ii) other customers of CIS who are Independent Third Parties with similar background and/or nature as our connected persons. After Listing, CIS intends to continue to conduct transactions with each of these connected persons (where applicable, including their associates). Following our Directors' deliberation, it was noted that pursuant to paragraph 12.2 of the Code of Conduct, employees should generally be required to deal through the licensed or registered person or its affiliates, and for the purposes of this paragraph, the term "employees" includes directors of a licensed or registered person. For compliance with this paragraph, our Directors consider it appropriate to require Mr. Chan Chi Keung, Mr. Mak, Mr. So Kwok Keung, Mr. Lau Shek Yuen Simon and Mr. Tse Tim to conduct their personal securities dealing activities (being the aforesaid, brokerage services and margin and IPO financing services) through CIS after Listing.

CONNECTED TRANSACTIONS

Historical transactions amount with our connected persons (where applicable, including their associates)

The following table sets forth the amounts of commissions, fees and interests income received from our connected persons (where applicable, including their associates) in relation to the provision of brokerage services and margin and IPO financing services (the "**Financial Services**") for the Track Record Period:

	For the year ended 31 December					
	2012		2013		2014	
	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue
Brokerage services income	585	3.0	1,300	2.8	1,144	1.0
Interest income from margin and IPO financing services	52	0.3	162	0.4	428	0.4
Total	<u>637</u>	<u>3.3</u>	<u>1,462</u>	<u>3.2</u>	<u>1,572</u>	<u>1.4</u>

*Annual Caps for the Financial Services under the Connected Services Agreement for each of the three years ending 31 December 2017 (the "**Financial Services Annual Caps**")*

Pursuant to the connected services agreement (the "**Connected Services Agreement**") dated [●] and entered into among CIS, Mr. Chan Chi Keung, Mr. Kwok Wai Tak, Mr. Cheung, Mr. Mak, Mr. Shin, Mr. Ng, Ms. Fong, Mr. So Kwok Keung, Mr. Lau Shek Yuen Simon, Mr. Tse Tim and Mr. Wong, CIS may (but is not obliged to), upon request, provide to each of them (where applicable, including their associates), the Financial Services, on normal commercial terms and at rates comparable to rates offered to (i) our staff and/or (ii) other customers of CIS who are Independent Third Parties with similar background and/or nature as our connected persons, and in accordance with the policy of CIS from time to time. Set out below are the principal terms of the Financial Services under the Connected Services Agreement:

Period: From Listing Date to 31 December 2017

Termination: 7 days notice in writing by either party, or forthwith by CIS by written notice if imposed by the Stock Exchange, or if the transactions contemplated under the Connected Services Agreement cannot be complied with by CIS

CONNECTED TRANSACTIONS

Commission, fee and interest rate:	<i>Brokerage services</i>	
	Securities brokerage commission (for trading in Hong Kong securities)	0.048% to 0.25% of transaction value (with a minimum charge of HK\$50)
	Securities brokerage commission (for trading in overseas securities)	0.15% of transaction value
	Futures brokerage commission (for trading in Hong Kong futures)	A fixed charge of HK\$7 to HK\$80 per contract
	Futures brokerage commission (for trading in overseas futures)	A fixed charge of US\$7 to US\$10 per contract
	Handling and scrip fee income	Fixed charge on one time basis depending on the nature of service
	DMA fee	Management fee of 2% of NAV per annum and performance fee of 20% of the amount of NAV at each calendar month that exceed the highest NAV at which such performance fee has previously been paid
	<i>Margin and IPO financing services</i>	
	Interest	From Prime Rate minus 1.5% and up to Prime Rate plus 7% per annum

In determining the Financial Services Annual Caps under the Connected Services Agreement, the Directors have categorised the transactions under the Connected Services Agreement into two categories:

- (i) income from our connected persons (where applicable, including their associates) for securities, futures and options transactions executed through our Group's trading platform, handling and scrip fees income, as well as management fee generated from DMA service; and

CONNECTED TRANSACTIONS

- (ii) interest income from our provision of margin and IPO financing services granted to our connected persons (where applicable, including their associates).

The Financial Services Annual Caps for each of the years ending 31 December 2015, 2016 and 2017 respectively are proposed as follows:

	For the year ending 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Brokerage services income	2,000	2,000	2,000
Interest income from margin and IPO financing services	500	500	500
Total	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>

In determining the Financial Services Annual Caps under the Connected Services Agreement, the Directors have taken into consideration of the following principal factors:

- the actual revenue generated from our connected persons (where applicable, including their associates) in relation to brokerage services and margin and IPO financing services for the period from 1 January 2015 to the Latest Practicable Date;
- the expected increase in the Group's revenue in relation to the commission and brokerage income from dealings in securities and futures assuming there will be improvement in the capital market in the forthcoming years;
- the increase in interest income resulting from the increase in the maximum daily amount of financing utilised by our connected persons (where applicable, including their associates) during the Track Record Period; and
- the expected increase in the Group's revenue in interest income assuming the connected persons (where applicable, including their associates) will increase their utilisation of the margin loan facilities on the basis that the capital market will improve in the forthcoming years.

CONNECTED TRANSACTIONS

Our Directors (including the independent non-executive Directors) consider that provision of the Financial Services under the Connected Services Agreement is in the ordinary and usual course of business of our Group and is on normal commercial terms which are fair and reasonable and in the interests of our Company and Shareholders as a whole.

(B) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(i) Continuing connected transaction subject to reporting, annual review and announcement requirements

Shared commission from CAM

In 2010, our Group commenced the provision of CIES related services to applicants of CIES. Our CIES clients are generally referred by the CAM Consultants. CIS provides investment services to our CIES clients who wish to invest in the eligible collective investment schemes as defined under the CIES Rules. Any services in relation to the subscription or redemption of certain eligible collective investment schemes are provided to CIS (on behalf of our CIES clients) by CAM. CAM received certain amount of commission from fund houses for sub-distribution of eligible collective investment schemes and CAM shared certain proportion of commission with CIS. During the Track Record Period, our Group had received commission sharing from CAM for introducing businesses to CAM which provides certain eligible collective investment schemes to us (on behalf of our CIES clients). CAM is an indirect wholly-owned subsidiary of CFHL which was deemed to be a connected person of the Company by the Stock Exchange. As such, the transactions will be considered as a continuing connected transaction of our Company under the GEM Listing Rules upon Listing.

Historical transactions amounts with CAM

The following table sets forth the amounts of shared commission received from CAM as a result of referrals made by CIS to CAM for the Track Record Period:

	For the year ended 31 December					
	2012		2013		2014	
	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue
Shared commission	563	2.8	2,173	4.7	3,643	3.1

CONNECTED TRANSACTIONS

Annual Caps for the CAM Commission under the Referral Agreement for each of the three years ending 31 December 2017 (the "CAM Commission Annual Caps")

Pursuant to the referral agreement (the "**Referral Agreement**") dated [●] and entered into between CIS and CAM, CIS agrees to refer to CAM (and/or its associates) orders for purchase of eligible investment funds under the CIES Rules for CIS (for and on behalf of its clients) on a non-exclusive basis and on normal commercial terms. CAM shall use its best endeavour to (i) find and introduce to CIS for investment funds which are eligible under the CIES Rules; (ii) purchase any investment funds for CIS (for and on behalf of its clients) eligible under the CIES Rules as CIS may direct; and (iii) to assist in the preparation of, if it deems appropriate, presentation materials relating to the eligible investment funds under the CIES Rules (the "**Referral Services**"). Set out below are the principal terms of the Referral Agreement:

Period:	From Listing Date to 31 December 2017
Termination:	7 days notice in writing by either party, or forthwith by CIS by written notice if imposed by the Stock Exchange, or if the transactions contemplated under the Referral Agreement cannot be complied with by CIS
Fee arrangement:	After deduction of commission (if any) payable to any CAM Consultants under the terms and conditions of the respective service agreements entered into between CAM with its consultants, CIS shall be entitled to 50% of the aggregate commission paid by the fund houses to CAM in connection with or arising from the order placed by CIS for and on behalf of its clients to purchase eligible investment funds under the CIES Rules (the " CAM Commission ").

The CAM Commission shall become payable to CIS on the last day of each calendar month in arrear and CAM shall pay the CAM Commission to CIS in cash on a day falling within 10 business days after the day on which the said commission becomes payable.

The CAM Commission Annual Caps for each of the years ending 31 December 2015, 2016 and 2017 respectively are proposed as follows:

	For the year ending 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Shared commission	4,000	4,000	4,000

CONNECTED TRANSACTIONS

In determining the CAM Commission Annual Caps under the Referral Agreement, the Directors have taken into consideration of the following principal factors:

- the increasing trend of the Group's commission shared with CAM in relation to the Referral Services during the Track Record Period;
- the actual commission shared with CAM in relation to the Referral Services for the period from 1 January 2015 to the Latest Practicable Date in the amount of approximately HK\$124,000; and
- the expected relatively stable trend in the Group's revenue in relation to the commission shared with CAM in the forthcoming years.

Our Directors (including the independent non-executive Directors) consider that the provision of the Referral Services under the Referral Agreement is in the ordinary and usual course of business of our Group and is on normal commercial terms which are fair and reasonable and in the interests of our Company and Shareholders as a whole.

(ii) Continuing connected transaction subject to reporting, annual review, announcement and independent shareholders' approval requirements

Provision of margin and IPO financing services to our connected persons (where applicable, including their associates)

During the Track Record Period, Mr. Chan Chi Keung, Mr. Kwok Wai Tak, Mr. Cheung, Mr. Mak, Mr. Shin, Mr. Ng, Ms. Fong, Mr. So Kwok Keung, Mr. Lau Shek Yuen Simon, Mr. Tse Tim and Mr. Wong (where applicable, including their associates) had been granted margin facilities by CIS. After Listing, CIS intends to continue to conduct transactions with each of these connected persons (where applicable, including their associates).

Historical transaction amount with our connected persons (where applicable, including their associates)

The maximum daily amount of margin and IPO financing (the "**Margin Financing**") which was granted by our Group to and utilised by our connected persons (where applicable, including their associates) for the Track Record Period is set forth below:

	For the year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Maximum daily amount of the Margin Financing granted	23,600	23,600	25,900
Maximum daily amount of the Margin Financing utilised (Note)	4,962	9,144	24,665

CONNECTED TRANSACTIONS

Note:

The maximum daily amount of the Margin Financing utilised is calculated by aggregating the maximum daily amount of the Margin Financing utilised by each of our connected persons on a different day throughout the relevant year for illustration purpose only, and is not a true reflection of the actual maximum daily amount of the Margin Financing utilised.

Annual caps for the Margin Financing under the Connected Service Agreement for each of the three years ending 31 December 2017 (the "Margin Annual Caps")

Pursuant to the Connected Services Agreement entered into among CIS, CIS may (but is not obliged to), upon request, provide to each of Mr. Chan Chi Keung, Mr. Kwok Wai Tak, Mr. Cheung, Mr. Mak, Mr. Shin, Mr. Ng, Ms. Fong, Mr. So Kwok Keung, Mr. Lau Shek Yuen Simon, Mr. Tse Tim and Mr. Wong, (where applicable, including their associates) the Margin Financing, on normal commercial terms and at rates comparable to rates offered to other customers of CIS who are Independent Third Parties of similar financial background, annual income, investment experience and expected trading volume, and in accordance with the policy of CIS from time to time. Set out below are the principal terms of the Margin Financing under the Connected Services Agreement:

Period: From Listing Date to 31 December 2017

Termination: 7 days notice in writing by either party, or forthwith by CIS by written notice if imposed by the Stock Exchange, or if the transactions contemplated under the Connected Services Agreement cannot be complied with by CIS

The maximum daily amount of the Margin Financing granted to our connected persons (where applicable, including their associates) was determined based on the financial background, annual income, investment experience and expected trading volume of our connected persons. We consider that the maximum daily amount of financing granted to our connected persons (where applicable, including their associates) are based on normal commercial terms comparable to those offered to other customers of our Group who are Independent Third Parties with similar financial background, annual income, investment experience and expected trading volume, and in accordance with the policy of our Group during the Track Record Period. The provision of financing services shall be subject to the terms and conditions of the standard margin client agreement of CIS from time to time.

CONNECTED TRANSACTIONS

The Margin Annual Caps for each of the years ending 31 December 2015, 2016 and 2017 are proposed as follows:

	For the year ending 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Maximum daily amount of the Margin Financing	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>

In determining the Margin Annual Caps, the following principal factors and assumptions have been taken into consideration:

- the growth in the maximum daily outstanding amount of financing utilised by our connected persons (where applicable, including their associates) during the Track Record Period;
- the maximum daily outstanding amount of financing utilised by our connected persons (where applicable, including their associates) for the period from 1 January 2015 to the Latest Practicable Date in the amount of approximately HK\$14.3 million; and
- the expected increase in the maximum daily outstanding amount of financing utilised by our connected persons (where applicable, including their associates) assuming there will be improvement in the capital market in the forthcoming years.

Our Directors (including the independent non-executive Directors) consider that the provision of the Margin Financing under the Connected Services Agreement is in the ordinary and usual course of business of our Group and is on normal commercial terms which are fair and reasonable and in the interests of our Company and Shareholders as a whole.

Our Directors (including the independent non-executive Directors) consider that the Financial Services Annual Caps, the CAM Commission Annual Caps and the Margin Annual Caps for our connected persons as set out above is on normal commercial terms which are fair and reasonable and in the interests of our Company and Shareholders as a whole.

Details of the continuing connected transactions will be disclosed in our annual report after Listing.

CONNECTED TRANSACTIONS

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the Financial Services Annual Caps on an annual basis is less than 5% (and the annual consideration is less than HK\$3,000,000), the provision of Financial Services under the Connected Services Agreement will fall within the exemption under Rule 20.74 of the GEM Listing Rules and no reporting, announcement and independent shareholders' approval will be required.

As the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the CAM Commission Annual Caps on an annual basis is less than 25% (and the annual consideration is less than HK\$10,000,000), the provision of the Referral Agreement will only be subject to the announcement, reporting and annual review requirements of Chapter 20 of the GEM Listing Rules and is exempt from the independent shareholders' approval requirement.

As the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the Margin Annual Caps, on an annual basis, is more than 25% (and the annual consideration is more than HK\$10,000,000), the provision of Margin Financing under the Connected Services Agreement will constitute non-exempt continuing connected transaction under the GEM Listing Rules and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the GEM Listing Rules.

REASONS FOR THE WAIVER APPLICATION

Pursuant to Rule 20.103 of the GEM Listing Rules, the Stock Exchange may consider granting waivers from (i) the announcement requirement in relation to the provision of the Referral Services by CAM pursuant to the Referral Agreement; and (ii) the announcement, circular and shareholders' approval requirements in relation to the provision of the Margin Financing to our connected person pursuant to the Connected Services Agreement. Since the details of the provision of, (i) the Referral Services under the Referral Agreement; and (ii) the Margin Financing under the Connected Services Agreement have been included in this document and given their recurring nature, our Directors consider that strict compliance with the requirements set out in Chapter 20 of the GEM Listing Rules would be unduly burdensome, impractical and add unnecessary administrative costs to our Company. Therefore, our Directors consider that the waivers from the requirements set out in Chapter 20 of the GEM Listing Rules in connection with the provision of, (i) the Referral Services under the Referral Agreement; and (ii) the Margin Financing under the Connected Services Agreement is in the interests of our Company and our Shareholders as a whole. Our Company will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules, including the CAM Commission Annual Caps and the Margin Annual Caps, and will re-comply with the relevant rules of Chapter 20 of the GEM Listing Rules if the waivers from the Stock Exchange expire or the CAM Commission Annual Caps or the Margin Annual Caps are exceeded, or when the provision of, (i) the Referral Services under the Referral Agreement; and (ii) the Margin Financing under the Connected Services Agreement is renewed or when there is a material change to its terms.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SPONSOR

The Sponsor is of the view that the non-exempt continuing connected transactions referred to above for which the waiver is sought have been and will be in the ordinary and usual course of business of our Group, on normal commercial terms and are fair and reasonable and are in the interest of our Company and our Shareholders as a whole.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, please refer to the paragraph headed "Related party transactions" under note 36 to the Accountant's Report set out in Appendix I to this document.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of three executive Directors and three independent non-executive Directors and our Group has four senior management. The table below shows certain information concerning the Directors and our senior management:

Name	Age	Position	Appointment date	Date of joining our Group	Principal responsibilities
Ms. YAN Siu Fung (甄少鳳) ("Ms. Yan")	41	Executive Director and chairlady of our Board	23 June 2014	July 2012	Overall management and strategic planning of our Group's business operations A member of the Remuneration Committee and the Nomination Committee
Mr. SO Kwok Keung (蘇國強) ("Mr. So")	54	Executive Director and compliance officer of the Company	23 June 2014 and [●]	May 2007	Overall business development of our Group's business operations A member of the Nomination Committee
Mr. LAU Shek Yuen Simon (劉錫源) ("Mr. Lau")	44	Executive Director	12 March 2015	July 2007	Overall management and supervision of our Group's business operations A member of the Remuneration Committee and the Corporate Governance Committee
Mr. CHENG Sheung Hing (鄭雙慶) ("Mr. Cheng")	66	Independent non-executive Director	[●]	[●]	Chairman of the Nomination committee and the Remuneration Committee and a member of the Audit Committee
Mr. AU-YONG Shong, Samuel (歐陽淦) ("Mr. Au-Yong")	49	Independent non-executive Director	[●]	[●]	A member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee
Ms. Reina Lim Yan Xin (林延芯) ("Ms. Lim")	37	Independent non-executive Director	[●]	[●]	Chairlady of the Audit Committee and Corporate Governance Committee and a member of the Nomination Committee and the Remuneration Committee
Mr. TSE Tim (謝添) ("Mr. Tse")	37	Chief executive officer of our Company	1 February 2013	December 2012	Sales and marketing and business development
Mr. FONG Wai Lok Raymond (方偉諾) ("Mr. Fong")	39	Responsible Officer and Licensed Representative of CIS	3 January 2012	January 2012	To supervise and carry out regulated activities of CIS
Mr. TAM Ying Wi (譚鷹威) ("Mr. Tam")	47	Financial controller of CIS Company secretary of our Company	17 June 2014 23 June 2014	January 2014	Financial management of our Group

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Chan Chi Keung, a director and a responsible officer of CIS, is responsible for the formulating and overseeing the strategic development of the business operations of CIS. As Mr. Chan wishes to concentrate his time on his responsibilities at CIS, he was not appointed as senior management or a director of our Company.

EXECUTIVE DIRECTORS

Ms. YAN Siu Fung (甄少鳳), aged 41, is our executive Director and the chairlady of our Board. She was first appointed as the Director on 19 February 2014 and was appointed as the chairlady of our Board on 23 June 2014. Ms. Yan joined our Group in July 2012 as a director of CIS. Ms. Yan is principally responsible for the overall management and strategic planning of our Group's business operations. Ms. Yan completed the Executive Secretarial Studies programme and obtained the diploma of proficiency from Sara Beattie College in Hong Kong in July 1995. Ms. Yan possesses over 9 years of experience in administrative and compliance matters of listed companies in Hong Kong. From 2005 to June 2014, Ms. Yan is the vice general manager of Noble City (Asia) Limited, a wholly-owned subsidiary of National United Resources Holdings Limited (formerly known as China Outdoor Media Group Limited) (Stock code: 0254) ("NUR"), the shares of which are listed on the Main Board of the Stock Exchange and is principally engaged in media and advertising business and trading of coking coal. Ms. Yan is responsible for the overall human resources and administration, investments projects and compliance matters of the group companies of NUR and assists with the secretarial works of the group companies of NUR and liaises with professional agency, the SFC and the Stock Exchange with respect to matters of NUR in compliance with the Listing Rules and the SFO. During the period from November 2003 to May 2005 and from January 2014 to June 2014, Ms. Yan was a director of Noble City (Asia) Limited and Welchem Development Limited. From November 2003 to June 2014, she was a director of Konwide Development Limited. Noble City (Asia) Limited, Welchem Development Limited and Konwide Development Limited, all are wholly-owned subsidiaries of NUR.

Mr. SO Kwok Keung (蘇國強), aged 54, is our executive Director and compliance officer of our Company. He was first appointed as the Director on 23 June 2014. Mr. So joined our Group in 2007 as a director of CIS and resigned in 2011, but remained as a senior manager and Responsible Officer of CIS thereafter. He is principally responsible for the overall business development of our Group's business operations. Mr. So is licensed to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. So graduated from Dalhousie University, Canada with a Bachelor Degree of Commerce in May 1987 and was awarded a Master Degree of Corporate Finance in November 2002 and a Master of Professional Accounting in November 2010 by The Hong Kong Polytechnic University. He has over 18 years' experience in the financial and securities industry with knowledge in securities business management, corporate finance business, portfolio management and securities dealing.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

During the period from August 1995 to February 2002, Mr. So was an account manager for Tai Fok Securities Limited (a member of Tai Fok Securities Group, now known as Haitong International Securities Group Limited (stock code: 0665), a company engages in the provision of securities and brokerage services), and was responsible for the provision of securities advisory services. He was an associate director for Deloitte & Touche Corporate Finance Limited (Shenzhen) (a corporate finance service company of Deloitte Touche Tohmatsu), a company engages in the provision of corporate finance service, and was responsible for managing corporate finance and other transactions from May 2002 to May 2003.

During the period from September 2003 to January 2004, Mr. So was a Licensed Representative for type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO of China Everbright Securities (HK) Limited, a company engages in the provision of securities and brokerage services, and China Everbright Forex & Futures (HK) Limited, a company engages in the provision of futures brokerage services, respectively. From January 2004 to April 2006, he was a Licensed Representative for type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO of Kim Eng Securities (Hong Kong) Limited, a company engages in the provision of securities and brokerage services, and Kim Eng Futures (Hong Kong) Limited, a company engages in the provision of futures brokerage services, respectively.

During the period from August 2006 to September 2007, Mr. So was a Responsible Officer for type 1 (dealing in securities) regulated activity under the SFO of Ample Orient Capital Limited which provides financial services. He was a Licensed Representative for type 9 (asset management) regulated activity under the SFO of CAM during the period from June 2010 to March 2014.

Mr. LAU Shek Yuen Simon (劉錫源), aged 44, is our executive Director. He was first appointed as the Director on 12 March 2015. Mr. Lau joined our Group in 2007 as a Responsible Officer of CIS and remains as the Responsible Officer of CIS. He is principally responsible for the management and supervision of the business operation of our Group. Mr. Lau is licensed to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Lau graduated from University of Regina, Canada with a Bachelor Degree (Hons) of Computer Science/Mathematics in 1993 and was awarded a Master Degree of Computer Science in 1994. He has over 17 years' experience in the financial and securities industry with knowledge in securities business management, corporate finance business, portfolio management and securities dealing.

During the period from March 1997 to March 2000, Mr. Lau was an authorised clerk for Philco Securities Limited and Chung Nam Securities Limited respectively, and a floor trader for Hennabun Securities Limited, and was responsible for buying and selling securities on the securities market. During the period from April 2000 to February 2003, Mr. Lau was a branch manager and authorised clerk for Shun Loong Holdings Limited, and was responsible for the execution of Hong Kong and U.S. securities, futures transactions and bullion trading. During the respective period from March 2003 to March 2004 and April 2003 to March 2004, Mr. Lau was a director and a responsible officer of Fuhwa Securities (Hong Kong) Co., Limited, and was responsible for the management and supervision of the business operation of the company. During the respective period from April 2004 to February 2005 and May 2004 to February 2005,

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Lau was a responsible officer and a director of Beijing Securities Limited, and was responsible for the management and supervision of the business operation of the company. During the period from February 2005 to July 2007, Mr. Lau was a responsible officer of Hua Nan Securities (HK) Limited, and was responsible for supervising Type 1 (dealing in securities) regulated activity under the SFO and overseeing the daily trading operations of the company.

During the period from January 2007 to July 2009, Mr. Lau was a director of Money Engine Securities Limited ("**Money Engine**"), a company incorporated in Hong Kong with limited liability. Money Engine had never commenced any business. On 10 July 2009, Money Engine was dissolved as a result of an application made by Mr. Lau for the deregistration of a defunct private company, on the grounds of (i) all members of the company agree to the deregistration of the company; (ii) the company has no outstanding liabilities; and (iii) either the company has never commenced business or operation or the company has ceased to carry on business or ceased operation for more than three months immediately before the application. The dissolution of Money Engine has not resulted in any material liability or obligation imposed against Mr. Lau. During the period from October 2004 to August 2009, Mr. Lau was a director of Sarasin Hedge Fund Limited ("**Sarasin Hedge**"), a company incorporated in Hong Kong with limited liability. Sarasin Hedge had never commenced any business. On 14 August 2009, Sarasin Hedge was dissolved by striking off as a result of the Hong Kong Companies Registry perceiving it as a defunct company pursuant to section 291 of the predecessor Companies Ordinance (the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014). The dissolution of Sarasin Hedge has not resulted in any material liability or obligation imposed against Mr. Lau.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Sheung Hing (鄭雙慶), aged 66, was appointed as our independent non-executive Director on [●]. Mr. Cheng graduated from the School of Trade and Economy of Beijing Economics College (北京經濟學院) (now known as Capital University of Economics and Business (首都經濟貿易大學)) with a major in Trading Economics in January 1982. Mr. Cheng is a senior economist of the PRC with over 45 years of experience in foreign exchange management and listed companies related matters. From 1982 to 1986, he was in charge of the foreign affairs and organisation department of Beijing Pharmaceutical Co., Ltd. (北京市醫藥總公司) and was responsible for the composition of the export products catalogue and participation in negotiation with respect to export products. From 1986 to 1995, Mr. Cheng was working with the State Administration of Foreign Exchange (國家外匯管理局) as (i) vice office manager during which he was responsible for reporting, verifying and drafting of reports and other documents and secretarial works; (ii) head of non-trade department during which he was responsible for composition of national non-trade exchange related policies and management practices; (iii) head of inspection department during which he was responsible for inspection of violation cases; and (iv) senior economist during which he was responsible for foreign exchange account matters. From 1995 to 2002, Mr. Cheng was the assistant to the general manager and assistant to the chairman of the board of Wing On Travel (Holdings) Limited (now known as Rosedale Hotel Holdings Limited) (stock code: 1189), the shares of which are listed on the Main Board of the Stock Exchange, which is principally engaged in hotel operations and securities trading business, and was responsible for corporate finance business. From 2003 to 2005, he was the assistant to the chairman of the board of Heng Fai Enterprises Limited (formerly known as XPRESS Group Limited) (stock code: 0185), a company whose shares are listed on the Main

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Board of the Stock Exchange, which is principally engaged in property development business, and was responsible for business negotiations. From December 2003 to December 2013, he was the independent non-executive director of National United Resources Holdings Limited (formerly known as China Outdoor Media Group Limited) (stock code: 0254) which is principally engaged in media and advertising business and trading of coking coal and since November 2013 he is the independent non-executive director of Jintian Pharmaceutical Group Limited (stock code: 2211) which is principally engaged in pharmaceutical business, both of which are companies whose shares are listed on the Main Board of the Stock Exchange.

Mr. Cheng had been a director of Bauhinia Property Management (Hong Kong) Company Limited ("**Bauhinia**"), a private company incorporated in Hong Kong with limited liability from 24 April 2007 to 8 June 2012. Bauhinia was dissolved by striking off pursuant to section 291 of the Company Ordinance on 8 June 2012 for not carrying on business or in operation. According to Mr. Cheng's best knowledge, information and belief, Bauhinia has never commenced business from its date of incorporation and was solvent and dormant at the time of it being struck off. The dissolution of Bauhinia has not resulted in any liability or obligation imposed against him.

Mr. AU-YONG Shong, Samuel (歐陽淞), aged 49, was appointed as our independent non-executive Director on [●]. Mr. Au-Yong graduated from the University of Southampton in June 1988 with a Bachelor of Science. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since September 2005. Mr. Au-Yong has been licensed to engage in type 6 (advising on corporate finance) regulated activity under the SFO since April 2003. He has over 24 years of experience in accountancy and the Hong Kong financial market. He is the chief investment officer of CITIC YBN Capital Limited ("**CITIC**"), a company principally engaged in investment banking, from 2011 to present and is responsible for managing the private equity investment of CITIC. Prior to joining CITIC, he was the managing director and head of equity capital market of Baron Capital Limited, a company principally engaged in investment banking, from 2003 to 2010 and was responsible for managing corporate finance and other transactions. He was the head of equity corporate finance of Ka Wah Capital Limited (now known as CITIC Capital Limited), a company principally engaged in investment banking, from 2000 to 2003 and was responsible for managing equity corporate finance and ECM transactions. Mr. Au-Yong was also the executive director and head of corporate finance/ECM of Core Pacific-Yamaichi Capital Limited, a company principally engaged in investment banking from 1996 to 1998 and was responsible for corporate finance section. Prior to that, he was the senior manager of Morgan Grenfell Hong Kong Limited, a company principally engaged in investment banking, from 1993 to 1996 and was responsible for marketing, execution, structuring and pricing in equity and equity-linked products. He was also a deputy manager of KPMG Peat Marwick (now known as KPMG China and an assistant manager of KPMG Peat Marwick (London) from 1988 to 1992, both of which provide accounting services.

Mr. Au-Yong had been a director of Weford Limited ("**Weford**"), a private company incorporated in Hong Kong with limited liability from 9 July 2003 to 27 September 2013. Weford was dissolved by striking off pursuant to section 291 of the Company Ordinance on 27 September 2013 for not carrying on business or in operation. According to Mr. Au-Yong, Weford has never commenced business from its date of incorporation and was solvent and dormant at the time of it being struck off. The dissolution of Weford has not resulted in any liability or obligation imposed against him.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Reina LIM Yan Xin (林延芯) (formerly known as Lim Yi Ping (Lin Yiping) (林憶萍)), aged 37, was appointed as our independent non-executive Director on [●]. Ms. Lim obtained her bachelor degree in commerce from The University of Queensland in Australia in December 1999. She has been a member of the Institute of Chartered Accountants in Australia from July 2006 to December 2014 and the Hong Kong Institute of Certified Public Accountants since September 2006. Ms. Lim is the chairlady of our audit committee and corporate governance committee and a member of our nomination committee and remuneration committee. She has over 14 years of experience in accounting, financial due diligence, financial advisory, corporate advisory and company secretarial matters.

During the period from January 2000 to June 2002, Ms. Lim was an accountant for Arthur Andersen Singapore, a professional firm principally engaged in accountancy services and was responsible for provision of assurance services to client companies. During the period from June 2002 to May 2004, she was a senior associate for Deloitte & Touche Financial Advisory Services Pte Ltd, a professional firm principally engaged in financial advisory and was responsible for provision of financial due diligence to client companies. During the period from June 2004 to October 2004, October 2004 to June 2005 and July 2005 to June 2007, she was a senior executive, a senior associate and a manager respectively for Deloitte & Touche Corporate Finance Ltd., a professional firm principally engaged in corporate advisory and was responsible for financial due diligence.

During the period from July 2007 to August 2013, Ms. Lim has been an executive director of Boardroom Corporate Services (HK) Limited, a company principally engaged in corporate secretarial, accounting, business advisory, share registry and taxation services provision in Hong Kong and was responsible for managing daily operations. During the period from April 2011 to November 2013, she has also been the company secretary of VXL Capital Limited, a company listed on the Stock Exchange (stock code: 727) and principally engaged in hotel investment and operations and property investment and was responsible for company secretarial matters. During the period from November 2011 to September 2013, she has also been one of the joint company secretaries of OTO Holdings Limited (a company listed on the Stock Exchange (stock code: 6880) and principally engaged in sale of health and wellness products) and was responsible for company secretarial matters.

During the period from November 2012 to October 2013, Ms. Lim was one of the joint company secretaries of Guangdong Nan Yue Logistics Company Limited (now known as Guangdong Yueyun Transportation Company Limited, a company listed on the Stock Exchange (stock code: 3399) and principally engaged in provision of integrated logistics services) and expressway-related services and was responsible for company secretarial matters. During the period from November 2012 to September 2013, She was the company secretary of Far East Hotels and Entertainment Limited (a company listed on the Stock Exchange (stock code: 0037) and principally engaged in hotel operation and property letting) and was responsible for company secretarial matters. Ms. Lim has been the regional director of CFO (HK) Limited, a company principally engaged in the provision of human resources services and was responsible for business development since January 2014.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Save as disclosed in this document, each of the Directors has confirmed that (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he/she is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he/she has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment as a Director.

SENIOR MANAGEMENT

Mr. TSE Tim (謝添), aged 37, joined our Group in December 2012 and is currently the chief executive officer of our Company. Mr. Tse mainly focuses on sales and marketing and assists in business development. Mr. Tse obtained his Bachelor of Business Administration in Economics (First Honor) from The Hong Kong University of Science and Technology in November 2000 and Master of Philosophy in Economics from the Hong Kong University of Science and Technology in November 2002. Mr. Tse is a lifetime member of Beta Gamma Sigma, the international honor society serving business programs accredited by AACSB International. He is also a member of China Academy of Governance (HK) Industrial and Commercial Professional Alumni Association and president of the Association of International Certified Financial Consultants. Mr. Tse has been licensed with SFC since 2003 and is currently licensed to carry on type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. He possesses over 10 years of experience in the financial industry. Mr. Tse has been a director of SSC Joyspring Mining Proprietary Limited, a private company, since September 2012. From 2007 to September 2014, he worked as a director of Galaxy Asset Management (H.K.) Limited, and as managing director of Galaxy Private Investment Management (H.K.) Limited from 2012 to September 2014, the private investment arm of Galaxy Asset Management (H.K.) Limited. Prior to that, he was a Licensed Representative and then as a Responsible Officer to engage in type 9 (asset management) regulated activities under the SFO for APAC Capital Advisors Limited from 2005 to 2007, and responsible for portfolio management from 2005 to 2007. He was also a Licensed Representative to engage in type 4 (advising in securities) and type 9 (asset management) regulated activities under the SFO for Shanghai International Asset Management (Hong Kong) Co. Ltd from 2004 to 2005, and responsible for asset management from 2004 to 2005, and he was also a Licensed Representative to engage in type 6 (advising on corporate finance) regulated activities under the SFO for ICEA Capital Limited from 2003 to 2004, and responsible for financial advisory services.

Mr. Tse has not held any directorship in any public listed company in the past three years.

Mr. FONG Wai Lok Raymond (方偉諾), aged 39, joined our Group in 2012 and has been the Responsible Officer of CIS to engage in type 1 (dealing in securities), type 2 (dealing in futures) and type 4 (advising in securities) regulated activities under the SFO, and a Licensed Representative of CIS to engage in type 9 (asset management) regulated activities under the SFO since April 2003. Mr. Fong graduated from Hong Kong Baptist University with a Bachelor of Business Administration in December 1997 and obtained the Master of Philosophy in December 2000. He obtained a Bachelor of Laws in Chinese Law from Tsinghua University in January 2007. Mr. Fong attained the Chartered Financial Analyst designation in September 2001. He has over

DIRECTORS, SENIOR MANAGEMENT AND STAFF

10 years of experience in the securities brokerage industry. Prior to joining CIS, Mr. Fong held various positions with Tai Fook Securities Company Limited ("**Tai Fook**"), a member of Tak Fook Securities Group (now known as Haitong International Securities Group Limited) (stock code: 0665) from 2000 to 2005 and was responsible to securities and brokerage matters. He first joined Tai Fook as departmental assistant of the retail and corporate services department and before he left Tai Fook, his last position was manager of the institution and corporate services department. He was a Responsible Officer to engage in Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO from March 2009 to December 2011 of Shining Securities Company Limited, a company principally engaged in the provision of securities and brokerage services. He was a Licensed Representative to engage in Type 1 (dealing in securities) regulated activity from May 2008 to March 2009 of VC Brokerage Limited, a company principally engaged in the provision of securities and brokerage services.

Mr. Fong has not held any directorship in any public listed company in the past three years.

Mr. TAM Ying Wi (譚鷹威), aged 47, joined our Group in 2014 and is currently the financial controller of CIS and the company secretary of our Company. Mr. Tam graduated from Curtin University, Australia (through distance education) in April 2002 with a Bachelor of Commerce in Accounting. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since January 2005. He has over 20 years of experience in finance and accountancy. He was the finance and accounts manager of CIS from January 2014 to June 2014 and was thereafter appointed as the financial controller of CIS. **Prior to joining CIS, he was the manager in finance and accounts department of Convoy Financial Services Limited from February 2007 to December 2013** and was responsible for accounting and finance related works. He was the accounting manager of Ever Sense Limited, a company principally engaged in wholesaling and manufacturing of clothing from 2005 to 2006. He was an assistant accountant of Abacus Distribution Systems (HK) Limited which provides travel services from 1993 to 2005.

Mr. Tam has not held any directorship in any public listed company in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

AUDIT COMMITTEE

Our Company established the Audit Committee pursuant to a board resolution passed on [●] in compliance with Rule 5.28 of the GEM Listing Rules with written terms of reference in compliance with paragraph C3.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; oversee the effectiveness of the procedures of the internal control procedures of our Company; and monitor the conflict situations between our Group and our Controlling Shareholders and/or their respective associates (other than our Group).

The Audit Committee consists of three independent non-executive Directors, namely Mr. Cheng, Mr. Au-Yong and Ms. Lim. Ms. Lim is the chairlady of the Audit Committee.

REMUNERATION COMMITTEE

Our Company established the Remuneration Committee pursuant to a board resolution passed on [●] in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of our Group and ensure that none of the Directors determine their own remuneration.

The Remuneration Committee consists of five members, namely Ms. Yan, Mr. Lau, Mr. Cheng, Mr. Au-Yong and Ms. Lim. Mr. Cheng is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

Our Company established the Nomination Committee pursuant to a board resolution passed on [●] with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or re-appointment of Directors.

The Nomination Committee consists of five members, namely Mr. So, Ms. Yan, Mr. Cheng, Mr. Au-Yong and Ms. Lim. Mr. Cheng is the chairman of the Nomination Committee.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

CORPORATE GOVERNANCE COMMITTEE

Our Company established the Corporate Governance Committee pursuant to a board resolution passed on [●] with written terms of reference. The primary duties of the corporate governance committee are to keep the effectiveness of the corporate governance and system of internal non-financial controls of our Group.

The Corporate Governance Committee consists of three members, namely Ms. Lim, Mr. Lau and Mr. Au-Yong. Ms. Lim is the chairlady of the Corporate Governance Committee.

COMPLIANCE OFFICER

Mr. So is the compliance officer of our Company. For details of Mr. So’s background, please refer to the paragraph headed “Executive Directors” in this section of the document.

COMPANY SECRETARY

Mr. TAM Ying Wi (譚鷹威) is the company secretary of our Company as appointed pursuant to Rule 5.14 of the GEM Listing Rules. Please refer to the paragraph headed “Senior Management” of this section for details of Mr. Tam’s qualification and experience.

STAFF

As at the Latest Practicable Date, our Group employed 31 full-time employees. The following table sets forth the total number of employees by function:

Job function	Number
Management	5
Operation	7
Business development, customer service and marketing	14
Accounting, personnel and administration	5
Total	<u>31</u>

As at the Latest Practicable Date, our Group had seven self-employed account executives.

SHARE OPTION SCHEME

The Group has conditionally adopted the Share Option Scheme under which certain employees of the Group including executive Directors may be granted options to subscriber for Shares. The principal terms of the Share Option Scheme are summarised in the section headed “Share Option Scheme” in Appendix IV to this document.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

PRE-IPO SHARE OPTIONS

The Group has granted the Pre-IPO Share Options to Mr. Tse Tim, the chief executive officer of our Company, details of which are set out in the section headed "D. Pre-IPO Share Options" in Appendix IV to this document.

OUR GROUP'S RELATIONSHIP WITH STAFF

Our Group recognises the importance of having a good relationship with its staff. Our Group offers its staff competitive compensation packages, which are intended to attract and retain qualified personnel.

Our Group believes that it maintains a good working relationship with its staff and it has not experienced any difficulty in recruiting staff for our Group's operations. Its staff are not represented by any collective bargaining agreements or labor unions.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

For each of the years ended 31 December 2012, 2013 and 2014, the aggregate amount of the remuneration paid and benefits paid by us to the Directors were approximately HK\$1,365,000, HK\$1,377,000 and HK\$2,020,000 respectively.

For each of the years ended 31 December 2012, 2013 and 2014, the aggregate amount of the remuneration paid and benefits paid by us to the senior management were approximately HK\$820,000, HK\$5,306,000 and HK\$20,765,000 respectively.

The aggregate amount of remuneration (including fees, salaries, allowances and benefits in kind and contributions to pension scheme) were paid by us to our five largest paid individuals for each of the years ended 31 December 2012, 2013 and 2014 were approximately HK\$3,109,000, HK\$7,044,000 and HK\$23,035,000 respectively.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period by us or any of our subsidiaries to our Directors.

Each of the executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date [REDACTED] subject to provisions contained therein. The remuneration and compensation packages of each of the executive Directors will be reviewed and determined by the Board and the Remuneration Committee after the relevant Director has completed 12 months of service or at such other time as the Board and the Remuneration Committee deems appropriate.

Each of the independent non-executive Directors [has] signed an appointment letter with our Company with an initial term of three years commencing from the Listing Date subject to provisions contained therein. The Director's fee for each of the non-executive Director and independent non-executive Directors during the three-year term is initially fixed, subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The remuneration of each Director is determined by reference to market terms, seniority, his/her experiences, our Company's remuneration policy and their duties and responsibilities within our Group. The Directors are entitled to statutory benefits as required by law from time to time. Under the present arrangement, the aggregate of the Directors' remuneration (excluding discretionary bonus, if any) in cash and benefits in kind for the year ending 31 December 2015 is estimated to be approximately HK\$2,140,000.

RETIREMENT BENEFIT SCHEMES

In Hong Kong, our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong and has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group has not participated in any other pension schemes.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Quam Capital to be the compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate (if any) or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, that is, the distribution of our Company's annual report of its financial results for the year ending 31 December 2016, or until the agreement is terminated, whichever is the earlier.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the completion of the [REDACTED] and the Capitalisation Issue is set out in the table below.

<i>Authorised capital:</i>		<i>HK\$</i>
<u>[1,000,000,000]</u>	Shares	<u>[100,000,000]</u>
<i>Issued and fully paid or credited as fully paid:</i>		
100	Shares in issue as at the Latest Practicable Date	10
[REDACTED]	[REDACTED] to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued under the Capitalisation Issue	[REDACTED]
Total:		
<u>[REDACTED]</u>	Shares	<u>[REDACTED]</u>

ASSUMPTIONS

The table is prepared on the basis of the [REDACTED] and the Capitalisation Issue becoming unconditional and the issue of [REDACTED] pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options and the share options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

RANKING

The [REDACTED] will rank equally with all the Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this document save for any entitlement to the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed and "Share Option Scheme" in Appendix IV to this document. No option was granted under the Share Option Scheme.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot and issue and deal with the Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] (not including Shares which may be allotted and issued pursuant to the exercise of options may be granted under the Pre-IPO Share Options and the Share Option Scheme) and the Capitalisation Issue; and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a right issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of subscription rights attaching to share options under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the [REDACTED] (not including Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Pre-IPO Options and Share Option Scheme) and the Capitalisation Issue. This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "Repurchase of our own securities" in Appendix IV to this document.

The general mandates to issue and repurchase Shares will expire:

- at the conclusion of the next annual general meeting of our Company;
- upon the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

SHARE CAPITAL

Further details of these general mandates are contained in the sections headed "Written resolutions of our Shareholders" and "Repurchase by our own securities" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see the paragraph headed "Summary of the constitution of our Company and Cayman Islands Companies Law – 2. Articles of Association – Alteration of capital" in Appendix III to this document.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see the paragraph headed "Summary of the constitution of our Company and Cayman Islands Companies Law – 2. Articles of Association – Variation of rights of existing shares or classes of shares" in Appendix III to this document.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options and the share options which may be granted under the Share Option Scheme), the following person will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, or who are 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 our Group.

Aggregate long positions in Shares

Name	Long/short position	Nature of interests	Number of Shares as at 23 March 2015	Percentage of shareholding in our Company as at 23 March 2015	Number of Shares upon completion of the [REDACTED] and the Capitalisation Issue	Percentage of shareholding in our Company upon completion of the [REDACTED] and the Capitalisation Issue
Smart Aerial	Long position	Beneficial owner	80	80%	[REDACTED]	[REDACTED]
Perfect Galaxy (Note 1)	Long position	Interest in controlled corporation	80	80%	[REDACTED]	[REDACTED]
Ultimate Honour (Note 1)	Long position	Interest in controlled corporation	80	80%	[REDACTED]	[REDACTED]
Mr. Wong (Note 2)	Long position	Interest in controlled corporation	80	80%	[REDACTED]	[REDACTED]
Ms. Kwan Fung Ching (Note 3)	Long position	Interest of spouse	80	80%	[REDACTED]	[REDACTED]
EWTK (Note 4)	Long position	Interest in controlled corporation	80	80%	[REDACTED]	[REDACTED]
Mr. Kwok Wai Tak (Note 5)	Long position	Interest in controlled corporation	80	80%	[REDACTED]	[REDACTED]
Ms. Gu Xiao Wen (Note 5)	Long position	Interest of spouse	80	80%	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Notes:

1. The entire issued share capital of Smart Aerial is beneficially owned by Ultimate Honour and Perfect Galaxy as to 51% and 49% respectively. Thus, each of Ultimate Honour and Perfect Galaxy are deemed to be interested in the **[REDACTED]** Shares owned by Smart Aerial under the SFO.
2. Ultimate Honour is beneficially owned by Mr. Wong as to 35.06%. Thus, Mr. Wong is deemed to be interested in the **[REDACTED]** Shares owned by Smart Aerial under the SFO.
3. Ms. Kwan Fung Ching is the spouse of Mr. Wong. As such, she is deemed to be interested in the **[REDACTED]** Shares owned by Smart Aerial under the SFO.
4. Perfect Galaxy is beneficially owned by EWTK as to 69.39%. Thus, EWTK is deemed to be interested in the **[REDACTED]** Shares owned by Smart Aerial under the SFO.
5. EWTK is beneficially owned by Mr. Kwok Wai Tak, his spouse, Ms. Gu Xiao Wen, his children under the age of 18, Ms. Kwok Sum Yu, Vanessa, Ms. Kwok Sum Kiu, Victoria and Mr. Kwok Hung Yuen, Vincent as to 60%, 10%, 10%, 10% and 10% respectively. Thus, Mr. Kwok Wai Tak and Ms. Gu Xiao Wen are deemed to be interested in the **[REDACTED]** Shares owned by Smart Aerial under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the **[REDACTED]** and Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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 our Company.

FINANCIAL INFORMATION

The following discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with our consolidated financial information as at and for each of the years ended 31 December 2012, 2013 and 2014 and the accompanying notes, included in the Accountant's Report, which has been prepared in accordance with HKFRSs, set out in Appendix I to this document.

The discussions and analysis in this section of the document contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and interpretation of historical trends, current conditions and expected future developments as well as other factors that we believe are appropriate under the relevant circumstances. However, whether our actual results reported in future periods differ materially from those discussed below depends on various factors which we do not have any control over. Factors that could cause or contribute to such differences include those discussed in the sections headed "Forward-looking statements", "Risk Factors" and "Business" as well as those discussed elsewhere in this document.

Unless the context otherwise requires, for the purpose of this section, references to "2012", "2013" and "2014" refer to our financial years ended 31 December 2012, 2013 and 2014, respectively. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

Our Group carries out our business through our Company's operating subsidiary, CIS, which is a corporation registered as an Exchange Participant with the Stock Exchange, an Options Trading Exchange Participant of the Stock Exchange, a Direct Clearing Participant of SEOCH and HKSCC, a HKCC Participant of Hong Kong Future Exchange Clearing Corporation Limited and an Exchange Participant of HKFE and licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities. Our operations are based in Hong Kong and our major services include: (i) ECM related services; (ii) brokerage services; (iii) margin and IPO financing services; and (iv) CIES related services. For each of the years ended 31 December 2012, 2013 and 2014, approximately 86.4%, 90.6% and 94.6% of our Group's revenue was generated from our brokerage services and ECM related services, respectively.

For each of the years ended 31 December 2012, 2013 and 2014, we recorded revenue of approximately HK\$19.8 million, HK\$46.1 million and HK\$116.1 million, respectively, and net profit of approximately HK\$9.8 million, HK\$7.3 million and HK\$13.2 million, respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully described in the section headed "History, reorganisation and corporate structure" in this document, our Company became the holding company of the companies now comprising our Group on 23 June 2014. As the Reorganisation only involved inserting holding entities at the top of existing company and has not resulted in any change of economic substances, the financial information for the Track Record Period has been presented as a continuance of the existing group. Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity

FINANCIAL INFORMATION

and the consolidated statements of cash flows of our Group for the Track Record Period have included the results, changes in equity and cash flows of the companies now comprising our Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of our Group as at 31 December 2012, 31 December 2013 and 31 December 2014 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates.

MAJOR FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Changes in global financial markets and economic conditions

Since the commencement of the global financial crisis and the European sovereign debt crisis in 2008, certain major global economies, such as the U.S., continue to experience a slow economy. Concerns over inflation or deflation, energy costs, the availability and cost of credit, the U.S. mortgage market and a global declining residential real estate market have continued to contribute to market volatility and diminished expectations for the global economy. These factors, combined with volatile oil prices, declining business activity and increased unemployment, have precipitated an economic slowdown and a possibly prolonged global recession. As our financial services operations are highly dependent on the general economic sentiment and health of the global financial markets, any prolonged economic downturn or relapse of a global recession could further decrease demand for our services, thereby materially and adversely affecting our business, financial performance and results of operation.

Performance of the financial market in Hong Kong

During the Track Record Period, our Group's revenue were mainly generated from the provision of ECM related services, brokerage services and margin and IPO financing, which are highly dependent on the performance of the financial market in Hong Kong, including the volume of securities trading activities and interest rates, etc.

Our Group's results of operations are generally affected by the volume of securities trading activities in Hong Kong. There was a downturn of trading turnover in 2008 and 2009 due to the global financial crisis which took place in the second half of 2008. Trading turnover of the Hong Kong stock market in 2009 was approximately HK\$15,515 billion, representing a decrease of approximately 12.1% compared to 2008. Trading turnover of the Hong Kong stock market improved in 2010 to approximately HK\$17,210 billion, representing an increase of approximately 10.9% compared to 2009. Trading activity was moderate in 2011. The average daily turnover amounted to approximately HK\$70 billion, approximately 1.4% higher than that in 2010. Clouded by uncertainties about the European debt problem, trading became less active in late 2011. Trading turnover of the Hong Kong stock market was approximately HK\$17,154 billion in 2011. In 2012, trading activity further reduced and the average daily trading turnover decreased by approximately 22.9% from 2011 levels to approximately HK\$54 billion. Trading turnover was approximately HK\$13,301 billion in 2012. In 2013, trading turnover increased by approximately 14.8% from 2012 levels to approximately HK\$15,265 billion. The average daily trading turnover in 2013 was approximately HK\$62,560 million, an increase of approximately 16.2% compared with approximately HK\$53,850 million in 2012. The average daily turnover in 2014 was approximately HK\$69,456 million, an increase of approximately 11.0% when compared with approximately HK\$62,560 million for the same period in 2013.

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Our Group's business performance is also affected by fluctuations in interest rates which could adversely affect financial markets conditions. For example, a decrease in interest rates, although decreases our costs of capital, may also limit our Group's interest income from our margin and IPO financing business, thus adversely affecting our Group's business and our financial results. Interest rates volatility may also affect stock market performance and general market sentiment, hence causing indirect adverse impact on our business performance.

The financial market in Hong Kong could also be directly affected by the global and local economic and socio-political conditions and the investment sentiment. Any sudden downturn in global or local economic environment, severe fluctuations in global or local markets or economic sentiment may adversely affect the performance of Hong Kong's financial market as a whole, by a decrease in securities and futures trading and capital raising activities, which may adversely affect our Group's business and financial performance.

Intensity of competition in Hong Kong

The financial services industry in Hong Kong is characterised by a large number of market participants. As at 28 February 2015, there were a total of 538 Exchange Participants on the Stock Exchange including 500 trading participants and 38 non-trading participants, and more than 170 Futures Exchange Participants on the HKFE respectively. As at the Latest Practicable Date, there were a total of over 1,090, 270, 1,020 and 1,090 active licensed corporations engaging in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities respectively. New participants may enter into the industry provided that they satisfy the FRR, possess relevant professionals with the appropriate skills and have obtained the requisite licences and permits. Apart from brokerage firms with similar target clients and similar range of services, our Group also faces competition from local banks and multinational financial institutions including banks and investment banks with global network and a local presence in Hong Kong which have better financial background and more resources than us. In the event our Group is not able to compete effectively in the industry, our business, financial position, results of operation and prospects could be adversely affected.

Our Group's ability to secure fund-raising business

Our Group's revenue generated from ECM related services is highly dependent on the number of fund-raising transactions our Group is able to secure and/or size of fund our client intends to raise, which are more or less affected by external factors which are beyond our Group's control, such as the number and the size of IPOs launched/to be launched in the market and whether the secondary market for fund-raising exercises is active under the prevailing atmosphere in financial market. In light of these external factors and the potential non-recurring nature of fund-raising activities, there is no assurance that our Group is able to secure fund-raising transactions in the future as it did during the Track Record Period. Accordingly, the performance of our Group's ECM related services may be adversely affected and our Group's net profit margin may fluctuate as a result.

FINANCIAL INFORMATION

Changes in the laws and regulations governing the securities industry in Hong Kong

Our Group's business operations are highly regulated and our business, financial condition, results of operation and prospects may be materially and adversely affected by any regulatory changes.

The Hong Kong regulatory regime for the financial services industry has from time to time implemented changes in the rules and regulations that may be applicable to our Group including the SFO, the FRR, the Companies Ordinance, the GEM Listing Rules, the Takeovers Code and the Code on Share Buy-backs. Some of these changes may result in additional restrictions on our Group's activities. In addition, failure to comply with applicable rules and regulations may result in fines, or restrictions on our Group's business activities or, in serious cases, suspension or revocation of some or all of our Group's business licences or criminal liability on our Directors and on us. In the event that any of the above occurs, our Group's businesses and financial performance would be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgment, and could yield materially different results under different conditions and/or assumptions. The preparation of the financial information in conformity with HKFRSs requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approach that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our consolidated financial statements included elsewhere in this document. Below is a summary of the accounting policies in accordance with HKFRSs that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies, judgments, estimates and assumptions that we consider as significant, which are set out in detail in notes 3 and 4 to the Accountant's Report.

Revenue recognition

During the Track Record Period, our Group's revenue was mainly generated from our major operating segments, namely (i) ECM related services; (ii) brokerage services; (iii) margin and IPO financing services; and (iv) CIES related services.

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Revenue is measured at the fair value of the consideration received or receivable and represents accounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to our Group and when revenue can be measured reliably, on the follow basis:

- (i) Brokerage commission generated from dealing in securities, futures and options are recognised on the trade date when the relevant contract notes are executed;
- (ii) ECM related service fee income, underwriting and placing commissions are recognised as income on an accrual basis in accordance with the terms of the underlying agreement;
- (iii) Interest income generated from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset; and
- (iv) Income generated from CIES related services is recognised when services are rendered.

Income taxes

Our Group is subject to income tax in Hong Kong. During the Track Record Period, our Group recorded income tax credit of approximately HK\$0.6 million for the year ended 31 December 2013 which was resulted from deferred tax assets recognised at the end of the financial year and income tax expense of approximately HK\$5.1 million for the year ended 31 December 2014.

Income tax included current tax and deferred tax. Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rate which is applicable to our Group at the end of financial year. The income tax rate currently applicable to our Group is the Hong Kong profits tax rate of 16.5%.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of financial year.

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Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

For the years ended 31 December 2012 and 2013, no income tax expense was recognised by our Group because our Group had unused tax losses available to offset against future profit as at 31 December 2012 and 31 December 2013 respectively.

As at 31 December 2013, deferred tax asset of approximately HK\$0.6 million had been recognised in respect of the unused tax losses available as at 31 December 2013, resulting in an income tax credit of approximately HK\$0.6 million for the year ended 31 December 2013. The deferred tax asset as at 31 December 2013 was recognised because the unused tax losses as at 31 December 2013 are expected to be utilised in the near future having considered the operating results of CIS for the years ended 31 December 2012 and 2013 by our Group. As at 31 December 2014, the unused tax losses were fully utilised, no deferred tax asset has been recognised.

Financial assets

Our Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

(i) *Financial assets at fair value through profit or loss*

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

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As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group had financial assets at fair value through profit or loss of approximately HK\$23.7 million, HK\$9.6 million and HK\$3.0 million, respectively. These financial assets were initially recognised at their respective fair values as at the date of initial recognition. Subsequent to initial recognition, their changes in fair values were recognised in profit or loss. For each of the years ended 31 December 2012, 2013 and 2014, net fair value gains of approximately HK\$2.9 million, and net fair value losses of approximately HK\$16.5 million and HK\$3.1 million were recognised by our Group respectively.

(ii) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of loans to customers, and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method as stipulated in the accounting standards, less any identified impairment losses.

As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group recorded advances to customers in margin financing of approximately HK\$20.4 million, HK\$14.0 million and HK\$22.3 million, respectively, and accounts receivable of approximately HK\$105.0 million, HK\$262.0 million and HK\$388.5 million, respectively.

Impairment of accounts receivable and other receivables

Our Group regularly reviews the recoverability of accounts receivable and other receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in profit and loss when there is objective evidence that the amounts are not recoverable. In determining whether allowance for bad and doubtful debts is required, our Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised based on the estimation of the future cash flow expected to receive and a suitable discounted rate in order to calculate the present value.

During the Track Record Period, our Group did not recognise any impairment on accounts receivable and other receivables. Our Directors do not expect any material change on the management estimate in respect of impairment of accounts receivable and other receivables in the near future.

Impairment of advances to customers in margin financing

Our Group reviews its advances to customers to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, our Group reviews the value of the securities collateral received from the customers firstly on individual basis, then on collective basis in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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During the Track Record Period, our Group did not recognise any impairment on advances to customers in margin financing. Our Directors do not expect any material change on the management estimate in respect of impairment of advances to customers in margin financing in the near future.

SUMMARY RESULTS OF OPERATION

The following is a summary of the consolidated results of our Group for each of the years ended 31 December 2012, 2013 and 2014 extracted from the Accountant's Report, the text of which is set out in Appendix I to this document. The consolidated results are prepared in accordance with HKFRSs on the basis of presentation set out in the Accountant's Report in Appendix I to this document. This summary should be read in conjunction with the Accountant's Report set out in Appendix I to this document.

	Year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	19,787	46,105	116,075
Other income and gains	286	537	565
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	2,860	(16,524)	(3,140)
Commission expenses	(3,013)	(6,609)	(38,795)
Depreciation	(320)	(436)	(569)
Employee benefits costs	(6,181)	(11,029)	(37,150)
Other expenses	(3,572)	(5,290)	(18,742)
Profit from operations	9,847	6,754	18,244
Finance costs	(1)	(4)	(1)
Profit before income tax credit/(expense)	9,846	6,750	18,243
Income tax credit/(expense)	–	561	(5,067)
Profit and total comprehensive income for the year	<u>9,846</u>	<u>7,311</u>	<u>13,176</u>

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our Group's revenue was mainly generated from our major operating segments, namely, (i) ECM related services; (ii) brokerage services; (iii) margin and IPO financing services; and (iv) CIES related services.

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Set out below is the breakdown of our revenue by operating segments for the Track Record Period:

	For the year ended 31 December					
	2012		2013		2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
ECM related services	10,489	53.0	28,985	62.9	90,380	77.9
Brokerage services	6,606	33.4	12,766	27.7	19,427	16.7
Margin and IPO financing services	2,003	10.1	1,951	4.2	2,095	1.8
CIES related services	689	3.5	2,403	5.2	4,173	3.6
Total	<u>19,787</u>	<u>100.0</u>	<u>46,105</u>	<u>100.0</u>	<u>116,075</u>	<u>100.0</u>

Our Group recorded revenue of approximately HK\$19.8 million and HK\$46.1 million for each of the years ended 31 December 2012 and 2013 respectively. The substantial increase in our Group's revenue for the year ended 31 December 2013 as compared to the year ended 31 December 2012 was mainly driven by, among others, (i) the higher volume of trading activities of our securities brokerage clients; and (ii) the increase in number of placing and underwriting transactions undertaken and completed by our Group in 2013 compared to those in 2012.

Our Group recorded revenue of approximately HK\$116.1 million for the year ended 31 December 2014. The substantial increase in our Group's revenue for the year ended 31 December 2014 as compared to the year ended 31 December 2013 was mainly driven by, among others, (i) the increase in number of placing and underwriting transactions undertaken and completed; and (ii) the increase in revenue generated from brokerage services for the year ended 31 December 2014 compared to those for the year ended 31 December 2013.

Our Group's revenue generated from each of our major operating segments for the Track Record Period is further discussed below:

ECM related services

Our Group's revenue generated from ECM related services mainly represented the placing and underwriting commissions and service income for the provision of retainer ECM services. Revenue generated from ECM related services are mainly affected by the placing and underwriting commission rates, the number and size of placing and underwriting transactions undertaken and completed by our Group. During the Track Record Period, revenue generated from ECM related services was the largest component of our Group's total revenue, which represented approximately 53.0%, 62.9% and 77.9% of our Group's total revenue for each of the years ended 31 December 2012, 2013 and 2014, respectively.

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Our Group's revenue generated from our ECM related services increased by approximately 176.2% from approximately HK\$10.5 million for the year ended 31 December 2012 to approximately HK\$29.0 million for the year ended 31 December 2013. Such increase was mainly contributed by the increase in number of placing and underwriting transactions we had undertaken and completed from 10 for the year ended 31 December 2012 to 25 for the year ended 31 December 2013, which in turn generated a greater amount of revenue for the year ended 31 December 2013 when compared to that for the year ended 31 December 2012. The increase in number of placing and underwriting transactions was primarily attributable to the joining of our chief executive officer to lead our ECM division in late 2012, who successfully secured more placing and underwriting transactions for our Group in 2013 with his business networks and experience.

More specifically, the increase in our Group's revenue generated from ECM related services from approximately HK\$10.5 million for the year ended 31 December 2012 when compared to that of approximately HK\$29.0 million for the year ended 31 December 2013 was primarily attributable to:

- (i) the increase in revenue generated from the provision of ECM related services to one of our major clients during the Track Record Period, Company B, by approximately HK\$10.5 million from approximately HK\$2.3 million for the year ended 31 December 2012 to approximately HK\$12.8 million for the year ended 31 December 2013. Such increase was mainly attributable to (a) the increase in placing commission from Company B from approximately HK\$1.9 million for the year ended 31 December 2012 to that of approximately \$7.8 million for the year ended 31 December 2013 as our Group has successfully completed 2 placing transactions with a total size placed by our Group of approximately HK\$223.5 million for Company B during the year ended 31 December 2013 as compared to 3 placing transactions with a total size placed by our Group of approximately HK\$54.5 million during the year ended 31 December 2012; and (b) the increase in service fees from Company B from approximately HK\$0.4 million for the year ended 31 December 2012 to that of approximately \$5.0 million for the year ended 31 December 2013 was mainly because our Group has entered into a new agreement with Company B in relation to the provision of retainer ECM services in which the scope of services provided by us were expanded as compared to that in the previous agreement in view of our Group's track record of successful fund-raising completed for Company B. Please refer to the paragraph headed "ECM related services" under the section headed "Business" in this document for details of our scope of services; and
- (ii) the increase in placing commission from Company C, one of our major clients during the Track Record Period, by approximately HK\$6.2 million from approximately HK\$0.9 million for the year ended 31 December 2012 to approximately HK\$7.1 million for the year ended 31 December 2013. During the Track Record Period, our Group acted as the sub-placing agent of Company C in respect of a corporate bond. The increase in placing commission from Company C was mainly because our Group has successfully completed 12 sub-placing transactions with a total size of approximately HK\$120.0 million during the year ended 31 December 2013, whereby we only completed 2 sub-placing transactions with a total size of approximately HK\$20.0 million during the year ended 31 December 2012.

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Our Group's revenue generated from our ECM related services increased by approximately 211.7% from approximately HK\$29.0 million for the year ended 31 December 2013 to approximately HK\$90.4 million for the year ended 31 December 2014. Such increase was mainly contributed by:

- (i) the significant increase in number of placing transactions we had undertaken and completed from 16 for the year ended 31 December 2013 to 230 for the year ended 31 December 2014, which in turn generated a greater amount of revenue from placing transactions for the year ended 31 December 2014 of approximately HK\$65.5 million when compared to that for the year ended 31 December 2013 of approximately HK\$16.9 million. The significant increase in number of placing we had undertaken and completed from 2013 to 2014 was mainly because of significant increase in bond placing transactions we had undertaken and completed from 2013 to 2014. For the year ended 31 December 2013, we had undertaken and completed 12 bond placing transactions with a size of placing completed of approximately HK\$120.0 million of which our Group acted as the sub-placing agent of Company C in respect of a corporate bond from Company O. For the year ended 31 December 2014, we had undertaken and completed 225 bond placing transactions with a size of placing completed of approximately HK\$1,074.5 million of which our Group acted as sub-placing or placing agents for bonds issued by 13 listed companies. Such increase in number and size of placing completed was mainly attributable to the continued increasing recognition of our Group's brand name in ECM business after the joining of our chief executive officer to lead our ECM division in late 2012;
- (ii) the increase in number of underwriting transactions we had undertaken and completed from 9 with a size of underwriting completed of approximately HK\$60.2 million for the year ended 31 December 2013 to 22 with a size of underwriting completed of approximately HK\$386.3 million for the year ended 31 December 2014, which in turn generated a greater amount of revenue from underwriting transactions for the year ended 31 December 2014 of approximately HK\$10.0 million when compared to that for the year ended 31 December 2013 of approximately HK\$2.0 million. Such increase in number and size of underwriting transactions was mainly attributable to the continued increasing recognition of our Group's brand name in ECM business after the joining of our chief executive officer to lead our ECM division in late 2012; and
- (iii) the recognition of an one-off revenue of approximately HK\$9.5 million upon completion of the services under the retainer ECM service agreement entered into between CIS and Company A in December 2012, pursuant to a notice of termination in April 2014. Please refer to the paragraph headed "Deferred income" in this section for further details.

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Please refer to the paragraph headed "ECM related services" in the section headed "Business" for further details of the underwriting and placing transactions undertaken and completed by our Group during the Track Record Period.

Included in our Group's revenue generated from ECM related services during the Track Record Period were non-cash revenue amounted to approximately HK\$0.2 million, HK\$5.7 million and HK\$10.6 million for each of the year ended 31 December 2012, 2013 and 2014 respectively. Such non-cash revenue represented the deferred income recognised for each of the years ended 31 December 2012, 2013 and 2014 in respect of the retainer ECM services provided by CIS over the agreed term of services pursuant to the respective service agreements with our clients. As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group's balances of deferred income amounted to approximately HK\$14.4 million, HK\$12.1 million and HK\$1.4 million respectively. Such non-cash revenue and balances of deferred income were and will not be supported by actual cash flows of the same amounts because the relevant financial instruments received by our Group as consideration for services had been disposed of at substantial loss as compared to their initial valuation. Please refer to the paragraphs headed (i) "Deferred income" for further details regarding the non-cash revenue and deferred income; and (ii) "Fair value gains/(losses) on financial assets at fair value through profit or loss" for details regarding the financial instruments received by our Group as consideration for services and the related loss incurred from disposal of the financial instruments, in this section.

Brokerage services

Our Group's revenue generated from brokerage services mainly represented commission income from our brokerage clients for securities, futures and options transactions executed through our Group's traditional telephone trading system and online trading platform, handling and scrip fees income, as well as management fee generated from DMA service. Key factors affecting our Group's revenue generated from brokerage services are the total transaction value of our brokerage clients and the commission rates charged. During the Track Record Period, revenue generated from brokerage services was the second largest component of our Group's total revenue, which represented approximately 33.4%, 27.7% and 16.7% of our Group's total revenue for each of the years ended 31 December 2012, 2013 and 2014, respectively.

Our Group's revenue generated from brokerage services increased by approximately 93.9% from approximately HK\$6.6 million for the year ended 31 December 2012 to approximately HK\$12.8 million for the year ended 31 December 2013. Such increase was due to the increase in total transaction values of our brokerage clients for the year ended 31 December 2013 as compared to that for the year ended 31 December 2012 mainly as a result of the relatively more active stock trading activities in the stock market in 2013 and the increase in the number of our active brokerage client accounts. The number of our Group's active brokerage client accounts increased from over 1,120 (being client accounts from which we had generated income in the past 12 months preceding 31 December 2012) as at 31 December 2012 to over 1,530 (being client accounts from which we had generated income in the past 12 months preceding 31 December 2013) as at 31 December 2013. Such increase was mainly attributable to the increasing recognition of our Group's brand name, the expansion of headcount of our customer service and marketing department in 2013 and the market campaign held in 2013, such as stock picking competition.

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Our Group's revenue generated from brokerage services increased by approximately 51.6% from approximately HK\$12.8 million for the year ended 31 December 2013 to approximately HK\$19.4 million for the year ended 31 December 2014. Such increase was mainly due to (i) the increase in revenue generated from brokerage services derived from placing and underwriting transactions; (ii) the increase in total transaction values of our brokerage clients for the year ended 31 December 2014 as compared to that for the year ended 31 December 2013 mainly as a result of the relatively more active stock trading activities in the stock market in 2014; and (iii) the increase in the number of our active brokerage client accounts. The number of our Group's active brokerage client accounts increased from over 1,530 (being client accounts from which we had generated income in the past 12 months preceding 31 December 2013) as at 31 December 2013 to over 2,030 (being client accounts from which we had generated income in the past 12 months preceding 31 December 2014) as at 31 December 2014. Such increase was mainly attributable to the continued recognition of our Group's brand name in 2014.

Margin and IPO financing services

Our Group's margin and IPO financing services generate interest income from the margin loans made to our clients. Revenue generated from margin and IPO financing services is mainly dependent on amount of margin loans made to our clients and the then prevailing margin loan interest rates charged to our clients on such margin loans. During the Track Record Period, revenue generated from margin and IPO financing services represented approximately 10.1%, 4.2% and 1.8% of our Group's total revenue for each of the years ended 31 December 2012, 2013 and 2014, respectively.

Our Group's revenue generated from our margin and IPO financing services remained stable at approximately HK\$2.0 million for each of the years ended 31 December 2012 and 2013 as our number of active margin accounts remained relatively stable at over 70 as at 31 December 2012 and over 80 as at 31 December 2013, and our margin loan interest rates offered to clients remained at similar levels during each of the years ended 31 December 2012 and 2013.

Our Group's revenue generated from our margin and IPO financing services increased slightly to approximately HK\$2.1 million for the year ended 31 December 2014 from approximately HK\$2.0 million for the year ended 31 December 2013 mainly because our number of active margin accounts increased from over 80 as at 31 December 2013 to over 100 as at 31 December 2014, and our margin loan interest rates offered to clients remained at similar levels during each of the years ended 31 December 2013 and 2014.

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CIES related services

Our Group's revenue generated from CIES related services mainly represented the service fee income for the provision of investment services to our CIES clients and commission sharing from CAM for introducing business to CAM which provides certain eligible collective investment schemes (as defined under the CIES Rules) to our Group (on behalf of our CIES clients). During the Track Record Period, revenue generated from CIES related services represented approximately 3.5%, 5.2% and 3.6% of our Group's total revenue for each of the years ended 31 December 2012, 2013 and 2014, respectively.

Our Group's revenue income generated from our CIES services increased by approximately 242.9% from approximately HK\$0.7 million for the year ended 31 December 2012 to approximately HK\$2.4 million for the year ended 31 December 2013. Such increase was primarily due to the increase in the number of our CIES clients from over 80 as at 31 December 2012 to over 310 as at 31 December 2013 mainly as a result of the increase in referral of CIES applicants by the CAM Consultants in 2013. As each new CIES applicant is required to invest not less than HK\$10 million in qualifying investments in Hong Kong, the increase in number of CIES clients also led to the increase in investments in eligible collective investment schemes by our CIES clients through CAM during the year ended 31 December 2013. This in turn increased our commission sharing from CAM during the year ended 31 December 2013 as compared to the year ended 31 December 2012.

Our Group's revenue income generated from our CIES services increased by approximately 75% from approximately HK\$2.4 million for the year ended 31 December 2013 to approximately HK\$4.2 million for the year ended 31 December 2014. Such increase was mainly due to the increase in the number of our CIES clients to over 620 as at 31 December 2014 as a result of the reason discussed above.

Other income and gains

The following table sets forth the breakdown of our Group's other income and gains for the Track Record Period.

	For the year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	178	334	309
Sundry income	84	119	258
Gain/(loss) on exchange, net	24	62	(24)
Bond interest income	—	22	22
	<u> </u>	<u> </u>	<u> </u>
Total	<u> 286</u>	<u> 537</u>	<u> 565</u>

During the Track Record Period, other income and gains of our Group mainly consists of (i) bank interest income; (ii) sundry income; (iii) gain/(loss) on exchange, net; and (iv) bond interest income.

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Bank interest income represented the interest income generated from our Group's deposits with various licensed banks in Hong Kong. The amount increased from approximately HK\$178,000 for the year ended 31 December 2012 to approximately HK\$334,000 for the year ended 31 December 2013 mainly as result of the higher average bank balance of our Group in 2013 as compared to that in 2012. For the year ended 31 December 2014, the amount decreased to approximately HK\$309,000 from approximately HK\$334,000 for the year ended 31 December 2013 mainly because one of our Group's principal banks offered deposit promotion scheme to our Group during the year ended 31 December 2013 while no such promotion was offered by that bank to our Group during the year ended 31 December 2014.

Gain/(loss) on exchange, net, represented the exchange difference derived from our brokerage clients' transactions in overseas stocks and exchange rate movements. Bond interest income represented the interest income generated from our Group's investment in bonds which are held for trading.

Our Group's sundry income for the Track Record Period mainly included custodian fee income, income from provision of real-time stock price quote service, income from standing instruction services and miscellaneous income, which amounted to approximately HK\$84,000, HK\$119,000 and HK\$258,000 for each of the years ended 31 December 2012, 2013 and 2014, respectively.

Fair value gains/(losses) on financial assets at fair value through profit or loss

The amount represents the net effect of the gains/losses from disposal of financial assets at fair value through profit or loss and the net changes change of fair value on financial asset at fair value through profit or loss.

For each of the years ended 31 December 2012, 2013 and 2014, our Group recorded net fair value gains of approximately HK\$2.9 million, net fair value losses of approximately HK\$16.5 million and net fair value losses of approximately HK\$3.1 million, respectively.

The net fair value gains of approximately HK\$2.9 million for the year ended 31 December 2012 was mainly a combined result of the followings:

- (i) On 15 December 2012, CIS was issued the warrants conferring rights to CIS to subscribe for 350,000,000 shares in the share capital of Company A (the "Warrants") by Company A as consideration for retainer ECM services to be provided by CIS over a period of 36 months from 15 December 2012. The Warrants were valued at approximately HK\$14.6 million as at 15 December 2012 and approximately HK\$16.4 million as at 31 December 2012 by an independent professional valuer, resulting in a fair value gain of approximately HK\$1.8 million for the year ended 31 December 2012; and
- (ii) the net fair value gains of our Group's other financial assets, including listed equities in Hong Kong and overseas and bonds, amounted to approximately HK\$1.1 million for the year ended 31 December 2012.

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The net fair value losses of approximately HK\$16.5 million for the year ended 31 December 2013 was mainly attributable to the followings:

- (i) On 11 April 2013, CIS was issued the options conferring rights to CIS to subscribe for 32,000,000 shares in the share capital of Company B (the "**Options**") by Company B as consideration for retainer ECM services to be provided by CIS over a period of 36 months from 11 April 2013. The Options were valued at approximately HK\$3.3 million as at 11 April 2013 and approximately HK\$1.7 million as at 31 December 2013, resulting in a fair value loss of approximately HK\$1.6 million for the year ended 31 December 2013;
- (ii) On 28 January 2013, 12 September 2013 and 16 September 2013 respectively, all the Warrants were disposed by CIS to three purchasers, including Specialty Plus Limited, which is wholly-owned by Mr. Tse Tim, the chief executive officer of our Company, and two Independent Third Parties for an aggregate consideration of HK\$634,001. Such disposals resulted in aggregate losses of approximately HK\$15.4 million during the year ended 31 December 2013. The disposal value of the Warrants were substantially lower than the fair value of the Warrants of approximately HK\$16.4 million as at 31 December 2012 which is based on the valuation by an independent professional valuer, was mainly because our management considered that (i) the then market liquidity of the shares of Company A was relatively low, CIS might not be able to turnaround with the 350,000,000 shares of Company A which could be subscribed by exercising the Warrants; (ii) the exercise of the Warrants at their exercise price required substantial cash outflow from our Group which may result in failure to meet the relevant regulatory liquidity and capital requirements; and (iii) the transfer of some of the Warrants to our chief executive officer would serve as an incentive to promote Company A. Having considered the above, our management considered the disposal value to be reasonable and being able to provide immediate exit to our Group from holding the Warrants; and
- (iii) the net fair value gains of our Group's other financial assets, including listed equities in Hong Kong and overseas and bonds, amounted to approximately HK\$0.5 million for the year ended 31 December 2013.

The net fair value losses of approximately HK\$3.1 million for the year ended 31 December 2014 was mainly a result of (i) fair value loss of the Options held by CIS as at 31 December 2014 amounted to approximately HK\$1.5 million based on the valuation by an independent professional valuer; and (ii) net fair value losses of our Group's other financial assets, including listed equity in Hong Kong and overseas and bonds, amounted to approximately HK\$1.6 million.

The Warrants were valued by an independent professional valuer based on the historical volatility of the shares of Company A during the period since 6 January 2012 (being a date on which a significant corporate action of Company A was terminated) and up to the respective valuation dates as the independent professional valuer is of the view that the historical volatility of the shares of Company A since 6 January 2012 would be more relevant in valuing the Warrants given that the historical volatility of the share prices of Company A before 2012 was mainly caused by certain non-recurring corporate actions, such as potential mergers and acquisitions, which might not be repeated in the future during the validity of the Warrants.

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The Options were valued by an independent professional valuer based on the historical volatility of the shares of Company B for the period of the remaining tenure of the Options up to the respective valuation dates prior to the respective valuation dates.

The acceptance of the Warrants and Options as consideration for service was determined based on arm's length negotiation between our Group and Company A and Company B respectively after taking into consideration various factors, such as (i) the then financial status of our clients; (ii) the then share prices of our clients; (iii) the risks and benefits of holding the financial instruments, e.g. the provision of retainer ECM services to our clients might assist in their future growth and enhance their capital base, which might therefore be beneficial to our Group as a holder of the financial instruments for any upside potential of the financial instruments; and (iv) our business relationship with the clients.

Commission expenses

Commission expenses of our Group mainly represented the commissions for referral of placing business and brokerage commission to our account executives, who are self-employed and not employees of our Group, based on the total transaction value of our brokerage clients' orders handled by the account executives and the agreed brokerage commission sharing ratios in accordance with the service agreements entered into between CIS and our account executives.

Commission expenses increased by approximately HK\$3.6 million, or approximately 120%, from approximately HK\$3.0 million for the year ended 31 December 2012 to approximately HK\$6.6 million for the year ended 31 December 2013 mainly due to (i) the increase in number of completion of bond sub-placing transactions from 2 for the year ended 31 December 2012 to 12 for the year ended 31 December 2013, for which commission expenses were paid by our Group for referral of placees; and (ii) the increase in securities transaction value of our brokerage clients' order handled by our account executives for the year ended 31 December 2013 as compared to that for the year ended 31 December 2012.

Commission expenses increased significantly by approximately HK\$32.2 million, or approximately 487.9%, from approximately HK\$6.6 million for the year ended 31 December 2013 to approximately HK\$38.8 million for the year ended 31 December 2014 mainly due to (i) the increase in number of undertaken and completed placing and underwriting transactions from 25 for the year ended 31 December 2013 to 252 for the year ended 31 December 2014, for which commission expenses were paid by our Group for referral of placees; and (ii) the increase in securities transaction value of our brokerage clients' order handled by our account executives for the year ended 31 December 2014 as compared to that for the year ended 31 December 2013.

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Depreciation

Depreciation represented depreciation charges for property, plant and equipment including, among others, leasehold improvement, furniture, fixtures and office equipment of our Group.

Depreciation increased by approximately HK\$116,000, or approximately 36.3%, from approximately HK\$320,000 for the year ended 31 December 2012 to approximately HK\$436,000 for the year ended 31 December 2013. Such increase was mainly due to the additions of computers, leasehold improvement and office equipments amounted to approximately HK\$523,000 made during the year ended 31 December 2013 mainly for system upgrade and accommodating the increase in headcount of our Group.

Depreciation increased by approximately HK\$133,000, or approximately 30.5%, from approximately HK\$436,000 for the year ended 31 December 2013 to approximately HK\$569,000 for the year ended 31 December 2014. Such increase was mainly due to the additions of leasehold improvement, computers, furniture and fixtures and office equipments amounted to approximately HK\$1.1 million made during the year ended 31 December 2014 mainly due to the relocation of our office premise in January 2014.

Employee benefits costs

The following table sets forth the breakdown of employee benefits costs of our Group during the Track Record Period:

	For the year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Directors' emoluments	703	671	1,243
Wages and salaries	4,894	6,307	9,904
Discretionary bonus	293	2,596	9,018
Share-based payment	—	—	3,383
Commission	73	998	13,149
Pension scheme contributions	179	213	311
Other benefits	39	244	142
	<u>6,181</u>	<u>11,029</u>	<u>37,150</u>
Total	<u>6,181</u>	<u>11,029</u>	<u>37,150</u>

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Our Group's employee benefits costs mainly included Directors' emoluments, wages and salaries, discretionary bonus, share-based payment, commission, pension scheme contributions as well as other benefits. Total employee benefit costs of our Group amounted to approximately HK\$6.2 million and HK\$11.0 million for each of the years ended 31 December 2012 and 2013, respectively, representing approximately 31.2% and 23.9% of our Group's total revenue for the corresponding years. The increase in amount of employee benefits costs by approximately HK\$4.8 million from the year ended 31 December 2012 to the year ended 31 December 2013 was mainly attributable to (i) the increase in wages and salaries of approximately HK\$1.4 million; (ii) the increase in discretionary bonus by approximately HK\$2.3 million; (iii) increase in commission by approximately HK\$0.9 million; and (iv) increase in other benefits by approximately HK\$0.2 million, the reasons for which are further discussed below.

Wages and salaries were the largest component of our Group's employee benefits costs for the years ended 31 December 2012 and 2013 and amounted to approximately HK\$4.9 million and HK\$6.3 million for each of the years ended 31 December 2012 and 2013, respectively, representing an increase of approximately HK\$1.4 million. Such increase was primarily attributable to (i) the increase in headcounts of our Group from 19 as at 31 December 2012 to 24 as at 31 December 2013; (ii) the joining of our chief executive officer in late 2012; and (iii) the salary increment for some of our staff ranging from approximately 2.0% to 6.0% with effect from 1 January 2013.

Discretionary bonus is determined by our Group's management on a discretionary basis with reference to the overall business performance of our Group and the individual performance of our staff. Discretionary bonus increased by approximately HK\$2.3 million from approximately HK\$0.3 million for the year ended 31 December 2012 to approximately HK\$2.6 million for the year ended 31 December 2013. Such significant increase was mainly due to the significant growth of our Group's revenue generated from ECM related services in 2013 and our Group rewarded the relevant employees with discretionary bonus with reference to the number and value of placing business that they secured for our Group.

Commission represented the commission to our employees for referral of business or clients to our Group, which amounted to approximately HK\$0.1 million and HK\$1.0 million for each of the years ended 31 December 2012 and 2013, respectively. The substantial increase in commission paid was primarily as a result of the commission to our chief executive officer, who joined our Group in late 2012, for his referral of clients to our Group in 2013.

Other benefits mainly included staff benefits such as medical cover, education and accommodation. The increase in other benefits by approximately HK\$0.2 million was mainly attributable to the accommodation benefits provided to Mr. Chan Chi Keung, a director and Responsible Officer of CIS, since June 2013 which amounted to approximately HK\$0.2 million for the year ended 31 December 2013.

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Total employee benefit costs of our Group amounted to approximately HK\$37.2 million and for the year ended 31 December 2014, representing approximately 32.0% of our Group's total revenue for the corresponding year. The increase in amount of employee benefits costs by approximately HK\$26.1 million from the year ended 31 December 2013 to the year ended 31 December 2014 was mainly attributable to (i) the increase in commission by approximately HK\$12.2 million; (ii) the increase in discretionary bonus by approximately HK\$6.4 million; (iii) the increase in wages and salaries of approximately HK\$3.6 million; and (iv) the share-based payment in respect of the Pre-IPO Share Options of approximately HK\$3.4 million for the year ended 31 December 2014 while no such expenses were incurred for the year ended 31 December 2013, the reasons for which are further discussed below.

Commission increased from approximately HK\$1.0 million for the year ended 31 December 2013 to approximately HK\$13.1 million for the year ended 31 December 2014. Such substantial increase was primarily as a result of the increase in number of bond placing/sub-placing transactions referred by our staff for the year ended 31 December 2014, for which commission were paid by our Group for referral of placees.

Discretionary bonus increased from approximately HK\$2.6 million for the year ended 31 December 2013 to approximately HK\$9.0 million for the year ended 31 December 2014. Such significant increase was mainly due to the substantial growth of our Group's revenue generated from ECM related services in 2014 and our Group rewarded the relevant employees with discretionary bonus with reference to the number and value of placing business that they secured for our Group.

Wages and salaries increased by approximately HK\$3.6 million from approximately HK\$6.3 million for the year ended 31 December 2013 to approximately HK\$9.9 million for the year ended 31 December 2014. Such increase was primarily attributable to (i) the increase in headcounts of our Group from 24 as at 31 December 2013 to 31 as at 31 December 2014; and (ii) the salary increment for some of our staff with effect during the period.

On 15 January 2014, our Group has granted the Pre-IPO Share Options to Mr. Tse Tim, the chief executive officer of our Company. The fair value of the Pre-IPO Share Options is estimated to be approximately HK\$6.5 million by an independent professional valuer. The fair value of the Pre-IPO Share Options is to be amortised and recognised as expenses over the period from the grant date (i.e. 16 January 2014) of the Pre-IPO Share Options to the date falling six months after the Listing Date. For the year ended 31 December 2014, share-based payments of approximately HK\$3.4 million have been recognised by our Group.

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Other expenses

The following table sets forth the breakdown of other expenses of our Group during the Track Record Period:

	For the year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading platform related expenses	1,357	1,759	2,499
Stock information subscription fees	686	587	1,173
Stock Exchange charges	399	677	1,382
Professional fees	202	634	624
CCASS charges	422	558	832
Entertainment expenses	29	290	1,051
HKFE charges	197	176	81
Office expenses	84	228	1,153
Insurance	15	93	82
Bank charges	65	92	236
Marketing expenses	20	50	158
Listing expenses	–	–	[REDACTED]
Others	96	146	353
	<u>3,572</u>	<u>5,290</u>	<u>18,742</u>
Total	<u>3,572</u>	<u>5,290</u>	<u>18,742</u>

During the Track Record Period, our Group's other expenses mainly included trading platform related expenses, stock information subscription fees, Stock Exchange charges, professional fees, CCASS charges and other expenses. Other expenses amounted to approximately HK\$3.6 million, HK\$5.3 million and HK\$18.7 million, representing approximately 18.1%, 11.5% and 16.1% of our Group's total revenue, for each of the years ended 31 December 2012, 2013 and 2014, respectively. Major items of our other expenses are further discussed as follows:

Trading platform related expenses

During the Track Record Period, our Group engaged six IT vendors to facilitate the operation of our trading platform and settlement systems and ensure the speed and stability of trading. These IT vendors also provide maintenances and support services for the system. Trading platform related expenses amounted to approximately HK\$1.4 million and HK\$1.8 million for each of the years ended 31 December 2012 and 2013, respectively, representing approximately 6.9% and 3.8% of our Group's total revenue for the corresponding years. The increase in amount of trading platform related expenses from approximately HK\$1.4 million for the year ended 31 December 2012 to approximately HK\$1.8 million for the year ended 31 December 2013 was mainly attributable to (i) the additional services fees of approximately HK\$0.1 million incurred by our Group for, among others, program upgrade and programming enhancement for our futures and options settlement systems during the year ended 31 December 2013; (ii) the additional line rental expenses for securities and derivatives network

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and the increase in expenses related to customer networking management and automatic order matching and execution system amounted to approximately HK\$0.2 million incurred during the year ended 31 December 2013; and (iii) increase in licence fee of approximately HK\$0.1 million charged by one of our IT vendors based on the number of future contracts traded through our trading platform as a result of the increase in number of futures contracts traded by our brokerage clients through our online trading platform during the year ended 31 December 2013 as compared to that for the year ended 31 December 2012.

Trading platform related expenses amounted to approximately HK\$2.5 million for the year ended 31 December 2014, representing approximately 2.2% of our Group's total revenue for the corresponding year. The increase in amount of trading platform related expenses was mainly attributable to (i) additional expenses of approximately HK\$0.3 million incurred for a new trading terminal in 2014 charged by one of our IT vendors; (ii) the increase in licence fee of approximately HK\$0.2 million charged by one of our IT vendors based on the number of orders executed through our trading platform; and (iii) the additional line rental expenses due to the relocation of our office in January 2014 amounted to approximately HK\$0.2 million incurred during the year ended 31 December 2014.

Stock information subscription fees

Stock information subscription fees represented expenses for the subscription of market information and price quotation services. Stock information subscription fees amounted to approximately HK\$0.7 million and HK\$0.6 million for each of the years ended 31 December 2012 and 2013, respectively, representing approximately 3.5% and 1.3% of our Group's total revenue for the corresponding years. The decrease in amount of stock information subscription fees was mainly contributed by the special offer on monthly service charges from one of our service vendors in 2013.

Stock information subscription fees amounted to approximately HK\$1.2 million for the year ended 31 December 2014, representing approximately 1.0% of our Group's total revenue for the corresponding year. The increase in amount of stock information subscription fees was mainly attributable to (i) the additional expenses incurred for rental of Bloomberg terminal of approximately HK\$0.4 million for the year ended 31 December 2014 as compared to the year ended 31 December 2013; and (ii) the special offer on monthly service charges from one of our service vendors in 2013 while no such special offer was provided by the service vendor for the year ended 31 December 2014.

Stock Exchange charges

Stock Exchange charges amounted to approximately HK\$0.4 million and HK\$0.7 million for each of the years ended 31 December 2012 and 2013 respectively, which mainly included the monthly subscription fees for throttle rate assignment and trading tariffs paid or payable to the Stock Exchange. The increase in the amount by approximately HK\$0.3 million was primarily attributable to the increase in total transaction value of our brokerage clients and the subscription of additional throttle rate assignment in November 2012 and March 2013 for accommodating the increased number of brokerage clients and transaction volume.

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Stock Exchange charges amounted to approximately HK\$1.4 million for the year ended 31 December 2014. The increase was mainly due to (i) the additional data center charges by the Stock Exchange of approximately HK\$0.3 million for the year ended 31 December 2014 for enhancement of our network related to futures trading; and (ii) the increase in total transaction value of our brokerage clients.

Professional fees

During the Track Record Period, our Group incurred professional fees of approximately HK0.2 million and HK\$0.6 million for each of the years ended 31 December 2012 and 2013, respectively, which mainly included audit fees and fees for general legal services. The increase in professional fees was mainly a result of (i) the increase in audit fees from approximately HK\$0.1 million for the year ended 31 December 2012 to approximately HK\$0.4 million for the year ended 31 December 2013 due to change in auditors of CIS; and (ii) the increase in general legal service fees from approximately HK\$0.1 million for the year ended 31 December 2012 to that of approximately HK\$0.2 million for the year ended 31 December 2013 due to the increase in use of general legal services, such as reviewing product/service contracts.

Professional fees remained relatively stable at approximately HK\$0.6 million for the year ended 31 December 2014.

Entertainment expenses

Entertainment expenses mainly represented business-related entertainment expenses for maintaining client relationship and approaching potential clients. Entertainment expenses amounted to approximately HK\$29,000 and HK\$290,000 for each of the years ended 31 December 2012 and 2013, respectively, representing approximately 0.1% and 0.6% of our Group's total revenue for the corresponding years.

Entertainment expenses amounted to approximately HK\$1.1 million for the year ended 31 December 2014, representing approximately 0.9% of our Group's total revenue for the corresponding year. The increase in entertainment expenses was mainly attributable to the increase in business-related meetings with clients and potential clients in sourcing and securing placing and underwriting transactions in 2014.

Office expenses

Office expenses mainly represented rental expenses, office supplies and other administrative expenses. Office expenses amounted to approximately HK\$84,000 and HK\$228,000 for each of the years ended 31 December 2012 and 2013, respectively, representing approximately 0.4% and 0.5% of our Group's total revenue for the corresponding years.

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Office expenses amounted to approximately HK\$1.2 million for the year ended 31 December 2014, representing approximately 1.0% of our Group's total revenue for the corresponding year. The increase in office expenses was mainly attributable to the rental and related expenses of approximately HK\$0.7 million relating to our office premise in Hong Kong with term of tenancy commencing on 16 December 2013.

Listing expenses

Listing expenses represented the expenses incurred in relation to the [REDACTED], the nature of which is non-recurring. No Listing expenses were recognised by our Group for each of the years ended 31 December 2012 and 2013. Listing expenses of approximately [REDACTED] has been recognised by our Group for the year ended 31 December 2014. Please refer to the paragraph headed "Listing expenses" in this section for further details.

Finance costs

Finance costs represented interest on bank overdrafts of approximately HK\$1,000 and HK\$4,000 for each of the years ended 31 December 2012 and 2013, respectively. Such increase in finance costs was mainly due to the interest expenses incurred for the use of IPO margin financing facility from one of our principal bankers during the year ended 31 December 2013 for the provision of IPO margin financing to our clients. Finance costs decreased to approximately HK\$1,000 for the year ended 31 December 2014 which was mainly because no interest expenses for IPO margin financing facility has been incurred for the year ended 31 December 2014.

Income tax credit/(expense)

Our Group is subject to Hong Kong profits tax which is calculated at 16.5% on the estimated assessable profits. For the years ended 31 December 2012 and 2013, our Group did not record any income tax expenses since our Group had sufficient tax losses brought forward to set off against assessable profits of the years ended 31 December 2012 and 2013. Our Group has started to record income tax expenses for the year ended 31 December 2014 since our Group has fully utilised all tax losses brought forward during the period.

As at 31 December 2012 and 31 December 2013, our Group had unused tax losses of approximately HK\$9.7 million and HK\$3.4 million available to offset against future profit, respectively. As at 31 December 2013, deferred tax asset of approximately HK\$0.6 million had been recognised in respect of the unused tax losses available as at 31 December 2013, resulting in an income tax credit of approximately HK\$0.6 million for the year ended 31 December 2013. As at 31 December 2014, the unused tax losses were fully utilised, no deferred tax asset has been recognised.

The deferred tax asset as at 31 December 2013 was recognised because the unused tax losses as at 31 December 2013 are expected to be utilised in the near future having considered the operating results of CIS for the years ended 31 December 2012 and 2013 by our Group.

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Our Group had no tax obligation arising from other jurisdictions during the Track Record Period. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the relevant tax authority.

The abovementioned tax losses were principally resulted from the accumulated losses of CIS brought forward as at the beginning of the Track Record Period. As at 1 January 2012, our Group had accumulated losses of approximately HK\$20.1 million. Such amount of accumulated losses was mainly resulted from the losses from CIS's ordinary course of operations brought forward since the establishment of CIS. During the Track Record Period, the financial performance of our Group turned around mainly due to (i) the increase in our revenue generated from brokerage services and margin and IPO financing services mainly driven by the growing number of our brokerage and margin client accounts; and (ii) the increase in our revenue generated from CIES related services and ECM related services mainly driven by the growth of these business segments which our Group officially started to develop in 2010 and 2012 respectively.

Segment results

During the Track Record Period, our Group's major operating segments are (i) brokerage services; (ii) ECM related services; (iii) margin and IPO financing services; and (iv) CIES related services. For each of the years ended 31 December 2012, 2013 and 2014, among our Group's major operating segments, our operating segment of ECM related services recorded segment profits of approximately HK\$8.3 million, HK\$20.9 million and HK\$23.5 million respectively out of the consolidated profits before income tax of our Group of approximately HK\$9.8 million, HK\$6.8 million and HK\$18.2 million for the corresponding years. The increase in segment profits from ECM related services was mainly contributed by the increase in our Group's revenue generated from ECM related services for the year ended 31 December 2013 as compared to the year ended 31 December 2012 and for the year ended 31 December 2014 as compared to the year ended 31 December 2013 due to the reasons as disclosed under the paragraph headed "Revenue – ECM related services" in this section.

On the other hand, our operating segment of brokerage services recorded segment loss for the year ended 31 December 2012 and relatively thin segment profit of approximately HK\$0.1 million for the year ended 31 December 2013. Such segment results of our brokerage services were mainly attributable to the significant employee benefits costs coupled with other corporate expenses borne by the brokerage services segment.

For further details of our Group's segment results, please refer to note 5 to the Accountant's Report.

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LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Our Group's principal liquidity and capital requirements primarily relate to our operating expenses, capitals required for offering financial services, such as margin financing, and for meeting the relevant regulatory requirements on liquidity and capital sufficiency. Historically, we have met our working capital and other liquidity requirements principally from cash generated from our operations, banking facilities, loan from a related company and amount due to a related company. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, banking facilities, the net proceeds from the [REDACTED] as well as other external equity and debt financing.

The following table summarises our Group's cash flows during the Track Record Period:

	For the year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(16,380)	33,354	1,821
Net cash (used in)/generated from investing activities	(126)	(3,179)	2,232
Net cash generated from/(used in) financing activities	<u>13,500</u>	<u>(13,000)</u>	<u>12,002</u>
Net (decrease)/increase in cash and cash equivalents	(3,006)	17,175	16,055
Cash and cash equivalents at beginning of the year	<u>17,033</u>	<u>14,027</u>	<u>31,202</u>
Cash and cash equivalents at end of the year	<u><u>14,027</u></u>	<u><u>31,202</u></u>	<u><u>47,257</u></u>

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Operating activities

For each of the years ended 31 December 2012, 2013 and 2014, we recorded net cash outflows in operating activities of approximately HK\$16.4 million, net cash inflows from operating activities of approximately HK\$33.4 million and HK\$1.8 million, respectively. Please refer to the section headed "Risk factors – Our Group recorded net cash outflow in operating activities for the year ended 31 December 2012. Any net cash outflow in operating activities experienced by our Group in the future may materially and adversely affect the business operation, the liquidity, financial position and prospects of our Group" in this document for detailed risks associated with a net cash outflows affecting our Group.

For the year ended 31 December 2012, our Group recorded net cash outflows in operating activities of approximately HK\$16.4 million, which was primarily attributable to the profit before income tax credit and after adjustment of non-cash items of approximately HK\$7.1 million and the net decrease in working capital of approximately HK\$23.5 million. The net decrease in working capital of approximately HK\$23.5 million was mainly a combined result of (i) the increase in accounts receivable of approximately HK\$80.7 million; (ii) the increase in advances to customers in margin financing of approximately HK\$10.9 million; (iii) the increase in financial assets at fair value through profit or loss of approximately HK\$20.8 million; (iv) increase in segregated client account balances of approximately HK\$15.0 million; and (v) increase in amounts due from related companies of approximately HK\$10.6 million, which were partially offset by the increase in accounts payable of approximately HK\$98.6 million, the increase in accruals and other payables of approximately HK\$2.0 million, as well as the increase in deferred income of approximately HK\$14.4 million. The increases in the balances of accounts receivable, accounts payable and segregated client account balances mainly related to (i) transactions made by our brokerage clients that were executed but not yet settled in cash pursuant to the T+2 settlement basis for securities transactions; and (ii) the amount the deposits placed with us by our clients at their respective accounts for trading purpose as at year end. Regarding the increase in financial assets at fair value through profit or loss of approximately HK\$20.8 million, it was mainly attributable to the recognition of the Warrants during the year, the fair value of which amounted to approximately HK\$16.4 million as at 31 December 2012. The increase in amounts due from related companies of approximately HK\$10.6 million mainly represented the unsettled amount as at 31 December 2012 from CSHL, the then shareholder of CIS, resulted from the issue of shares by CIS to CSHL for fundraising in 2012. As to the increase in accruals and other payables by approximately HK\$2.0 million, it was mainly due to the increase in operating expenses at the end of 2012 as compared to last year. Lastly, the increase in deferred income of approximately HK\$14.4 million was attributable to the recognition of deferred income resulted from the receipt of consideration for retainer ECM services to be provided by CIS. Please refer to the paragraph headed "Deferred income" in this section for further details.

For the year ended 31 December 2013, our Group recorded net cash inflows from operating activities of approximately HK\$33.4 million, which was primarily attributable to the profit before income tax credit and after adjustment of non-cash items of approximately HK\$23.7 million and the net increase in working capital of approximately HK\$9.7 million. The net increase in working capital of approximately HK\$9.7 million was mainly a combined result of (i) the increase in accounts payable of approximately HK\$247.5 million; (ii) the increase in accruals and other payables of approximately HK\$3.8 million; (iii) the decrease in advances to customers in margin financing of approximately HK\$6.4 million; and (iv) decrease in amounts due from

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related companies of approximately HK\$10.8 million, which were partially offset by (i) the increase in accounts receivable of approximately HK\$157.0 million; (ii) increase in segregated client account balances of approximately HK\$93.7 million; (iii) increase in financial assets at fair value through profit or loss of approximately HK\$2.7 million; and (iv) decrease in deferred income of approximately HK\$2.3 million; (v) decrease in amount due to a related company of approximately HK\$1.8 million. The increases in the balances of accounts receivables, accounts payable and segregated client account balances mainly related to (i) the transactions made by our brokerage clients that were executed but not yet settled in cash pursuant to the T+2 settlement basis for securities transactions; and (ii) the amount the deposits placed with us by our clients at their respective accounts for trading purpose as at year end. As to the increase in accruals and other payables by approximately HK\$3.8 million, it was mainly due to the further increase in operating expenses at the end of 2013 as compared to the end of 2012. Regarding the decrease in amounts due from related companies of approximately HK\$10.8 million and the decrease in amount due to a related company of approximately HK\$1.8 million as mentioned above, these were mainly resulted from the settlements made during the year ended 31 December 2013. For the increase in financial assets at fair value through profit or loss of approximately HK\$2.7 million, it was mainly attributable to the recognition of the Options during the year and the increase in fair values of listed equities held by our Group as at 31 December 2013. Lastly, decrease in deferred income of approximately HK\$2.3 million was mainly attributable to the net effect of the recognition and amortisation of deferred income during the year.

For the year ended 31 December 2014, our Group recorded net cash inflows from operating activities of approximately HK\$1.8 million, which was primarily attributable to the profit before income tax expense and after adjustment of non-cash items of approximately HK\$25.0 million and the net decrease in working capital of approximately HK\$23.2 million. The net decrease in working capital of approximately HK\$23.2 million was mainly a combined result of (i) the increase in segregated client account balances of approximately HK\$129.7 million; (ii) the increase in accounts receivable of approximately HK\$126.5 million; (iii) the decrease in deferred income of approximately HK\$10.6 million; (iv) the increase in advances to customers in margin financing of approximately HK\$8.3 million; and (v) the increase in deposits, prepayments and other receivables of approximately HK\$5.5 million, which were partially offset by (i) the increase in accounts payable of approximately HK\$238.7 million; (ii) the increase in accruals and other payables of approximately HK\$14.3 million; and (iii) the decrease in financial assets at fair value through profit or loss of approximately HK\$3.4 million. The increases in the balances of accounts receivables, accounts payable and segregated client account balances mainly related to (i) the transactions made by our brokerage clients that were executed but not yet settled in cash pursuant to the T+2 settlement basis for securities transactions; and (ii) the amount the deposits placed with us by our clients at their respective accounts for trading purpose as at 31 December 2014. The decrease in deferred income was mainly due to recognition of the amount as revenue upon completion of service during the year ended 31 December 2014. As to the increase in deposits, prepayments and other receivables of approximately HK\$5.5 million, it was mainly due to prepayment of Listing expenses. Regarding the increase in accruals and other payables by approximately HK\$14.3 million, it was mainly due to the increase in commission payable and accrued employee benefits costs. Lastly, the decrease in financial assets at fair value through profit or loss of approximately HK\$3.4 million was mainly attributable to the decrease in fair value of listed equities in Hong Kong.

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Investing activities

Our Group recorded net cash outflows in investing activities of approximately HK\$0.1 million and HK\$3.2 million for each of the years ended 31 December 2012 and 2013, and net cash inflows from investing activities of approximately HK\$2.2 million for the year ended 31 December 2014, which mainly comprised purchases of property, plant and equipments, interest received and increase/decrease in amount due from a related company.

For the year ended 31 December 2012, net cash outflows in investing activities amounted to approximately HK\$126,000. It was mainly resulted from the purchases of computer equipments of approximately HK\$304,000 made during the year ended 31 December 2012 for system upgrade and accommodating the increase in our headcount during the year, which was partially net off by the interest received during the year ended 31 December 2012 of approximately HK\$178,000.

For the year ended 31 December 2013, we recorded net cash outflows in investing activities amounted to approximately HK\$3.2 million, which was a combined result of (i) increase in amount due from a related company by approximately HK\$3.0 million which represented the amount of paid dividend in 2013 to be returned to our Group due to the subsequent revoke of such dividend; (ii) the purchases of computer equipments of approximately HK\$0.5 million made during the year ended 31 December 2013 for system upgrade and accommodating our increased headcounts during the year; and (iii) the cash inflow from the interest received during the year ended 31 December 2013 of approximately HK\$0.4 million.

For the year ended 31 December 2014, we recorded net cash inflows from investing activities amounted to approximately HK\$2.2 million, which was a combined result of (i) the decrease in amount due from a related company by approximately HK\$3.0 million which represented the return of paid dividend in 2013 to our Group in March 2014; (ii) the purchases of leasehold improvement and computer equipments of approximately HK\$1.1 million made during the year ended 31 December 2014 for the relocation of our office premise in January 2014; and (iii) the cash inflow from the interest received during the year ended 31 December 2014.

Financing activities

Our Group recorded net cash inflows of HK\$13.5 million, net cash outflows of approximately HK\$13.0 million and net cash inflows of approximately HK\$12.0 million in financing activities for each of the years ended 31 December 2012, 2013 and 2014, respectively. During the Track Record Period, our cash flows in financing activities primarily consisted of net proceeds from issue of ordinary shares by CIS and the proceeds from and repayment of loan from a related company.

For the year ended 31 December 2012, net cash inflows from financing activities amounted to HK\$13.5 million. During the year, 20,500,000 shares were allotted and issued at par by CIS to CSHL, its then immediate holding company, for a consideration of HK\$20.5 million. HK\$10.0 million of which was settled by CSHL through offsetting the then outstanding amount of revolving loan owed by CIS to CFG amounted to HK\$20.0 million. The remaining of HK\$10.5 million remained unsettled as at 31 December 2012 and resulted in the increase in amount due from related companies as at 31 December 2012. Subsequently to the issue of shares by CIS,

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we obtained HK\$3.0 million of the revolving loan facility from CFG, resulting in an outstanding balance of the revolving loan from a related company of HK\$13.0 million as at 31 December 2012.

For the year ended 31 December 2013, net cash outflows in financing activities amounted to HK\$13.0 million. During the year ended 31 December 2013, our Group made full repayment on the revolving loan from CFG which amounted to HK\$13.0 million as at 31 December 2012.

For the year ended 31 December 2014, net cash inflows from financing activities amounted to approximately HK\$12.0 million, which was due to the net proceeds from the pre-IPO investments during the year ended 31 December 2014.

Working capital

During the Track Record Period, we met our working capital and other liquidity requirements principally from cash generated from our operations, banking facilities, loan from a related company and amount due to a related company. After taking into account the cash flows from the operating activities and the existing financial resources available to our Group as follows:

- the net cash generated from operating activities of approximately HK\$33.4 million and HK\$1.8 million for the years ended 31 December 2013 and 2014;
- the cash and cash equivalents on hand of approximately HK\$36.8 million as at 31 January 2015 based on our Group's unaudited consolidated management accounts;
- the unutilised banking facilities of approximately HK\$26.0 million as at 31 January 2015, being the indebtedness date; and
- the estimated net proceeds from the [REDACTED] of approximately [REDACTED] to be received by our Group.

Our Directors are of the opinion that, taking into account the net proceeds from the [REDACTED], our internal resources and banking facilities, our Group has sufficient working capital to meet our present requirements for at least the next 12 months from the date of this document.

Regulatory requirements on liquidity and financial resources

Depending on the type of regulated activity, licensed corporations have to maintain at all times paid-up share capital and liquid capital not less than the specified amounts according to the FRR. The FRR sets out the computation of a number of variables in respect of all the liquid assets and ranking liabilities of a licensed corporation and its liquid assets must exceed its ranking liabilities. If a licensed corporation conducts more than one type of regulated activity, the minimum paid-up share capital and liquid capital that it must maintain shall be the higher or the highest amount required amongst those regulated activities.

For details of the regulatory requirements on liquidity and financial resources applicable to our Group, please refer to the paragraph headed "Financial resources" under the section headed "Regulatory and licensing requirements" in this document.

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NET CURRENT ASSETS

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 January 2015, our Group had net current assets of approximately HK\$57.8 million, HK\$51.8 million, HK\$80.3 million and HK\$87.5 million, respectively. Details of the components are set out as follows:

	As at 31 December			As at 31 January
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Current assets				
Advances to customers in margin financing	20,381	14,027	22,338	23,040
Accounts receivable	105,033	262,019	388,491	1,847,486
Amounts due from related companies	10,753	3,012	–	–
Deposits, prepayments and other receivables	986	972	6,500	2,937
Financial assets at fair value through profit or loss	23,698	9,602	3,014	2,607
Pledged bank deposit	3,000	3,000	3,000	3,000
Segregated client account balances	97,697	191,370	321,033	317,486
Cash and cash equivalents	14,027	31,202	47,257	36,776
	<u>275,575</u>	<u>515,204</u>	<u>791,633</u>	<u>2,233,332</u>
Current liabilities				
Accounts payable	198,695	446,186	684,884	2,127,715
Deferred income	14,357	10,616	1,113	1,113
Accruals and other payables	2,836	6,611	20,865	12,686
Amount due to a related company	1,839	–	–	–
Current tax liabilities	–	–	4,508	4,326
	<u>217,727</u>	<u>463,413</u>	<u>711,370</u>	<u>2,145,840</u>
Net current assets	<u><u>57,848</u></u>	<u><u>51,791</u></u>	<u><u>80,263</u></u>	<u><u>87,492</u></u>

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 January 2015, our Group recorded net current assets of approximately HK\$57.8 million, HK\$51.8 million, HK\$80.3 million and HK\$87.5 million, respectively. Our current assets as at 31 December 2012, 31 December 2013, 31 December 2014 and 31 January 2015 mainly comprised (i) advances to customers in margin financing of approximately HK\$20.4 million, HK\$14.0 million, HK\$22.3 million and HK\$23.0 million, respectively; (ii) accounts receivable of approximately HK\$105.0 million, HK\$262.0 million, HK\$388.5 million and HK\$1,847.5 million, respectively; (iii) financial assets at fair value through profit or loss of approximately HK\$23.7 million, HK\$9.6 million, HK\$3.0 million and HK\$2.6 million, respectively; (iv) segregated client account balances of approximately HK\$97.7 million, HK\$191.4 million, HK\$321.0 million and HK\$317.5 million,

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respectively; (v) cash and cash equivalents of approximately HK\$14.0 million, HK\$31.2 million, HK\$47.3 million and HK\$36.8 million; and (vi) deposits, prepayments and other receivables of approximately HK\$1.0 million, HK\$1.0 million, HK\$6.5 million and HK\$2.9 million, respectively. Our current liabilities as at 31 December 2012, 31 December 2013, 31 December 2014 and 31 January 2015 principally comprised (i) accounts payable of approximately HK\$198.7 million, HK\$446.2 million, HK\$684.9 million and HK\$2,127.7 million, respectively; and (ii) deferred income of approximately HK\$14.4 million, HK\$10.6 million, HK\$1.1 million and HK\$1.1 million, respectively; and (iii) accruals and other payables of approximately HK\$2.8 million, HK\$6.6 million, HK\$20.9 million and HK\$12.7 million, respectively.

Net current assets decreased from HK\$57.8 million as at 31 December 2012 to approximately HK\$51.8 million as at 31 December 2013. The decrease was mainly due to (i) a decrease in financial asset at fair value through profit or loss by approximately HK\$14.1 million from approximately HK\$23.7 million as at 31 December 2012 to approximately HK\$9.6 million as at 31 December 2013, mainly as a result of the disposal of the Warrants during the year ended 31 December 2013; (ii) a decrease in amounts due from related companies by approximately HK\$7.7 million primarily as a result of settlements during the year ended 31 December 2013; (iii) the increase in accruals and other payables by approximately HK\$3.8 million mainly due to the increase in operating costs, such as employee benefits costs at the end of 2013 as compared to the end of 2012; and (iv) the decrease in advances to customers in margin financing by approximately HK\$6.4 million. The effect of the above on net current assets was partially offset by (i) an increase in cash and cash equivalents by approximately HK\$17.2 million from approximately HK\$14.0 million as at 31 December 2012 to approximately HK\$31.2 million as at 31 December 2013, mainly as contributed by the cash generated from operation during the year ended 31 December 2013 and lower amount of margin financing loans made to clients as at 31 December 2013 as compared to as at 31 December 2012; (ii) the decrease in deferred income by approximately HK\$3.7 million which primarily reflected its amortisation during the year ended 31 December 2013; (iii) the full settlement of amount due to a related company of approximately HK\$1.8 million as at 31 December 2012 during the year ended 31 December 2013; and (iv) the increase in the net difference between the accounts receivable, segregated client account balances and accounts payable as at 31 December 2012 and 2013 of approximately HK\$3.2 million.

Our Group's net current assets increased from HK\$51.8 million as at 31 December 2013 to approximately HK\$80.3 million as at 31 December 2014. The increase was mainly attributable to (i) the increase in cash and cash equivalents by approximately HK\$16.1 million from approximately HK\$31.2 million as at 31 December 2013 to approximately HK\$47.3 million as at 31 December 2014, mainly as a result of receipt of the consideration for the pre-IPO investments of approximately HK\$12.0 million in February 2014. Details of the pre-IPO investments are set out in the paragraph headed "Pre-IPO investments" under the section headed "History, Reorganisation and corporate structure" in this document; (ii) the decrease in deferred income (current portion) by approximately HK\$9.5 million due to the recognition of the amount as revenue upon completion of service during the year ended 31 December 2014; (iii) the increase in advances to customers in margin financing by approximately HK\$8.3 million from approximately HK\$14.0 million as at 31 December 2013 to approximately HK\$22.3 million as at 31 December 2014; (iv) the increase in deposits, prepayments and other receivables by approximately HK\$5.5 million from approximately HK\$1.0 million as at 31 December 2013 to

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approximately HK\$6.5 million mainly as a result of the prepaid listing fee of approximately HK\$3.2 million and pending settlement of a disposal of a listed equity in Hong Kong of our Group of approximately HK\$2.8 million as at 31 December 2014; and (v) the increase in the net difference between the accounts receivables, segregated client account balances and accounts payable as at 31 December 2013 and 2014 of approximately HK\$17.4 million. The effect of the above on net current assets was partially offset by (i) the increase in accruals and other payables by approximately HK\$14.3 million from approximately HK\$6.6 million as at 31 December 2013 to approximately HK\$20.9 million as at 31 December 2014 mainly as a result of the increase in commission payable and accrued employee benefits costs; and (ii) the decrease in financial assets at fair value through profit or loss by approximately HK\$6.6 million from approximately HK\$9.6 million as at 31 December 2013 to approximately HK\$3.0 million as at 31 December 2014.

As at 31 December 2014, our Group recorded increases in our accounts receivable, segregated client account balances and accounts payable as compared to 31 December 2013. Such increases were in line with the increase in securities transaction value of the brokerage clients in December 2014 as compared to that in December 2013.

For details regarding the major items affecting our net current assets during the Track Record Period, please refer to the following sub-section headed "Description and analysis of principal items in the consolidated statements of financial positions" in this section.

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Advances to customers in margin financing

Advances to customers in margin financing represented margin loans made to our margin clients. These margin loans were secured by our margin clients' pledged securities, repayable on demand and generally bear interest rate up to Prime Rate plus 7% per annum.

As at 31 December 2012, 31 December 2013 and 31 December 2014, the amounts of margin loan advances outstanding were approximately HK\$20.4 million, HK\$14.0 million and HK\$22.3 million, respectively. The total market value of securities pledged as collateral in respect of our margin loans were approximately HK\$66.0 million, HK\$51.5 million and HK\$139.7 million, respectively, representing approximately 3.2 times, 3.7 times and 6.3 times of the margin loan balances as at the corresponding year-end dates.

Our advances to customers in margin financing decreased by approximately HK\$6.4 million, or approximately 31.4%, from approximately HK\$20.4 million as at 31 December 2012 to approximately HK\$14.0 million as at 31 December 2013. The balance increased by approximately HK\$8.3 million, or approximately 59.3%, from approximately HK\$14.0 million as at 31 December 2013 to approximately HK\$22.3 million as at 31 December 2014. There was no particular reason for such decrease and increase as the figures only represented the aggregate amount of securities that our margin clients purchased on credit and remained outstanding as at 31 December 2012, 31 December 2013 and 31 December 2014, respectively.

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Margin clients who purchase securities on credit are not required to settle their margin financing loans within any specific period so long as our Group continues to grant the margin loans and the value of margin financing loan and acceptable collateral securities remain within the pre-defined margin ratio. Our Group will in return charge the margin clients interest on the outstanding margin financing loans. As such, advances to customers in margin financing were not past due. The aging and subsequent settlement status of such receivables as at a particular date is of no significance and not meaningful.

Our Group has established credit control policies and procedures for monitoring its margin and IPO financing activities and for debt collection, which are supervised and managed by our Group's credit committee, comprising the directors of CIS, a Responsible Officer, the compliance manager and financial controller. The credit committee is responsible for credit risk control and management procedures, and oversees all financing activities of our Group. For details of our Group's credit control policies and procedures, please refer to the section headed "Business – Margin and IPO financing services – Risk management" in this document.

During the Track Record Period, our Group had not encountered any insufficiency of clients' margin deposit for covering loss positions. During the Track Record Period, no impairment was made by our Group in respect of margin loans made by our Group.

Accounts receivable

Accounts receivable of our Group as at 31 December 2012, 31 December 2013 and 31 December 2014 included receivables arising from the ordinary course of businesses of dealing in securities and bonds, dealing in futures contracts and stock options and ECM related services. The following table sets forth the breakdown of accounts receivable as at 31 December 2012, 31 December 2013 and 31 December 2014:

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of dealing in securities and bonds	102,408	251,096	364,908
Accounts receivable arising from the ordinary course of business of dealing in futures and option contracts	2,625	8,923	9,273
Accounts receivable arising from ECM related services	–	2,000	14,310
Total	105,033	262,019	388,491

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Accounts receivable arising from the ordinary course of business of dealing in securities and bonds

Accounts receivable arising from the ordinary course of business of dealing in securities and bonds included receivables from cash clients, brokers and dealers and clearing house. The following table sets forth the breakdown of accounts receivable arising from the ordinary course of business of dealing securities and bonds as at 31 December 2012, 31 December 2013 and 31 December 2014:

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of dealing in securities and bonds:			
– Cash clients	102,256	241,592	360,788
– Brokers and dealers	152	173	119
– Clearing house and financial institution	–	9,331	4,001
	<u> </u>	<u> </u>	<u> </u>
Total	<u>102,408</u>	<u>251,096</u>	<u>364,908</u>

The settlement term of accounts receivable arising from the ordinary course of business of dealing in securities and bonds for cash clients is on the T+2 settlement basis. Accounts receivable from cash clients mainly relates to purchase transactions by clients that are executed but not yet settled in cash pursuant to the T+2 settlement basis. Trade receivables from clearing house related to the amount receivable in respect of securities sold and pending T+2 settlement from other securities houses.

Accounts receivable arising from the ordinary course of business of dealing in securities and bonds increased by approximately HK\$148.7 million from approximately HK\$102.4 million as at 31 December 2012 to approximately HK\$251.1 million as at 31 December 2013. The balance increased by approximately HK\$113.8 million from approximately HK\$251.1 million as at 31 December 2013 to approximately HK\$364.9 million as at 31 December 2014. There was no particular reason for such increases as the balances mainly represented the aggregate amount of securities that our cash clients purchased and remained outstanding within the T+2 period as at the respective year-end or period-end dates. However, such increases were in line with the increases in our Group's revenue generated from brokerage services for December 2013 as compared to that for December 2012 and our Group's revenue generated from brokerage services for December 2014 as compared to that for December 2013.

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The following table sets out the aging analysis of accounts receivable arising from cash clients to the ordinary course of business of dealing in securities and bonds presented based on the trade date, as at 31 December 2012, 31 December 2013 and 31 December 2014:

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<u>100,458</u>	<u>239,246</u>	<u>353,386</u>
Less than 1 month past due	705	1,201	4,055
1 to 3 months past due	92	491	2,212
More than 3 months but less than 12 month past due	568	603	1,003
More than 1 year past due	<u>433</u>	<u>51</u>	<u>132</u>
Amounts past due	<u>1,798</u>	<u>2,346</u>	<u>7,402</u>
Total	<u><u>102,256</u></u>	<u><u>241,592</u></u>	<u><u>360,788</u></u>

As illustrated from the above aging analysis, as at 31 December 2012, 31 December 2013 and 31 December 2014, approximately HK\$1.8 million, HK\$2.3 million and HK\$7.4 million, or approximately 1.8%, 1.0% and 2.1%, of the accounts receivable arising from the ordinary course of business of dealing in securities and bonds from our cash clients, respectively, were past due but not impaired. These amounts represented the amount remained outstanding from a number of diversified cash clients after the T+2 settlement period. In determining whether any of these amount receivables should be impaired, our Group reviews the market values of the securities in these clients' brokerage accounts with our Group firstly on individual basis, then on collective basis in determining the impairment. Client receivables that are considered uncollectible will be written off upon approval of the credit committee.

Given that (i) our Group is entitled to dispose of any or all securities held for or on behalf of our brokerage clients and to apply the proceeds thereof and any cash deposit(s) to settle all outstanding balances owing to our Group pursuant to the cash accounts agreement with our brokerage clients; (ii) the market values of the securities held for or on behalf of our clients with past due accounts receivable exceeded the amounts of past due accounts receivable; and (iii) approximately HK\$5,255,000 out of the past due accounts receivable arising from ordinary course of business of dealing in securities and bonds as at 31 December 2014 of approximately HK\$7,402,000 were subsequently settled as at 28 February 2015, our Directors are of the view that no impairment is considered necessary. During the Track Record Period, no impairment was made by our Group in respect of any accounts receivable from cash clients which were past due.

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As at 28 February 2015, approximately HK\$362,760,000 out of the accounts receivable arising from the ordinary course of business of dealing in securities and bonds as at 31 December 2014 of approximately HK\$364,908,000 were subsequently settled.

Accounts receivable arising from the ordinary course of business of dealing in futures and option contracts

Accounts receivable arising from the ordinary course of business of dealing in futures and option contracts mainly represented the deposits placed in our collateral accounts with clearing houses and the margin deposits placed with overseas broker for dealings in future contracts and stock options.

The balance increased by approximately HK\$6.3 million from approximately HK\$2.6 million as at 31 December 2012 to approximately HK\$8.9 million as at 31 December 2013. Such increase was in line with the increase in the total number of futures and option contracts traded by our brokerage clients of 3,112 in December 2012 to that of 6,476 in December 2013 and the increase in number of our brokerage clients' open interest of future contracts of 736 as at 31 December 2013 as compared to that of 66 as at 31 December 2012. The balance remained relatively stable at approximately HK\$9.3 million as at 31 December 2014 as compared to approximately HK\$8.9 million as at 31 December 2013.

Accounts receivable arising from ECM related services

Accounts receivable arising from ECM related services mainly represented placing commission receivable by our Group for completed transactions and/or service fees receivable by our Group for EGM related services rendered. As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group's accounts receivable arising from ECM related services amounted to nil, HK\$2.0 million and approximately HK\$14.3 million, respectively. The balance outstanding of approximately HK\$2.0 million as at 31 December 2013 represented the placing commission receivable by our Group for successful sub-placing of bonds. The balance outstanding of approximately HK\$14.3 million as at 31 December 2014 mainly represented the placing commission receivable by our Group for successful sub-placing of bonds. As at 28 February 2015, approximately HK\$11.0 million of the balance as at 31 December 2014 was subsequently settled.

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss included financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. As at 31 December 2012, 31 December 2013 and 31 December 2014, the balance amounted to approximately HK\$23.7 million, HK\$9.6 million and HK\$3.0 million, respectively, which mainly consisted of listed equities, bonds and derivatives instruments at fair value.

The following table sets forth the breakdown of our Group's financial assets at fair value through profit or loss as at 31 December 2012, 31 December 2013 and 31 December 2014:

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equities in Hong Kong	6,809	7,396	2,267
Listed equity outside Hong Kong	3	5	1
Bonds	533	500	500
Derivatives – the Warrants	16,353	–	–
Derivatives – the Options	–	1,701	246
	<u> </u>	<u> </u>	<u> </u>
Total	<u>23,698</u>	<u>9,602</u>	<u>3,014</u>

As illustrated in the above table, the significantly higher balance of approximately HK\$23.7 million as at 31 December 2012 as compared to that of approximately HK\$9.6 million as at 31 December 2013 was mainly attributable to the Warrants granted by one of our Group's major clients during the Track Record Period, Company A, as consideration for services to be provided by CIS, which were valued at approximately HK\$16.4 million as at 31 December 2012 and were subsequently fully disposed of by our Group during the year ended 31 December 2013. The balance further decreased from approximately HK\$9.6 million as at 31 December 2013 to approximately HK\$3.0 million as at 31 December 2014 which was mainly attributable to the decrease in fair value of listed equities in Hong Kong of approximately HK\$5.1 million and the decrease in fair value of the Options based on the valuation by an independent professional valuer.

Included in the balance of listed equities in Hong Kong as at 31 December 2012, 31 December 2013 and 31 December 2014 above were 32,000,000 shares, 32,000,000 shares and 14,500,000 shares respectively in Company B, a major client of our Group during the Track Record Period, which amounted to approximately HK\$5.9 million, HK\$6.6 million and HK\$2.3 million as at 31 December 2012, 31 December 2013 and 31 December 2014, respectively. On 4 May 2012, CIS successfully completed a placing transaction in which it acted as a placing agent for Company B to place 330,000,000 shares of Company B to not less than 6 placees, including CIS. Upon completion of such transaction, as at 31 December 2012 and as at 31 December 2013, CIS held 32,000,000 shares of Company B. During the year ended 31 December 2014, our Group disposed 19,500,000 shares of Company B. As at 31 December 2014 and up to the Latest Practicable Date, CIS holds 14,500,000 shares of Company B, representing approximately 0.3% of the issued share capital of Company B as at the Latest Practicable Date.

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Segregated client account balances

Our Group maintains segregated client accounts with recognised financial institutions to hold client's monies arising from our normal course of business. Our Group has classified our clients' monies as segregated client account balances under the current assets section of the statement of financial position and recognised the corresponding amounts payable to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The segregated client account balances are restricted and governed by the Hong Kong Securities and Futures (Client Money) Rules under the SFO.

Segregated client account balance amounted to approximately HK\$97.7 million, HK\$191.4 million and HK\$321.0 million as at 31 December 2012, 31 December 2013 and 31 December 2014, respectively. The increases in the balances corresponded to the increase in our accounts payable as at 31 December 2013 as compared to 31 December 2012 and the increase in our accounts payable as at 31 December 2014 as compared to 31 December 2013.

Accounts payable

Accounts payable of our Group as at 31 December 2012, 31 December 2013 and 31 December 2014 included payables arising from the ordinary course of business of dealing in securities and bonds, future contracts and stock options. The following table sets forth the breakdown of our accounts payable as at 31 December 2012, 31 December 2013 and 31 December 2014:

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable arising from the ordinary course of business of dealing in securities and bonds	191,770	430,711	667,587
Accounts payable arising from the ordinary course of business of dealing in futures and option contracts	6,925	15,475	8,787
Accounts payable arising from ECM related services	—	—	8,510
Total	<u>198,695</u>	<u>446,186</u>	<u>684,884</u>

The settlement terms of accounts payable arising from the business of dealing in securities and bonds are on a T+2 settlement basis.

Accounts payable as at a particular day is principally affected by (i) the deposits placed with us by our clients at their respective accounts for trading purpose; and (ii) the amount owing to customers who had sold shares through their respective accounts at our Group within the T+2 period which had not been settled.

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The following table sets forth the breakdown of our accounts payable arising from the business of dealing in securities and bonds as at 31 December 2012, 31 December 2013 and 31 December 2014:

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable arising from the business of dealing in securities and bonds:			
– Cash clients	187,720	414,868	628,182
– Margin clients	2,124	15,843	25,890
– Clearing house and financial institution	1,926	–	13,515
	<u>191,770</u>	<u>430,711</u>	<u>667,587</u>
Total	<u>191,770</u>	<u>430,711</u>	<u>667,587</u>

Accounts payable arising from the business of dealing in securities and bonds to cash clients, margin clients and HKSCC in aggregate, amounted to approximately HK\$430.7 million as at 31 December 2013, which is comparatively high when compared with the aggregate amount of approximately HK\$191.8 million as at 31 December 2012. Such higher amount was in line with the higher accounts receivable from cash clients which also increased from approximately HK\$102.3 million as at 31 December 2012 to approximately HK\$241.6 million as at 31 December 2013.

Accounts payable to clients arising from the ordinary course of business of dealing in futures contracts and stock options are margin deposits received from clients for their trading of futures contracts and stock options. The increase in the balance from approximately HK\$6.9 million as at 31 December 2012 to that of approximately HK\$15.5 million as at 31 December 2013 was mainly due to the increase in margin deposits received from our clients for trading of futures contracts. The increase in the balance was also in line with the increase in number of our brokerage clients' open interest of future contracts of 736 as at 31 December 2013 as compared to that of 66 as at 31 December 2012 and the increase in our balance of accounts receivable arising from the ordinary course of business of dealing in futures and options as at 31 December 2013 as compared to that as at 31 December 2012.

Accounts payable arising from the business of dealing in securities and bonds to cash clients, margin clients and HKSCC in aggregate, amounted to approximately HK\$667.6 million as at 31 December 2014, which is comparatively high when compared with the aggregate amount of approximately HK\$430.7 million as at 31 December 2013. Such higher amount was in line with the higher accounts receivable from cash clients which also increased from approximately HK\$241.6 million as at 31 December 2013 to approximately HK\$360.8 million as at 31 December 2014.

Accounts payable to clients arising from the ordinary course of business of dealing in futures contracts and stock options decreased from approximately HK\$15.5 million as at 31 December 2013 to approximately HK\$8.8 million as at 31 December 2014. Such decrease was mainly due to the decrease in margin deposits received from our clients for trading of futures contracts. The decrease in the balance was also in line with the decrease in number of our brokerage clients' open interest of future contracts of 128 as at 31 December 2014 as compared to that of 736 as at 31 December 2013.

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As at 31 December 2012, 31 December 2013 and 31 December 2014, amounts of HK\$99.1 million, HK\$199.0 million and HK\$326.4 million payable to clients in respect of segregated bank balances received and held for client in the course of the conduct of regulated activities were included in our accounts payable as at the respective year end dates. As at the Latest Practicable Date, the accounts payable (other than those payable to clients in respect of segregated bank balances received and held for client in the course of the conduct of regulated activities) as at 31 December 2012, 31 December 2013 and 31 December 2014 were subsequently fully settled.

Accounts payable arising from ECM related services mainly represented payable to sub-underwriter and listed companies in relation to completed underwriting transactions as at 31 December 2014. As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group's accounts payable arising from ECM related services amounted to nil, nil and approximately HK\$8.5 million, respectively. As at 28 February 2015, approximately HK\$7.6 million out of the accounts payable arising from ECM related services as at 31 December 2014 was subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of accounts payable.

Accruals and other payables

As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group's accruals and other payables amounted to approximately HK\$2.8 million, HK\$6.6 million and HK\$20.9 million, respectively. The following table sets forth the breakdown of our Group's accruals and other payables as at 31 December 2012, 31 December 2013 and 31 December 2014.

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Commission payable	1,397	3,168	7,665
Accrued employee benefits costs	451	2,413	10,350
Accrued audit fees	100	400	400
Accrued transaction levies and trading fees	233	359	1,156
Other accrued expenses	655	271	1,294
	<u>2,836</u>	<u>6,611</u>	<u>20,865</u>
Total	<u>2,836</u>	<u>6,611</u>	<u>20,865</u>

Commission payable mainly represented the accrued commission payable to our accounts executives for handling our brokerage clients' transactions and referral of placing business to our Group. The balance increased from approximately HK\$1.4 million as at 31 December 2012 to approximately HK\$3.2 million mainly as a result of the increase in commission payable for referral of placing business by approximately HK\$1.9 million due to the increase in number of completion of bond sub-placing transactions from 2 for the year ended 31 December 2012 to 12 for the year ended 31 December 2013, in which the placees were referred by our account

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executives. Commission payable increased to approximately HK\$7.7 million as at 31 December 2014 as compared to that as at 31 December 2013 mainly as a result of the increase in commission payable for referral of placing business by approximately HK\$4.9 million due to the increase in number of completion of bond placing transactions referred by our account executives for the year ended 31 December 2014 as compared to that for the year ended 31 December 2013.

Accrued employee benefits costs amounted to approximately HK\$0.5 million and HK\$2.4 million as at 31 December 2012 and 2013, respectively. The increase in the balance was mainly due to the increase in the amount of discretionary bonus accrued as at year end from approximately HK\$0.3 million as at 31 December 2012 to approximately HK\$2.4 million as at 31 December 2013. Accrued employee benefits costs increased to approximately HK\$10.4 million as at 31 December 2014 from approximately HK\$2.4 million as at 31 December 2013. The increase in the balance was mainly due to (i) the increase in the amount of discretionary bonus accrued as at year end from approximately HK\$2.4 million as at 31 December 2013 to approximately HK\$9.4 million as at 31 December 2014; and (ii) the accrued commission to our employees as at year end of approximately HK\$0.9 million as at 31 December 2014.

Accrued transaction levies and trading fees mainly represented the transaction levies and trading fees payable to the Stock Exchange and SFC for our brokerage clients' transaction. The balance increased from approximately HK\$0.4 million as at 31 December 2013 to approximately HK\$1.2 million as at 31 December 2014 mainly due to the increase in total transaction value of our brokerage clients in December 2014 as compared to that in December 2013.

Other accrued expenses increased from approximately HK\$0.3 million as at 31 December 2013 to approximately HK\$1.3 million as at 31 December 2014 mainly as a result of accrual of Listing expenses of approximately [REDACTED] as at 31 December 2014.

Our Directors confirm that our Group did not have any material default in payment of accruals and other payables during the Track Record Period.

Deferred income (current and non-current portions)

As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group recorded deferred income of approximately HK\$14.4 million, HK\$12.1 million and HK\$1.4 million, respectively. It mainly represented the service fee received by our Group for services to be rendered. The amount should be amortised and recognised as revenue of our Group over the agreed term of services pursuant to the respective service agreements with our clients.

On 15 December 2012, Company A issued the Warrants to CIS as consideration for retainer ECM services to be provided by CIS over a period of 36 months from 15 December 2012. The Warrants were valued at approximately HK\$14.6 million as at 15 December 2012, i.e. the issue date of the Warrants, by an independent professional valuer. As revenue is measured at the fair value of the consideration received or receivable, the amount was initially recognised as deferred income at the issue date of the Warrants and to be amortised as our revenue over the term of the service agreement. For each of the year ended 31 December 2012 and 2013, approximately HK\$0.2 million and HK\$4.9 million had been recognised as revenue in our Group's consolidated statements of profit or loss and other comprehensive income, respectively.

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On 11 April 2013, Company B issued the Options to CIS as consideration for retainer ECM services to be provided by CIS over a period of 36 months from 11 April 2013. The Options were valued at approximately HK\$3.3 million as at 11 April 2013, i.e. the issue date of the Options, by an independent professional valuer. The amount was initially recognised as deferred income at the issue date of the Options and to be amortised as our revenue over the term of the service agreement. For the year ended 31 December 2013, approximately HK\$0.8 million had been recognised as revenue in our Group's consolidated statements of profit or loss and other comprehensive income. For the year ended 31 December 2014, approximately HK\$1.1 million had been recognised as revenue in our Group's consolidated statements of profit or loss and other comprehensive income.

For the year ended 31 December 2014, deferred income amounted to approximately HK\$9.5 million in respect of the retainer ECM services to Company A as mentioned above were recognised as revenue upon completion of the services under the relevant retainer ECM service agreement, including the seeking of suitable business partners and investors for Company A, which have been rendered by our Group to the satisfaction of Company A and therefore both parties agreed to terminate the agreement in April 2014 pursuant to the relevant termination clause of the retainer ECM services. As a result of the above, deferred income decreased from approximately HK\$12.1 million as at 31 December 2013 to approximately HK\$1.4 million as at 31 December 2014.

The revenue amortised and recognised from deferred income are non-cash nature. Such non-cash revenue and the balances of deferred income were and will not be supported by actual cash flows of the same amounts because the Warrants received by our Group as consideration for services had been disposed of at substantial loss as compared to their initial valuation as discussed in the paragraph headed "Fair value gains/(losses) on financial assets at fair value through profit or loss" in this section.

Amounts due from/to related companies

As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group had (i) amounts due from related companies of approximately HK\$10.8 million, HK\$3.0 million and nil, respectively; and (ii) amounts due to related companies of approximately HK\$1.8 million, nil and nil, respectively. These balances with the related companies were unsecured, interest-free and repayable on demand. Please refer to note 26 to the Accountant's Report for breakdown of the amounts due from/to related companies.

The outstanding balances with related companies as at 31 December 2012 of approximately HK\$10.8 million mainly represented the amount due from CSHL, the then immediate holding company of CIS, amounted to approximately HK\$10.6 million. The amount mainly represented the unsettled amount as at 31 December 2012 from CSHL resulted from the issue of shares by CIS to CSHL in 2012. All outstanding balances with related companies as at 31 December 2012 were subsequently fully settled during the year ended 31 December 2013.

The outstanding balance of approximately HK\$3.0 million as at 31 December 2013 mainly represented the amount due from CSHL in respect of the dividends declared by CIS on 10 September 2013 to CSHL, its then shareholder, and was subsequently revoked. Such amount was fully settled in March 2014. As at the Latest Practicable Date, all balances with related companies as at 31 December 2013 had been fully settled.

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Borrowings

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 January 2015, being the latest practicable date for the purpose of this statement of indebtedness, we did not have any outstanding bank borrowings and overdrafts.

Banking facilities

As at 31 December 2012, our Group had the following banking facilities with Bank of China (Hong Kong) Limited:

- bank overdraft facility to the extent of HK\$10,000,000, which was secured by marketable securities of HK\$4,500,000 and bore interest at overnight HIBOR plus 2.5% per annum; and
- bank overdraft facility to the extent of HK\$3,000,000, which was secured by the fixed bank deposits of CIS of HK\$3,000,000 and bore interest at higher of overnight HIBOR plus 1.5% per annum or charged deposit rate plus 1.5% per annum.

As at 31 December 2013, our Group had the following banking facilities with Bank of China (Hong Kong) Limited:

- bank overdraft facility to the extent of HK\$10,000,000, which bore interest at overnight HIBOR plus 2.5% per annum. No marketable securities were pledged as at 31 December 2013; and
- bank overdraft facility to the extent of HK\$3,000,000, which was secured by the fixed bank deposits of CIS of HK\$3,000,000 and bore interest at higher of overnight HIBOR plus 1.5% per annum or changed deposit rate plus 1.5% per annum.

As at 31 December 2014 and 31 January 2015, our Group had the following banking facilities with Bank of China (Hong Kong) Limited:

- bank overdraft facility to the extent of HK\$20,000,000, which were secured by marketable securities owned by margin client of our group and bore interest at overnight HIBOR plus 2.5% per annum. Approximately HK\$4,800,000 and HK\$5,000,000 listed securities were pledged as at 31 December 2014 and 31 January 2015 respectively; and
- temporary overdraft facility under CCASS settlement to the extent of HK\$6,000,000, which was secured by the fixed bank deposits of CIS of HK\$3,000,000. The facility was interest free if repaid in full before the close of business of the utilisation date. Otherwise, interest shall be charged at Prime Rate plus 10% per annum or CNY HIBOR plus 10% per annum for HKD utilisation and CNY utilisation respectively.

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 January 2015, our Group had not utilised any of the above facilities.

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Pursuant to the banking facilities granted by Bank of China (Hong Kong) Limited as at 31 December 2013 and the date immediately prior to the renewal of such banking facilities in August 2014, CIS undertook to the bank that CFG shall at all times maintain, whether directly or indirectly, more than 50% of the issued share capital of CIS. Pursuant to the Reorganisation, CFG ceased to directly or indirectly hold any issued share capital of CIS since 28 February 2014 and our Group did not notify the bank on such changes until April 2014. Pursuant to the terms of banking facilities letter, the bank may at any time without prior notice modify, cancel or suspend the banking facilities at its sole discretion, including, without limitation, cancelling any unutilised facilities, and declaring any outstanding amount to be immediately due and payable if such undertaking is breached. As at the Latest Practicable Date, no action has been taken by the bank against CIS in respect of the breach since the reporting of such breach and up the Latest Practicable Date. In August 2014, the banking facilities have been renewed with such undertaking being removed.

The above banking facilities as at 31 December 2012, 31 December 2013, 31 December 2014 and 31 January 2015 had no definite expiry date and did not contain any material financial covenants. Our Directors confirmed that there was neither material delay nor default in payment of our borrowings, nor did we breach any relevant financial covenants, during the Track Record Period. To the best knowledge and belief of our Directors, our Group will not have difficulties in obtaining new banking facilities or renewing our existing banking facilities after Listing.

Revolving subordinated loan facility

As at 31 December 2012, 31 December 2013 and the date immediately prior to the expiry of the relevant agreement, our Group had an irrevocable revolving credit facility amounted to HK\$20.0 million granted by CFG, the then intermediate holding company of CIS, pursuant to a revolving subordinated loan facility agreement entered into between CFG (as lender), CIS (as borrower) and the SFC dated 9 December 2009 (the "**Facility Agreement**") and a letter of approval issued by the SFC respect of the Facility Agreement (the "**Letter of Approval**"). The facility is unsecured and non-interest bearing. The Facility Agreement has expired in December 2014. As confirmed by our Company, our Group will not renew such Facility Agreement with CFG.

Pursuant to the Facility Agreement, CIS covenants with the SFC that it will comply with the terms of the Facility Agreement and with the terms and conditions contained in the Letter of Approval and will not, without the prior written consent of the SFC:

- (i) create or suffer to exist any security over any of its assets which secures any part of the liabilities owed by CIS to CFG pursuant to the Facility Agreement;
- (ii) redeem, purchase or otherwise acquire any of the liabilities owed by CIS to CFG pursuant to the Facility Agreement;
- (iii) amend, cancel or replace the terms of this Agreement or the terms of any document evidencing or providing for the liabilities owed by CIS to CFG pursuant to the Facility Agreement;

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- (iv) make any repayment of any of the liabilities owed by CIS to CFG pursuant to the Facility Agreement otherwise than in accordance with the terms of this Agreement;
or
- (v) take or omit to take any action whereby the subordination as provided for pursuant to the Facility Agreement might be terminated, impaired or adversely affected.

Pursuant to the Facility Agreement, CIS and CFG jointly and severally agree and acknowledge the right of the SFC at any time to withdraw its approval of the Loan as an approved subordinated loan for the purposes of compliance by CIS with the FRR in the event of either CIS or CFG failing to comply with any of the terms of the Facility Agreement (including without limitation the failure by CIS to furnish the SFC with the requisite documents and information pursuant to the relevant provisions of the Facility Agreement or in the event of CIS failing to comply with any of the terms and conditions contained in the Letter of Approval.

Pursuant to the Letter of Approval, the SFC has approved, with effect from 9 December 2009, to treat the amounts drawn under the subject revolving subordinated loan facility as an approved subordinated loan for the purposes of compliance by CIS with the FRR, subject to the terms of the Facility Agreement entered into between CFG, CIS and the terms of the Facility Agreement and on condition that:

- (1) after taking into account the treatment of the subordinated loan as approved, CIS complies at all times with the FRR applicable to it as a corporation licensed to carry on regulated activities for which it is licensed;
- (2) both CIS and CFG comply at all times with the terms of the Facility Agreement;
- (3) the aggregate amount of any subordinated loan and redeemable share approved for the purposes of the FRR at any time will be limited to the lower of:
 - (a) the aggregate of the amounts drawn under the subject revolving subordinated loan facility, the amounts of all other outstanding approved subordinated loans (including amounts drawn under any other approved revolving/stand-by subordinated loan facilities) and outstanding approved redeemable shares (if any); and
 - (b) two times of the shareholders' funds (i.e. share capital plus reserves less deficits) of CIS; and
- (4) both CIS and CFG shall inform the SFC in writing immediately if any of them identifies or becomes aware of any material changes or inaccuracies in the information provided to the SFC in support of the present application.

Upon the making of an advance to CIS, CIS shall notify the SFC in writing to confirm the amount of the advance and the date of drawdown and CIS shall provide to the SFC documentation regarding the funding of the amount drawn within 7 business days after the date of drawdown.

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During the Track Record Period and up to the expiry date of the Facility Agreement, none of conditions and covenants under the Facility Agreement and the Letter of Approval had been contravened.

As at 31 December 2012, the revolving credit facility was utilised as to HK\$13.0 million. As at 31 December 2013 and the date immediately prior to the expiry of the Facility Agreement, our Group had not utilised any of the revolving credit facility.

Since the full repayment of the revolving subordinated loan during the year ended 31 December 2013 and up to the expiry date of the Facility Agreement, our Group (i) has been able to meet the FRR requirements; and (ii) had not utilised any of the revolving credit facility, the Directors are of the view our Group will be able to comply with the FRR requirements upon Listing and after the expiry of the revolving subordinated loan facility in December 2014.

Given that the Facility Agreement was not renewed by our Group with CFG and the SFC, our Directors consider that there is no financial dependence of our Group on CFG upon Listing.

Save for the abovementioned, our Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees, banking facility or other material contingent liabilities as at 31 January 2015.

Our Directors confirm that, up to the Latest Practicable Date, there has been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 31 January 2015. Our Directors further confirm that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after Listing.

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 December 2015 is expected to be adversely affected by, among others, the Listing expenses in relation to the [REDACTED], the nature of which is non-recurring. The total Listing fees (inclusive of underwriting commission) in relation to the [REDACTED], primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately [REDACTED] (based on the [REDACTED] of [REDACTED] per [REDACTED] and [REDACTED]). Among the estimated total Listing fees, approximately [REDACTED] is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately [REDACTED] is expected to be charged to our consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2014 and 2015, of which approximately [REDACTED] have been recognised by our Group for the year ended 31 December 2014. No Listing expenses were recognised by our Group for the years ended 31 December 2012 and 2013.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2014 is subject to adjustment based on audit and the then changes in variables and assumptions.

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Prospective investors should note that the financial performance of our Group for the year ending 31 December 2015 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past. Please also refer to the section headed "Risk factors – Our net profit for the year ending 31 December 2014 might be adversely affected by Listing expenses and share-based payments" in this document for details.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in note 37 to the Accountant's Report. Our Directors confirm that during the Track Record Period, the terms of the related party transactions (including recurring and non-recurring transactions) were conducted based on normal commercial terms and were no less favourable to us than terms available to our staff and/or to other Independent Third Parties.

Having considered that the amounts of these related party transactions are immaterial as compared to the revenue generated by our Group, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

OFF-BALANCE SHEET TRANSACTIONS

We have not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

ANALYSIS OF KEY FINANCIAL RATIOS

		For the year ended 31 December		
		2012	2013	2014
Net profit margin before				
interest and tax (%)	<i>(Note 1)</i>	49.8	14.6	15.7
Net profit margin (%)	<i>(Note 2)</i>	49.8	15.9	11.4
Return on equity (%)	<i>(Note 3)</i>	19.8	12.8	15.4
Return on total assets (%)	<i>(Note 4)</i>	3.5	1.4	1.7
Interest coverage (times)	<i>(Note 5)</i>	9,847.0	1,688.5	18,244.0
		As at 31 December		
		2012	2013	2014
Current ratio and quick ratio	<i>(Note 6)</i>	1.3	1.1	1.1
Gearing ratio (%)	<i>(Note 7)</i>	29.8	N/A	N/A
Debt-to-equity ratio (%)	<i>(Note 8)</i>	1.6	N/A	N/A

Notes:

1. Net profit margin before interest and tax is calculated based on the net profit netting off the interest and tax expense for the year/period divided by total revenue for the year/period multiplied by 100%.
2. Net profit margin is calculated based on the net profit for the year/period divided by total revenue for the year/period and multiplied by 100%.

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3. Return on equity is calculated based on the net profit for the year divided by issued share capital and reserves at the end of the year and multiplied by 100%.
4. Return on total assets is calculated based on the net profit for the year divided by total assets at the end of the year and multiplied by 100%.
5. Interest coverage is calculated based on the profit before interest and tax for the year/period divided by interest expenses for the year.
6. Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the year. As our Group has no inventory, our quick ratio is equivalent to our current ratio.
7. Gearing ratio is calculated based on total debt at the end of the year/period divided by total equity at the end of the year and multiplied by 100%.
8. Debt to equity ratio is calculated based on net debt at the end of the year/period divided by total equity at the end of the year/period and multiplied by 100%. Net debt is defined to include all borrowings net of cash and cash equivalents.

Net profit margin and net profit margin before interest and tax

Net profit margin and net profit margin before interest and tax of our Group were approximately 49.8% and 49.8% for the year ended 31 December 2012, and approximately 15.9% and 14.6% for the year ended 31 December 2013, respectively. There was no material difference in our Group's net profit margin and net profit margin before interest and tax for the Track Record Period as our Group had no significant finance costs and income tax expenses/credits relative to our Group's revenue. The decreases in net profit margin and net profit margin before interest and tax was mainly attributable to the net fair value losses of financial assets at fair value through profit or loss amounted to approximately HK\$16.5 million for the year ended 31 December 2013, whereas there were net fair value gains of approximately HK\$2.9 million for the year ended 31 December 2012. Without such net fair value gains/losses, our Group's net profit margin and net profit margin before interest and tax would be approximately 35.3% and 35.3% for the year ended 31 December 2012, and approximately 51.7% and 50.5% for the year ended 31 December 2013, respectively. Such increases were mainly as a result of the increase in total revenue for the year ended 31 December 2013 by approximately 133.0% as compared to the year ended 31 December 2012, which outweighed the effect of the increase in total operating expenses for the corresponding years.

Net profit margin before interest and tax of our Group increased from approximately 14.6% for the year ended 31 December 2013 to approximately 15.7% for the year ended 31 December 2014. Excluding the net fair value losses of financial assets at fair value through profit or loss of approximately HK\$16.5 million for the year ended 31 December 2013 and HK\$3.1 million for the year ended 31 December 2014, our Group's net profit margin before interest and tax would decrease from approximately 50.5% for the year ended 31 December 2013 to approximately 18.4% for the year ended 31 December 2014. Such decrease was mainly as a result of (i) the increase in commission expenses by approximately HK\$32.2 million mainly due to the increase in referral of placing business and brokerage commission by our account executives, who are self-employed and not employees of our Group; (ii) the increase in employee benefits costs by

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approximately HK\$26.1 million mainly due to the increases in commission and discretionary bonus paid to our employees with reference to the number and value of placing business that they secured for our Group; and (iii) the increase in other expenses of approximately HK\$13.5 million mainly due to the listing expenses of approximately [REDACTED] for the year ended 31 December 2014. Net profit margin of our Group decreased from approximately 15.9% for the year ended 31 December 2013 to approximately 11.4% for the year ended 31 December 2014. Such decrease was mainly because income tax expense of approximately HK\$5.1 million was recorded for the year ended 31 December 2014 while income tax credit of approximately HK\$0.6 million was recorded for the year ended 31 December 2013, which was partially offset by the increase in net profit margin before interest and tax as discussed above.

Please refer to the section headed "Risk factors – Our net profit margin may fluctuate due to change in major revenue drivers which may adversely affect our Group's business, financial condition, operating results and prospects" in this document for detailed risks associated with our fluctuated net profit margin.

Return on equity

Our Group's return on equity was approximately 19.8% and 12.8% for each of the years ended 31 December 2012 and 2013 respectively. Such decrease was mainly a combined result of (i) the decrease in our Group's net profit from approximately HK\$9.8 million for the year ended 31 December 2012 to approximately HK\$7.3 million for the year ended 31 December 2013 primarily due to the net fair value losses of financial assets of approximately HK\$16.5 million as mentioned above and the higher total operating expenses of our Group for the year ended 31 December 2013 as compared to the year ended 31 December 2012, which was partially offset by the increase in our Group's total revenue for the corresponding years; and (ii) the increase in total equity of our Group from approximately HK\$49.7 million as at 31 December 2012 to that of approximately HK\$57.0 million as at 31 December 2013 which represented the net profit generated for the year ended 31 December 2013.

Our Group's return on equity was approximately 12.8% and 15.4% for each of the years ended 31 December 2013 and 2014 respectively. Such increase was mainly a combined result of (i) the increase in our Group's net profit from approximately HK\$7.3 million for the year ended 31 December 2013 to approximately HK\$13.2 million for the year ended 31 December 2014 primarily attributable to the increase in our Group's total revenue and the decrease in our Group's fair value loss for the year ended 31 December 2014 as compared to the year ended 31 December 2013, which was partially offset by the increase in our Group's total operating expenses for the corresponding years; and (ii) the increase in total equity of our Group from approximately HK\$57.0 million as at 31 December 2013 to that of approximately HK\$85.6 million as at 31 December 2014 comprising the net profit generated and the proceeds from the pre-ipo investments for the year ended 31 December 2014.

Return on total assets

Our Group's return on total assets was approximately 3.5% and 1.4% for each of the years ended 31 December 2012 and 2013 respectively. Such decrease was mainly a combined result of (i) the decrease in our Group's net profit from approximately HK\$9.8 million for the year ended 31 December 2012 to approximately HK\$7.3 million for the year ended 31 December 2013 as

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mentioned above; and (ii) the increase in total assets of our Group from approximately HK\$280.4 million as at 31 December 2012 to that of approximately HK\$521.9 million as at 31 December 2013 primarily as a result of the increases in the balances of our accounts receivable and segregated client account balances as at 31 December 2013 as compared to 31 December 2012.

Our Group's return on total assets was approximately HK\$1.4% and 1.7% for each of the years ended 31 December 2013 and 2014 respectively. Such increase was mainly a combined result of (i) the increase in our Group's net profit from approximately HK\$7.3 million for the year ended 31 December 2013 to approximately HK\$13.2 million for the year ended 31 December 2014; and (ii) the increase in total assets of our Group from approximately HK\$521.9 million as at 31 December 2013 to that of approximately HK\$797.3 million as at 31 December 2014 primarily attributable to the increase in the balances of our accounts receivable and segregated client account balances as at 31 December 2014 as compared to 31 December 2013.

Current ratio and quick ratio

As there were no inventories involved in the operation of our Group, current ratios were equivalent to quick ratios as at 31 December 2012, 31 December 2013 and 31 December 2014.

As at 31 December 2012 and 2013, the current/quick ratio of our Group was approximately 1.3 and 1.1, respectively. The lower current/quick ratio as at 31 December 2013 as compared to 31 December 2012 was primarily attributable to the increase in our current liabilities by approximately HK\$245.7 million, or by approximately 112.9%, from approximately HK\$217.7 million as at 31 December 2012 to that of approximately HK\$463.4 million as at 31 December 2013 mainly as a result of the significant increase in accounts payable from approximately HK\$198.7 million as at 31 December 2012 to that of approximately HK\$446.2 million as at 31 December 2013, and that the effect of such increase in our current liabilities prevailed over the effect of the increase in our current assets by approximately HK\$239.6 million, or approximately 86.9%, from approximately HK\$275.6 million as at 31 December 2012 to that of approximately HK\$515.2 million as at 31 December 2013 mainly contributed by the higher balances of our accounts receivable, segregated client account balances and cash and cash equivalents as at 31 December 2013 as compared to 31 December 2012. The increase in accounts receivable and accounts payable was mainly due to higher trading value of our brokerage clients near 31 December 2013 as compared to 31 December 2012.

As at 31 December 2014, the current/quick ratio of our Group remained stable at approximately 1.1 as compared to that as at 31 December 2013. The stable level of current/quick ratio of our Group as at 31 December 2014 as compared to 31 December 2013 was mainly attributable to the increase in both account receivable and segregated clients account balances by HK\$126.5 million and HK\$129.7 million respectively, were offset by the increase in the accounts payable by HK\$238.7 million as at 31 December 2014 as compared to 31 December 2013. The increase in accounts receivable and accounts payable was mainly due to higher trading value of the brokerage clients near 31 December 2014 as compared to 31 December 2013.

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Gearing ratio

Gearing ratio of our Group was approximately 29.8% as at 31 December 2012, which was mainly attributable to the loan from a related company of HK\$13.0 million and amount due to related companies of approximately HK\$1.8 million outstanding as at 31 December 2012. Subsequently, such borrowings were fully settled by our Group during the year ended 31 December 2013. As at 31 December 2013 and 31 December 2014, our Group had no borrowing and accordingly, gearing ratio was not applicable to our Group.

Debt-to-equity ratio

Our Group had a debt-to-equity ratio of approximately 1.6% as at 31 December 2012 because of our net debt position as at 31 December 2012 contributed by the loan from a related company of HK\$13.0 million and amount due to a related company of approximately HK\$1.8 million outstanding as at 31 December 2012, being partially net off by our Group's cash and cash equivalent amounted to approximately HK\$14.0 million as at 31 December 2012. Subsequently, such borrowings were fully settled by our Group during the year ended 31 December 2013. As at 31 December 2013 and 31 December 2014, our Group had a net cash position and accordingly, debt-to-equity ratio was not applicable to our Group.

Interest coverage

Interest coverage of our Group was approximately 9,847.0 times and 1,688.5 times for each of the years ended 31 December 2012 and 2013, respectively. The higher interest coverage for the year ended 31 December 2012 was principally resulted from the relatively insignificant finance costs of approximately HK\$1,000 as compared to our profits from operation of approximately HK\$9.8 million for the year ended 31 December 2012. Interest coverage decreased to approximately 1,688.5 times for the year ended 31 December 2013 mainly as a result of the lower profits from operation of approximately HK\$6.8 million recorded for the year ended 31 December 2013 and the increased finance costs of approximately HK\$4,000.

Interest coverage of our Group was approximately 1,688.5 times and 18,244.0 times for each of the years ended 31 December 2013 and 2014, respectively. The significant increase in interest coverage for the year ended 31 December 2014 was principally resulted from the decreased and relatively insignificant finance costs of approximately HK\$1,000 as compared to our increased profits from operation of approximately HK\$18.2 million for the year ended 31 December 2014.

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SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity analysis

The following table sets forth the sensitivity analysis of hypothetical fluctuations in the major operating costs of our operations, namely commission expenses and employee benefits costs, and its effect on our Group's profit before tax and profit for each financial year end during the Track Record Period. The sensitivity analysis is performed with reference to the historical changes in assumptions regarding commission expenses and employee benefits costs with all other assumptions held constant.

	Increase/ (decrease) in percentage	For the year ended 31 December					
		2012		2013		2014	
		(Decrease)/ increase in profit before tax HK\$'000	(Decrease)/ increase in profit for the year HK\$'000	(Decrease)/ increase in profit before tax HK\$'000	(Decrease)/ increase in profit for the year HK\$'000	(Decrease)/ increase in profit before tax HK\$'000	(Decrease)/ increase in profit for the year HK\$'000
Commission expenses	16.2% (16.2)%	(488) 488	(408) 408	(1,071) 1,071	(894) 894	(6,285) 6,285	(5,248) 5,248
Employee benefits costs	3.7% (3.7)%	(229) 229	(191) 191	(408) 408	(341) 341	(1,375) 1,375	(1,148) 1,148

Commission expenses

Our commission expenses amounted to approximately HK\$3.0 million, HK\$6.6 million and HK\$38.8 million for each of the years ended 31 December 2012, 2013 and 2014, respectively, representing approximately 23.0%, 28.3% and 40.7% of our Group's total operating costs (which included commission expenses, depreciation, employee benefits costs and other expenses) for the corresponding years.

The above sensitivity analysis illustrates the impact of hypothetical fluctuations in commission expenses on our Group's profit before income tax and profit for the year during the Track Record Period. A change of 16.2% was adopted for each of the years ended 31 December 2012, 2013 and 2014 in the above sensitivity analysis with reference to the increase in average daily trading turnover of the Main Board and GEM by approximately 16.2% from approximately HK\$53,850 million in 2012 to approximately HK\$62,560 million in 2013 and the increase in average daily trading turnover of the Main Board and GEM by approximately 11.0% from approximately HK\$62,560 million in 2013 to approximately HK\$69,456 million in 2014, whichever is higher.

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Employee benefits costs

Our employee benefits costs amounted to approximately HK\$6.2 million, HK\$11.0 million and HK\$37.2 million for each of the years ended 31 December 2012, 2013 and 2014, respectively, representing approximately 47.2%, 47.2% and 39.0% of our Group's total operating costs (which included commission expenses, depreciation, employee benefits costs and other expenses) for the corresponding years.

The above sensitivity analysis illustrates the impact of hypothetical fluctuations in employee benefits costs on our Group's profit before income tax and profit for the year during the Track Record Period. A change of 3.7% was adopted for each of the years ended 31 December 2012, 2013 and 2014 in the above sensitivity analysis with reference to the increase in nominal salary index for middle-level managerial and professional employees in finance and insurance industry published by the Census and Statistic Department of Hong Kong by approximately 2.5% from approximately 159.3 for the year ended 31 December 2012 to approximately 163.3 for the year ended 31 December 2013 and by approximately 3.7% from approximately 163.3 for the year ended 31 December 2013 to approximately 169.3 for the year ended 31 December 2014, whichever is higher.

Breakeven analysis

For the year ended 31 December 2012, it is estimated that (i) with an increase in commission expenses of approximately 326.8% and all other variables held constant, our Group would achieve breakeven; and (ii) with an increase in employee benefits costs of approximately 159.3% and all other variables held constant, our Group would achieve breakeven.

For the year ended 31 December 2013, it is estimated that (i) with an increase in commission expenses of approximately 102.1% and all other variables held constant, our Group would achieve breakeven; and (ii) with an increase in employee benefits costs of approximately 61.2% and all other variables held constant, our Group would achieve breakeven.

For the year ended 31 December 2014, it is estimated that (i) with an increase in commission expenses of approximately 47.0% and all other variables held constant, our Group would achieve breakeven; and (ii) with an increase in employee benefits costs of approximately 49.1% and all other variables held constant, our Group would achieve breakeven.

CAPITAL EXPENDITURES

Historical capital expenditures

During the Track Record Period, our capital expenditures were primarily comprised purchase of property, plant and equipment of approximately HK\$0.3 million, HK\$0.5 million and HK\$1.1 million for each of the years ended 31 December 2012, 2013 and 2014. We principally funded our capital expenditures through internal resources.

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Planned capital expenditures

Save for the planned usage of the net proceeds from the [REDACTED] as disclosed in the section headed "Future plans and use of proceeds" in this document and the additions of property, plant and equipment, such as furniture and fixtures, office equipments, computers and leasehold improvement necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

CONTRACTUAL OBLIGATIONS

Operating lease commitments

As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group had the following future minimum rental payable under non-cancellable operating lease of the Group in respect of our office premises:

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	622	622
Over one year but within five years	–	1,243	622
	<u>–</u>	<u>1,865</u>	<u>1,244</u>

Capital commitments

Our Group had no capital commitments as at 31 December 2012, 31 December 2013 and 31 December 2014, respectively.

Underwriting commitments

As at 31 December 2012, 31 December 2013 and 31 December 2014, our Group had the following underwriting commitments:

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Company BB	–	–	128,700
Company CC	–	–	38,800
Company Z	–	68,368	–
	<u>–</u>	<u>68,368</u>	<u>167,500</u>

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Our Group entered into an underwriting and placing agreement in respect of an IPO in Hong Kong by way of placing on 23 December 2013, pursuant to which CIS acted as one of the joint bookrunners, joint lead managers and underwriters. The underwriting commitment of approximately HK\$68.4 million as at 31 December 2013 represented the amount of subscription money which our Group was obligated to make under the placing letter for the allocated placing shares. The placing shares offered under such IPO were moderately over-subscribed.

Our Group accepted an invitation in respect of an IPO in Hong Kong by way of global offering on 19 December 2014, pursuant to which CIS acted as one of the joint bookrunners, joint lead managers and underwriters. The underwriting commitment of approximately HK\$128.7 million as at 31 December 2014 represented the amount which our Group was obligated to make under the letter of acceptance. The placing shares offered under such IPO were moderately over-subscribed.

Our Group entered into sub-underwriting letter in respect of an IPO in Hong Kong by way of placing on 31 December 2014, pursuant to which CIS acted as one of the joint lead managers and underwriters. The underwriting commitment of approximately HK\$38.8 million as at 31 December 2014 represented the amount which our Group was obligated to make under the sub-underwriting letter for the allocated sub-underwriting shares. The placing shares offered under such IPO were fully subscribed.

PROPERTY INTERESTS

We leased properties for our use as offices as at the Latest Practicable Date, please refer to the section headed "Business – Property interests" in this document. As at the Latest Practicable Date, we do not own any properties.

DIVIDEND POLICY

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of future dividends will be subject to Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors our Directors may consider relevant.

Any interim and final dividend to be declared will be determined based on the latest management accounts or draft audited financial statements (as the case may be), together with our auditor's advice on the sufficiency of distributable reserve.

Currently, we do not have any predetermined dividend distribution ratio.

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TREASURY AND INVESTMENT POLICIES

The investment policy of our Group is to achieve interest gain by investing in bond and capital appreciation by investing in securities of listed companies. The investment focus in companies listed on the recognised stock exchange in Hong Kong and overseas. Investment may be made in the forms of securities or bonds in listed companies. Investment portfolios in bonds will generally be regarded as medium-long term investment of which will be held for no longer than 7 years, while investments in public equity portfolio will generally be regarded as medium-short term investment of which will be held for no longer than 3 years.

All investment will be made by our Responsible Officers, our Group may also consider engaging external investment manager(s) to manage our portfolio when our Directors consider necessary.

Investments (including those invested by our Responsible Officers or any financial instruments accepted by our Group as consideration for the provision of services) quoted, listed, traded or dealt in on any market (including the over-the-counter market) shall be taken at the closing price on that market as at the official close of such market on the last trading day of each month or the trading date immediately prior to the relevant last trading day of each month if such last trading day of each month is not a trading date on that market.

Each unlisted investment shall be valued at cost or the market value of the investment as provided by an independent valuer at each quarter end or adjusted investment cost that has reflected the provision and/or amortisation of goodwill of an investment and such other price as may be determined by the Board if it concludes that sufficient reliable information upon which such a valuation is based is available.

Any proposal for divestment must be evaluated and approved by the Board before it is proceed and any cash proceeds from divestment should be deposited to our Group's principal banks once the transaction of divestment completed.

Our Group has put in place proper risk management and monitoring procedures and internal controls regarding investments made by our Group. The internal control function is currently handled by our finance and accounts department and such function will be regularly reviewed by our compliance department. Any instruction for cash transfer shall be given by proper approval by our financial controller for an amount within HK\$2 million and by the Board's approval for an amount over HK\$2 million.

The treasury policy of our Group is to:-

- (i) utilise the available cash and cash equivalent to keep our Group in a liquid position so as to meet any upcoming funding needs and liquidity requirement of our Group. As such, our Group will continuously monitor its actual cash flows to settle upcoming commitment;
- (ii) invest in marketable debt and equity securities and/or bank term deposits to earn additional yield whenever surplus cash are available; and

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- (iii) subject to our Group's available financial resources, to seek for business opportunity which are related to the Group's business subject to the Board's approval particularly for those which could create additional value to the existing business of our Group and its shareholders. Our Directors would first engage in feasibility studies and industry analysis in relation to the opportunity and determine whether such business opportunity will bring additional values to our Group. Our Group will then look for method of financing in a way to reduce the overall interest expenses for funding on this business opportunity whether by internal resources, or by a combination of external resources such as, bank borrowings, debt financing and equity financing.

FINANCIAL RISK MANAGEMENT

The objective of our Group's risk management is to achieve an appropriate balance between risk and return, and reduce the negative impact on our Group's operating results and maximise shareholder value. Our Group's risk management strategy is to identify and analyse the various risks faced by our Group, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

The main risks arising from our Group's financial instruments include interest rate risk, credit risk, liquidity risk and price risk. Our Group has no significant exposures to other financial risks except as disclosed below. Our Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group exposure to interest rate risk relates primarily from its bank deposits and advance to customers. Fluctuations of the prevailing Prime Rate of local banks are the major sources of our Group's cash flow interest rate risk. Our Group has not used any interest rate swaps to hedge its exposure to interest rate risk. Our management monitors our Group's exposure on ongoing basis.

Sensitivity analysis

If the interest rates had been increased by 100 basis points at the beginning of the reporting periods and all other variables were held constant, our Group's profit after tax and retained earnings would increase by approximately HK\$1.3 million, HK\$2.4 million and HK\$3.9 million for each of the years ended 31 December 2012, 2013 and 2014, respectively. The assumed changes have no impact on our Group's and other components of equity.

The same percentage decrease in the interest rate would have the same magnitude on our Group's profit after income tax and retained earnings as shown above but of opposite effect, on the basis that all variables remain constant.

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The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

Credit risk

Credit risk is the risk of loss due to failures or inability to fulfill obligations by counterparties, or the downgrade of credit rating of them. Our Group's credit exposure mainly relates to financial assets under margin financing and our Group's securities and futures brokerage business. Our Group's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, financial assets at fair value through profit or loss, deposits with exchanges and bank balances.

Bank balances of our Group are mainly deposited in authorised financial institution. Their exposure to credit risk is considered low.

Margin financing represents advances to customers. The main credit risk of these financial assets is customers' failure to repay the principal or interest lent to them. Our Group monitors margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities when necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. As at 31 December 2012, 31 December 2013 and 31 December 2014, the collateral ratios of most of our Group's margin clients were above 100%, respectively, which indicated the collateral value was sufficient to cover the exposure to credit risk arising from margin financing.

The credit risk of our Group also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, our Group may have to complete the trade settlement using its own funds. To mitigate the credit risk, our Group requires cash deposit certain amounts for the transactions before it settles on behalf of customers. Through this, our Group can assure the credit risk is appropriately managed.

Liquidity risk

Liquidity risk is the risk that our Group will encounter difficulty in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, our Group may face liquidity risk caused by macroeconomic policy change, market fluctuation, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, large underwriting on a firm commitment basis or significant proprietary trading position. If our Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, our Group could be penalised by the regulatory authority by imposing restrictions on our Group's business operation, which would then cause adverse impact on our Group's operation and reputation.

FINANCIAL INFORMATION

Our Group centralises management and control over funds. Through early alert and management on the usage of large sums of money, our Group achieves the objective of centralised control and management of liquidity risk. After balancing among safety, liquidity and profitability, our Group adjusts and allocates asset size and terms structure, so as to establish different levels of liquidity reserve system and achieve the objective of liquidity risk management through money market and capital market transactions in a timely manner.

The following tables show the remaining contractual maturities at the end of the reporting period of our Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date our Group can be required to pay.

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>
31 December 2012						
Non-derivatives:						
Accounts payable	198,695	198,695	198,695	-	-	-
Accruals and other payables	2,836	2,836	2,836	-	-	-
Amounts due to related companies	1,839	1,839	1,839	-	-	-
Loan from a related company	13,000	13,000	-	13,000	-	-
	<u>216,370</u>	<u>216,370</u>	<u>203,370</u>	<u>13,000</u>	<u>-</u>	<u>-</u>
31 December 2013						
Non-derivatives:						
Accounts payable	446,186	446,186	446,186	-	-	-
Accruals and other payables	6,611	6,611	6,611	-	-	-
	<u>452,797</u>	<u>452,797</u>	<u>452,797</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2014						
Non-derivatives:						
Accounts payable	684,884	684,884	684,884	-	-	-
Accruals and other payables	20,865	20,865	20,865	-	-	-
	<u>705,749</u>	<u>705,749</u>	<u>705,749</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Price risk

Price risk is the risk that the fair value or future cash flows of a listed financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Our Group's price risk exposure mainly relates to investments in listed equity securities and bond whose values will fluctuate as a result of changes in market prices.

Our Group's price risk management policy requires setting and managing investment objectives. Our Directors manage price risk by holding and appropriately diversified investment portfolio of investments to reduce the risk of concentration in any one specific industry or issuer.

As at 31 December 2012, 31 December 2013 and 31 December 2014, if the prices of the respective listed financial instruments had been 11%, 2%, 7% high/lower, respectively, the net profit and retained earnings would increase/decrease by approximately HK\$808,000, HK\$158,000 and HK\$194,000, respectively with all other variables held constant and based on their carrying amounts at the end of the reporting period.

Financial instruments

For details of our Group's financial instruments, please refer to notes 36(v) to 36(vii) to the Accountant's Report.

Capital management

The primary objective of our Group's capital management is to safeguard our Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. Our Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, our Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

Our Group monitors capital using a debt-to-equity ratio, which is net debt divided by capital plus net debt. Net debt is calculated as revolving loan from a related company and amount to a related company less cash and cash equivalents.

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UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted consolidated net tangible assets of our Group, prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the [REDACTED] on the consolidated net tangible assets of our Group attributable to equity holders of our Company as if the [REDACTED] had taken place on 31 December 2014. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated financial position of our Group attributable to the owners of our Company had the [REDACTED] been completed on 31 December 2014 or at any future dates.

	Audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2014 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the [REDACTED] <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets as at 31 December 2014 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of our Company per Share <i>HK\$</i> <i>(Note 3)</i>
Based on the [REDACTED] of [REDACTED] per [REDACTED]	84,592	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2014 is extracted from the Accountant's Report, which is based on the audited consolidated assets of our Group attributable to equity holders of our Company at 31 December 2014 of approximately HK\$85,592,000 with an adjustment for intangible assets in aggregate amount of approximately HK\$1,000,000 at 31 December 2014.
- (2) The estimated net proceeds from the [REDACTED] are based on [REDACTED] at the [REDACTED] of [REDACTED] per [REDACTED], after deduction of the underwriting fees and related expenses payable by our Company in connection with the [REDACTED].
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of our Company per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue. It does not take into account any Shares which may fall to be allotted and issued pursuant to the exercise of the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014.

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DISTRIBUTABLE RESERVES

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. Our Company was incorporated on 19 February 2014 and there were distributable reserve of nil, nil and approximately HK\$77,592,000 as at 31 December 2012, 31 December 2013 and 31 December 2014, respectively.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Save as disclosed in this document, our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

MATERIAL ADVERSE CHANGE

The Government of Hong Kong has announced that CIES would be suspended with effect from 15 January 2015 until further notice and applications received on or before 14 January 2015, whether already approved (including approval-in-principle and formal approval) or still being processed, will still be processed. Consequentially, no new applications under the CIES submitted after 14 January 2015 would be processed by the Immigration Department of Hong Kong. For more information, please refer to the section headed "Business – Services – CIES related services" in this document.

On 13 March 2015, our Directors resolved to declare dividends of HK\$70,000 per share on 100 shares in our Company. The dividends declared amounted to HK\$7 million and were paid on 13 March 2015 with our internal resources.

Save as disclosed above, our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our financial or trading position or prospect since 31 December 2014, being the date to which our latest audited financial information was prepared and there had been no event since 31 December 2014 which would materially affect the information shown in the Accountant's Report.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS STRATEGIES

Our Group intends to implement the following strategies to further expand our business:

We seek to further develop our business in ECM related services

During the Track Record Period, provision of ECM related services was the largest operating segment of our Group in term of revenue. Our Group intends to further explore more opportunities for placing and underwriting business and strengthen the resources of our ECM division. To cope with such expansion, our Group plans to recruit ECM personnel who are ambitious in pursuing their career in the financial market.

We seek to further expand our margin and IPO financing services

Our Group's margin financing portfolio has been limited by our capital resources as we are at all times required to maintain paid up capital and liquid capital not less than the specified amounts according to the FRR. Our Group intends to further expand our margin and IPO financing services to our clients who wish to purchase securities on a margin financing basis. Our Group intends to apply the net proceeds raised from the [REDACTED] for the expansion of our margin and IPO financing business. The expansion of our Group's margin and IPO financing services would enhance our ability to increase our interest income by providing margin and IPO financing to clients to conduct securities trading and broaden our client base. A larger amount of fund for financing would allow our Group to offer margin loans to more clients and/or greater margin limits to its existing clients. This will, in turn, enhance our Group's ability to attract more brokerage clients using our Group's trading system, as clients are required to trade through their accounts with our Group when utilising the margin and IPO financing services. Concurrently, we have in place a credit control policy to determine the margin limit for each margin client in order to maintain effectiveness in credit control while we expand our margin and IPO financing business.

We will continue to enhance our trading platform

Our Group aims to provide customers with more efficient and feature-enhanced trading facilities, equipment, IT related/software solutions in a reliable, secured, convenient and cost effective manner. Our Group will continue improving and upgrading its trading facilities in order to cope with changes in trading technologies and to cater for the increasing use of our Group's trading platform for securities and futures trading.

We seek to expand our brokerage client network

As at 31 December 2012 and 2013, our Group had over 4,500 and 5,890 brokerage client accounts respectively, of which over 1,120 and 1,530 were active accounts which we had generated income from in the past 12 months preceding 31 December 2012 and 2013 respectively. As at 31 December 2014, our Group had over 7,690 brokerage client accounts, of which over 2,030 were active accounts which we had generated income from in the past 12 months preceding 31 December 2014. Our Group intends to further expand our brokerage client network by expanding our team of customer service representatives and enhancing marketing efforts through media advertisements and marketing events.

FUTURE PLANS AND USE OF PROCEEDS

We seek to further develop our asset management business

During the Track Record Period, our Group's major operating segments included (i) ECM related services; (ii) brokerage services; (iii) margin and IPO financing services; and (iv) CIES related services. In January 2013, our Group was registered with the SFC as a licensed corporation to carry out type 9 (asset management) regulated activity under the SFO. With an aim of developing further growth opportunities of our Group and achieving more diversified sources of revenue, save and except as disclosed in the section headed "Business – Brokerage services" in this document with regard to our current asset management arrangement, we intend to further develop our asset management business through exploring business collaboration opportunities such as strategic alliance, joint venture or other form of collaboration with industry partners which are complementary to our Group's business strategies. Our Directors believe that such business collaboration opportunities can reduce our Group's risk by leveraging the experience and client network of such potential cooperation partners, as well as to strengthen our Group's network of service and expand our Group's client base.

As at the Latest Practicable Date, our Group had not identified any specific investment target or any collaboration opportunities, nor had entered into any legally or non-legally binding agreement or arrangement relating to the same. Selection criteria of suitable business cooperation opportunities will depend on factors such as (i) whether the cooperation opportunities are complementary to our Group's business strategies; (ii) the business and financial background of the potential cooperation partner; (iii) the reputation and experience of the potential cooperation partner in the asset management industry; and (iv) client base of the potential cooperation partner. In accordance with our Group's treasury policy, our Directors would first engage in feasibility studies and industry analysis in relation to any business cooperation opportunity and determine whether such opportunity will bring additional values to our Group. For further details of our Group's treasury policy, please refer to the paragraph headed "Treasury and investment policies" in the section headed "Financial information" in this document.

We seek to explore the possibility of facilitating our clients to migrate to and invest in other countries

Following the suspension of CIES by the Government of Hong Kong from 15 January 2015, our Group intends to leverage on our established client base and network and explore the possibility of facilitating our clients to migrate to and invest in other countries. Such services would broaden our client base and therefore enhance our Group's business performance.

IMPLEMENTATION PLANS

In light of the business strategies of our Group, we will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 December 2017. The respective scheduled completion time for these implementation plans are based on certain bases and assumptions as set out under the paragraph headed "Bases and assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular, the risk factors as set out in the section headed "Risk factors" in this document. Therefore, there is no assurance that our Group's business plans will materialise in accordance with the estimated time frame and that our Group's future plans will be accomplished at all.

FUTURE PLANS AND USE OF PROCEEDS

	From the Latest Practicable Date to		For the six months ending			
	30 June 2015	31 December 2015	30 June 2016	31 December 2016	30 June 2017	31 December 2017
Strengthen the resources for ECM related services	<ul style="list-style-type: none"> deploy approximately [REDACTED] in the addition of one headcount to our ECM division 	-	-	-	-	-
Expand margin and IPO financing services	<ul style="list-style-type: none"> deploy approximately [REDACTED] to provide more margin financing to our margin clients 	<ul style="list-style-type: none"> deploy approximately [REDACTED] to provide more margin financing to our margin clients 	<ul style="list-style-type: none"> deploy approximately [REDACTED] to provide more margin financing to our margin clients 	-	-	-
Enhance trading platform	-	<ul style="list-style-type: none"> deploy approximately [REDACTED] in the first phase of enhancing our trading platform interface 	<ul style="list-style-type: none"> deploy approximately [REDACTED] in the second phase of enhancing our trading platform interface; and deploy approximately [REDACTED] in the first phase of enhancing our sales supporting system 	<ul style="list-style-type: none"> deploy approximately [REDACTED] in the second phase of enhancing our sales supporting system; and deploy approximately [REDACTED] in the first phase of upgrading our computer system 	<ul style="list-style-type: none"> deploy approximately [REDACTED] in the second phase of upgrading our computer system 	-
Expand brokerage client network	<ul style="list-style-type: none"> deploy approximately [REDACTED] in enhancing marketing efforts for promoting our brokerage services through media advertisement 	<ul style="list-style-type: none"> deploy approximately [REDACTED] in enhancing marketing efforts for promoting our brokerage services through organising marketing events, such as roadshows and forums; and deploy approximately [REDACTED] in the addition of one to two headcounts of licensed customer service representatives for our brokerage services 	-	-	-	-
Develop asset management business	<ul style="list-style-type: none"> explore and develop business opportunities in asset management services 	<ul style="list-style-type: none"> explore and develop business opportunities in asset management services 	<ul style="list-style-type: none"> explore and develop business opportunities in asset management services 	<ul style="list-style-type: none"> explore and develop business opportunities in asset management services 	<ul style="list-style-type: none"> explore and develop business opportunities in asset management services 	<ul style="list-style-type: none"> explore and develop business opportunities in asset management services
Explore the possibility of facilitating our clients to migrate to and invest in other countries	<ul style="list-style-type: none"> Explore the possibility of facilitating our clients to migrate to and invest in other countries 	<ul style="list-style-type: none"> Explore the possibility of facilitating our clients to migrate to and invest in other countries 	<ul style="list-style-type: none"> Explore the possibility of facilitating our clients to migrate to and invest in other countries 	<ul style="list-style-type: none"> Explore the possibility of facilitating our clients to migrate to and invest in other countries 	<ul style="list-style-type: none"> Explore the possibility of facilitating our clients to migrate to and invest in other countries 	<ul style="list-style-type: none"> Explore the possibility of facilitating our clients to migrate to and invest in other countries
Amount to be applied from the net proceeds from the [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	-

FUTURE PLANS AND USE OF PROCEEDS

Our Group expects to deploy approximately [REDACTED] from the net proceeds to be raised from the [REDACTED] in accordance with the above timeline from the Latest Practicable Date to 31 December 2017. The remaining balance of approximately [REDACTED] will be used as general working capital of our Group.

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our Group's future plans depends on the following assumptions:

- (a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong;
- (b) there will be no material changes in the bases or rates of taxation in Hong Kong;
- (c) the [REDACTED] will be completed in accordance with the terms as described in the section headed "Structure and conditions of the [REDACTED]" in this document;
- (d) our Group will be able to retain key staff in the management team;
- (e) our Group will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the future plans relate;
- (f) there will be no change in the funding requirement for each of the near term business objectives described in this document from the amount as estimated by our Directors;
- (g) our Group is not materially adversely affected by any risk factor set out in the section headed "Risk factors" in this document;
- (h) there are no wars, military incidents, pandemic diseases or natural disasters that would have a material impact on our Group's business and operating activities;
- (i) there will be no change in the effectiveness of the licenses, permits, participanship and certificates obtained by us;
- (j) our Group will continue to be able to renew all licenses, permits, participanship and certificates required for our business; and
- (k) our Group will be able to continue operating in substantially the same way as we have been operating and our Group will also be able to carry out our development plans without disruptions.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE [REDACTED] AND USE OF PROCEEDS

The [REDACTED] will enhance our capital base and provide us with additional working capital to implement the future plans set out in the paragraph headed "Business strategies" in this section.

The net proceeds of the [REDACTED] based on the [REDACTED] of [REDACTED] per [REDACTED], after deducting related Listing fees, are estimated to be approximately [REDACTED]. Our Directors presently intend that the net proceeds will be applied as follows:

- (i) approximately [REDACTED] (or approximately [REDACTED]) will be used for strengthening the resources for our ECM related services;
- (ii) approximately [REDACTED] (or approximately [REDACTED]) will be used for expanding our margin and IPO financing services;
- (iii) approximately [REDACTED] (or approximately [REDACTED]) will be used for enhancing our trading platform;
- (iv) approximately [REDACTED] (or approximately [REDACTED]) will be used for expanding our brokerage client network; and
- (v) approximately [REDACTED] (or approximately [REDACTED]) will be used as general working capital of our Group.

The following table summarises the use of proceeds from the [REDACTED] based on the implementation plans of our business strategies:

From the Latest Practicable Date to	For the six months ending						Approximate percentage of net proceeds from the [REDACTED]
	30 June 2015 HK\$'000	31 December 2015 HK\$'000	30 June 2016 HK\$'000	31 December 2016 HK\$'000	30 June 2017 HK\$'000	31 December 2017 HK\$'000	

[REDACTED]

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds are not immediately applied for the above purposes and to the extent permitted by the relevant laws and regulations, our Group will invest any available cash and cash equivalent in financial products such as securities, bonds, warrants issued by listed companies in Hong Kong with reference to our Group's treasury policy as set out under the paragraph headed "Treasury and investment policies" in the section headed "Financial information" in this prospectus or deposit the net proceeds into short term deposit with licensed banks/financial institutions in Hong Kong.

We will issue an announcement in Hong Kong if there is any material change in the use of proceeds described above.

UNDERWRITING

UNDERWRITER

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Under the Underwriting Agreement, our Company has agreed to offer the [REDACTED] for subscription on and subject to the terms and conditions of this document.

[REDACTED]

Grounds for termination

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Undertakings

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

Commission and expenses

The Underwriter will receive an underwriting commission of [REDACTED] of the aggregate [REDACTED] payable for the [REDACTED], out of which they will (as the case may be) pay any sub-underwriting commissions. In addition, the Sponsor will receive documentation and advisory fees of [REDACTED] for acting as the sponsor to the [REDACTED]. Based on a [REDACTED] of [REDACTED] per [REDACTED], such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the [REDACTED] are estimated to be approximately [REDACTED] in total and are payable by our Company.

Underwriter' interests in our Company

Save for their respective obligations and interests under the Underwriting Agreement as disclosed above, none of the Underwriter has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT'S REPORT

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



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[●] 2015

The Directors
CIS Holdings Limited
Quam Capital Limited

Dear Sirs,

We set out below our report on the financial information regarding CIS Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), including the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 (the "**Relevant Periods**") and the consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014 together with the notes thereto (collectively the "**Financial Information**"), prepared on the basis of presentation and preparation set forth in notes 1 and note 2.1 of Section II in this report below, for inclusion in the document of the Company dated [●] (the "**Document**") in connection with the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company was incorporated in the Cayman Islands on 19 February 2014 as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "**Reorganisation**") as detailed in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document and note 1 of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried out any business since the date of its incorporation, except for the aforementioned reorganisation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. The Group is principally engaged in the financial services business. The Company and its subsidiaries have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to statutory audit during the Relevant Periods and the names of the respective auditors are set out in note 1 of Section II below.

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For the purpose of this report, the directors of the Company (the "**Directors**") have prepared the consolidated financial statements of the Group for each of the Relevant Periods (the "**Underlying Financial Statements**") in accordance with the basis of presentation and preparation in notes 1 and 2.1 of Section II below and the accounting policies set out in note 3 of Section II below which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**"), issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The Financial Information has been prepared by the Directors based on the Underlying Financial Statements, on the basis of presentation and preparation set out in notes 1 and 2.1 of Section II below. No statement of adjustment as defined under Rule 7.19 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "**GEM Listing Rules**") is considered necessary.

Respective responsibilities of Directors and reporting accountants in respect of the Financial Information

The Directors are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the basis of presentation and preparation in note 1 and 2.1 of Section II below, in accordance with the accounting policies in note 3 of Section II below, the applicable disclosure requirements of the Hong Kong Companies Ordinance, Cap.32 by operation of the transitional and saving provisions in Schedule 11 to the Hong Kong Companies Ordinance, Cap.622, and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The Directors are responsible for the Financial Information presented in this report and the contents of the Document in which this report is included.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures performed on the Financial Information and to report our opinion thereon to you.

Procedures performed in respect of the Underlying Financial Statements and the Financial Information

For the purpose of this report, we have carried out our audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion in Respect of the Financial Information

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation and preparation set out in notes 1 and 2.1 of Section II below and in accordance with the significant accounting policies set out in note 3 in Section II below, gives a true and fair view of the state of affairs of the Group as at 31 December 2012, 2013 and 2014 and of the consolidated results and cash flows of the Group for the Relevant Periods.

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I. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	Year ended 31 December		
		2012	2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	19,787	46,105	116,075
Other income and gains	7	286	537	565
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	21	2,860	(16,524)	(3,140)
Commission expenses		(3,013)	(6,609)	(38,795)
Depreciation	15	(320)	(436)	(569)
Employee benefits costs	8	(6,181)	(11,029)	(37,150)
Other expenses		<u>(3,572)</u>	<u>(5,290)</u>	<u>(18,742)</u>
Profit from operations		9,847	6,754	18,244
Finance costs	9	<u>(1)</u>	<u>(4)</u>	<u>(1)</u>
Profit before income tax credit/(expense)	8	9,846	6,750	18,243
Income tax credit/(expense)	12	<u>–</u>	<u>561</u>	<u>(5,067)</u>
Profit and total comprehensive income for the year		<u>9,846</u>	<u>7,311</u>	<u>13,176</u>

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Consolidated Statements of Financial Position

		As at 31 December		
	<i>Notes</i>	2012	2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	15	556	643	1,185
Intangible assets	16	1,000	1,000	1,000
Statutory deposits	17	3,316	4,473	3,468
Deferred tax assets	30	–	561	–
		<u>4,872</u>	<u>6,677</u>	<u>5,653</u>
Current assets				
Advances to customers in margin financing	18	20,381	14,027	22,338
Accounts receivable	19	105,033	262,019	388,491
Amounts due from related companies	26	10,753	3,012	–
Deposits, prepayments and other receivables	20	986	972	6,500
Financial assets at fair value through profit or loss	21	23,698	9,602	3,014
Pledged bank deposit	22	3,000	3,000	3,000
Segregated clients account balances	23	97,697	191,370	321,033
Cash and cash equivalents	24	14,027	31,202	47,257
		<u>275,575</u>	<u>515,204</u>	<u>791,633</u>
Current liabilities				
Accounts payable	25	198,695	446,186	684,884
Accruals and other payables		2,836	6,611	20,865
Amounts due to related companies	26	1,839	–	–
Deferred income	27	14,357	10,616	1,113
Current tax liabilities		–	–	4,508
		<u>217,727</u>	<u>463,413</u>	<u>711,370</u>
Net current assets		<u>57,848</u>	<u>51,791</u>	<u>80,263</u>

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		As at 31 December		
		2012	2013	2014
		<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets less current liabilities			62,720	58,468
Non-current liabilities				
Loan from a related company	29		13,000	–
Deferred income	27		–	1,437
			<u>13,000</u>	<u>1,437</u>
			<u>13,000</u>	<u>324</u>
Net assets			<u>49,720</u>	<u>57,031</u>
Equity				
Share capital	31		50,200	50,200
Reserves	32		(480)	6,831
			<u>49,720</u>	<u>57,031</u>
Total equity			<u>49,720</u>	<u>57,031</u>
			<u>49,720</u>	<u>85,592</u>

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Consolidated Statements of Changes in Equity

	Share capital <i>HK\$'000</i>	Share premium <i>(Note 32(i)) HK\$'000</i>	Share based payment reserve <i>HK\$'000</i>	Other reserve <i>(Note 32(ii)) HK\$'000</i>	(Accumulated losses)/ retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2012	29,700	9,800	-	-	(20,126)	19,374
Issue of ordinary shares	20,500	-	-	-	-	20,500
Profit and total comprehensive income for the year	-	-	-	-	9,846	9,846
At 31 December 2012 and 1 January 2013	50,200	9,800	-	-	(10,280)	49,720
Issue of ordinary share*	-	-	-	-	-	-
Profit and total comprehensive income for the year	-	-	-	-	7,311	7,311
At 31 December 2013 and 1 January 2014	50,200	9,800	-	-	(2,969)	57,031
Issue of ordinary shares* <i>(Note 31)</i>	-	-	-	-	-	-
Reorganisation	(50,200)	67,792	-	(5,590)	-	12,002
Share-based payment <i>(Note 38)</i>	-	-	3,383	-	-	3,383
Profit and total comprehensive income for the year	-	-	-	-	13,176	13,176
At 31 December 2014	-	77,592	3,383	(5,590)	10,207	85,592

* The issue of ordinary share was less than a thousand dollar.

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Consolidated Statements of Cash Flows

	Notes	Year ended 31 December		
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Profit before income tax credit/expense		9,846	6,750	18,243
Adjustments for:				
Depreciation	15	320	436	569
(Gains)/losses on fair value change in financial assets at fair value through profit or loss, net	21	(2,860)	16,824	3,140
Share based payment expenses	38	–	–	3,383
Finance costs	9	1	4	1
Interest income	7	(178)	(356)	(331)
		<u>7,129</u>	<u>23,658</u>	<u>25,005</u>
(Increase)/decrease in statutory deposits		(41)	(1,157)	1,005
Increase in accounts receivable		(80,667)	(156,986)	(126,471)
(Increase)/decrease in advances to customers in margin financing		(10,865)	6,354	(8,311)
(Increase)/decrease in deposits, prepayments and other receivables		(532)	14	(5,528)
(Increase)/decrease in financial assets at fair value through profit or loss		(20,834)	(2,728)	3,448
Increase in bank segregated clients account		(15,040)	(93,673)	(129,663)
Increase in accounts payable		98,622	247,491	238,699
Increase in accruals and other payables		2,072	3,775	14,254
(Increase)/decrease in amounts due from related companies		(10,631)	10,753	–
Increase/(decrease) in amounts due to related companies		51	(1,839)	–
Increase/(decrease) in deferred income		<u>14,357</u>	<u>(2,304)</u>	<u>(10,616)</u>
Cash (used in)/generated from operations		(16,379)	33,358	1,822
Interest paid		<u>(1)</u>	<u>(4)</u>	<u>(1)</u>
Net cash (used in)/generated from operating activities		<u>(16,380)</u>	<u>33,354</u>	<u>1,821</u>

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	Year ended 31 December		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(16,380)	33,354	1,821
Cash flows from investing activities			
(Increase)/decrease in amount due from a related company	–	(3,012)	3,012
Purchases of property, plant and equipment	(304)	(523)	(1,111)
Interest received	178	356	331
	<u> </u>	<u> </u>	<u> </u>
Net cash (used in)/generated from investing activities	<u>(126)</u>	<u>(3,179)</u>	<u>2,232</u>
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	10,500	–	12,002
Repayments on loan from a related company	–	(13,000)	–
Proceeds from loan from a related company	3,000	–	–
	<u> </u>	<u> </u>	<u> </u>
Net cash generated from/(used in) financing activities	<u>13,500</u>	<u>(13,000)</u>	<u>12,002</u>
Net (decrease)/increase in cash and cash equivalents	(3,006)	17,175	16,055
Cash and cash equivalents at beginning of the year	<u>17,033</u>	<u>14,027</u>	<u>31,202</u>
Cash and cash equivalents at end of the year	<u><u>14,027</u></u>	<u><u>31,202</u></u>	<u><u>47,257</u></u>

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II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 February 2014 under the Companies Law, Chapter 22 of the Cayman Islands. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Particulars of the companies now comprising the Group have been set out below. The Company has not carried out any business since the date of incorporation, save for the transactions relating to the Reorganisation.

The Group is principally engaged in dealing on securities, futures contracts, bonds, share options, underwriting and placing and asset management business in Hong Kong.

For the Company's proposed listing of its shares on the GEM of the Stock Exchange, the companies now comprising the Group underwent a Reorganisation to rationalise the existing group structure. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 23 June 2014. As the Reorganisation only involved inserting holding entities at the top of existing companies and has not resulted in any change of economic substances, the Financial Information for the Relevant Periods has been presented as a continuance of the existing group. Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as of 31 December 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability. The particulars of which are set out as follows:

Name of Company	Place and date of Incorporation and place of operation	Nominal value or amount of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
Apex Team	British Virgin Islands ("BVI")/Hong Kong 7 November 2013	US\$1	100%	–	Investment holding
Convoy Investment Services Limited ("CIS")	Hong Kong 23 February 2007	HK\$50,200,000	–	100%	Dealing on securities futures contracts, placing and underwriting, and asset management services

As at the date of this report, no statutory audited financial statements have been prepared for the Company and Apex Team since the date of incorporation as they have not carried out any business and are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. BDO Limited has been appointed to carry out the audit of the financial statements of CIS.

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2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with the basis of presentation set out in note 1 of Section II, and in accordance with the accounting policies set out in note 3 of Section II which comply with HKFRSs, which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretation issued by the HKICPA. The Financial Information also includes applicable disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosures required by the GEM Listing Rules.

For the purpose of preparing and presenting this Financial Information, the Group has applied all the new and revised HKFRS that are relevant to its operations and effective during the Relevant Periods.

The Financial Information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss, which was stated at fair values as explained in the accounting policies set out below. The Financial information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Group and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective during the Relevant Periods and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ³
HKFRS 9 (2014)	Financial Instruments ⁵
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

The Directors of the Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Directors of the Group consider that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods. As explained in note 1 of Section II above, the Reorganisation has been reflected any difference in share capital as an adjustment to equity.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in consolidated statements of profit or loss and other comprehensive income during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting periods. The useful lives are as follows:

Leasehold improvement	Over the remaining life of the leases but not exceeding 5 years
Furniture and fixtures	4 years
Office equipment	4 years
Computer	3 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in consolidated statements of profit or loss and other comprehensive income on disposal.

(d) Intangible assets

Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

(e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

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(f) **Financial instruments**

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in consolidated statements of profit or loss and other comprehensive income in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of loans to customers, and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method as stipulated in the accounting standards, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting periods. 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 asset, the estimated future cash flows of the financial assets have been affected.

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- Significant change in the technological, market, economic or legal environment that have an adverse effect on the debtor.

For certain categories of financial asset, such as advances to customers in margin financing and accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in consolidated statements of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the 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 advances to customers in margin financing, accounts receivable and other 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 consolidated statements of profit or loss and other comprehensive income. When an advance to customers in margin financing, an account receivable or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to consolidated statements of profit or loss and other comprehensive income.

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

(iii) Financial liabilities

The Group's financial liabilities include trade and other payables, accrued expenses, amount due to a related party and loan from a related party. The Group classified them as financial liabilities at amortised costs.

Financial liabilities at amortised cost are initially recognised at fair value, net of directly attributable costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in consolidated statements of profit or loss and other comprehensive income.

Gains or losses are recognised in consolidated statements of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

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(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vii) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents accounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the follow basis:

- (i) Commission on dealing in securities, futures and options are recognised on the trade date when the relevant contract notes are executed;
- (ii) Equity capital market ("ECM") related services fee income, underwriting and placing commissions are recognised as income on an accrual basis in accordance with the terms of the underlying agreement;
- (iii) Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset; and
- (iv) Commission and fee income from the Capital Investment Entrant Scheme ("CIES") is recognised when services are rendered.

(h) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

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(i) Income taxes

Income taxes for the Relevant Periods comprise current tax and deferred tax.

Current tax is based on the consolidated statements of profit or loss and other comprehensive income from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting periods.

Income taxes are recognised in consolidated statements of profit or loss and other comprehensive income except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(j) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plan are recognised as an expense in consolidated statements of profit or loss and other comprehensive income when the services are rendered by the employees.

(ii) Pension obligations

The Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Scheme Ordinance. Contributions paid and payable by the Group to the scheme are charged to consolidated statements of profit or loss and other comprehensive income when incurred. The Group has no further payment obligations once the contribution has been made.

(iii) Share based payment

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

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(k) Impairment of non-financial assets

At the end of each reporting periods, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment
- intangible assets

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) 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.

Where 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.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(m) Related parties

- (i) A person or a close member of that person's family is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of key management personnel of the Group or the Company's parent.
- (ii) An entity is related to the Group if any of the following conditions apply:
 - (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (f) The entity is controlled or jointly controlled by a person identified in (i).

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- (g) A person identified in (i) (a) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) Dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

(i) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(ii) Useful lives of intangible assets

The intangible assets are trading rights held by the Group which are considered by the Directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

(iii) Impairment of accounts and other receivables

Management regularly reviews the recoverability of trade and other receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in consolidated statements of profit or loss and other comprehensive income when there is objective evidence that the amounts are not recoverable.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised based on the estimation of the future cash flow expected to receive and a suitable discounted rate in order to calculate the present value.

(iv) Impairment of advances to customers in margin financing

The Group reviews its advances to customers in margin financing to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in consolidated statements of profit or loss and other comprehensive income, the Group reviews the value of the securities collateral received from the customers firstly on individual basis, then on collective basis in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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(v) Impairment of non-financial assets

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgement from management with respect to whether such an event has occurred.

Upon the occurrence of triggering events, the carrying amounts of non-financial assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus residual value of the asset on disposal. Where the recoverable amount of non-financial assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

The impairment assessment is performed based on the discounted cash flow analysis. This analysis relies on factors such as forecast of future performance and long-term growth rates and the selection of discount rates. If these forecast and assumptions prove to be inaccurate or circumstances change, further write-down or reversal of the write-down of the carrying value of the non-financial assets may be required.

(vi) Income taxes

The Group is subject to taxation in Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will have impact on the income tax and/or deferred tax provisions in the period in which such determination is made.

5. SEGMENT REPORTING

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Directors of the Company in order to allocate resources and assess performance of the segment. The Directors of the Group have determined that the Group has four reportable segments.

The following summary describes the operations in each of the Group's reportable segments:

- (a) Brokerage services: This segment engages in the provision of securities, futures, bonds and options dealing and broking.
- (b) Margin and IPO financing services: This segment engages in the provision of margin and IPO financing to clients who purchase securities on a margin basis.
- (c) Equity capital markets ("ECM") and related services: This segment engages in acting as a syndicate member or placing agent for companies listed or to be listed on the Stock Exchange such as in IPOs, and also in other fund-raising exercises such as public and private placement of securities and bonds.
- (d) CIES related services: This segment engages in the provision of services to the applicants of the Capital Investment Entrant Scheme.

Segment profit or loss represents the profit earned or loss incurred by each segment without allocation of income tax expenses. This is the measurement reported to chief operating decision maker (the "CODM"), for the purposes of resource allocation and performance assessment.

Segment assets/liabilities are allocated to each segment. The segment result excludes income tax expense while the segment assets and liabilities include prepaid taxes and current tax liabilities respectively.

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The operating and reportable segment information provided to the CODM for the years ended 31 December 2012, 2013 and 2014 is as follows:

	Brokerage services HK\$'000	Margin and IPO financing services HK\$'000	ECM and related services HK\$'000	CIES related services HK\$'000	Others HK\$'000	Total HK\$'000
For the year ended 31 December 2012						
Segment revenue and results						
Revenue						
– External	6,606	2,003	10,489	689	–	19,787
Other income and gains	256	20	9	1	2,860	3,146
Segment revenue and other income	6,862	2,023	10,498	690	2,860	22,933
Segment expenses	(8,509)	(1,414)	(2,175)	(986)	(3)	(13,087)
Profit/(loss) before income tax	(1,647)	609	8,323	(296)	2,857	9,846
As at 31 December 2012						
Segment assets and liabilities						
Segment assets	218,539	25,391	9,370	3,334	23,813	280,447
Segment liabilities	210,655	3,886	14,885	1,128	173	230,727
Other segment information						
Depreciation and amortisation	272	32	10	3	3	320
Additions to non-current assets	258	30	10	3	3	304
For the year ended 31 December 2013						
Segment revenue and results						
Revenue						
– External	12,766	1,951	28,985	2,403	–	46,105
Other income and gains	456	39	38	4	(16,524)	(15,987)
Segment revenue and other income	13,222	1,990	29,023	2,407	(16,524)	30,118
Segment expenses	(13,106)	(1,101)	(8,121)	(1,036)	(4)	(23,368)
Profit/(loss) before income tax	116	889	20,902	1,371	(16,528)	6,750
As at 31 December 2013						
Segment assets and liabilities						
Segment assets	449,328	31,867	24,504	6,533	9,649	521,881
Segment liabilities	432,875	16,593	13,754	1,555	73	464,850
Other segment information						
Depreciation and amortisation	371	44	13	4	4	436
Additions to non-current assets	445	52	16	5	5	523

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	Brokerage services HK\$'000	Margin and IPO financing services HK\$'000	ECM and related services HK\$'000	CIES related services HK\$'000	Others HK\$'000	Total HK\$'000
For the year ended 31 December 2014						
Segment revenue and results						
Revenue						
– External	19,427	2,095	90,380	4,173	–	116,075
Other income and gains	483	21	32	7	(3,118)	(2,575)
Segment revenue and other income	19,910	2,116	90,412	4,180	(3,118)	113,500
Segment expenses	(14,866)	(999)	(66,954)	(3,314)	(9,124)	(95,257)
Profit/(loss) before income tax	5,044	1,117	23,458	866	(12,242)	18,243
As at 31 December 2014						
Segment assets and liabilities						
Segment assets	678,145	49,367	52,372	8,425	8,977	797,286
Segment liabilities	655,688	26,339	22,559	6,494	614	711,694
Other segment information						
Depreciation and amortisation	484	57	17	5	6	569
Additions to non-current assets	945	111	22	22	11	1,111

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, Hong Kong is regarded as its country of domicile. All the Group's revenue and non-current assets are principally attributable to Hong Kong, being the single geographical region.

Customers accounting for 10% or more of aggregate revenue of the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Company A	5,296	4,853	N/A
Company B	2,318	12,810	N/A
Company C	N/A	7,100	N/A
Company T	N/A	N/A	28,158

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6. REVENUE

The Group's revenue recognised during the Relevant Periods are as follows:

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Commission on securities and bonds dealing	5,495	10,715	16,974
Commission on futures and options dealing	866	1,341	1,169
Handling and scrip fee income	202	406	594
Discretionary management accounts ("DMA") management fee	43	304	690
Interest income from margin clients	2,003	1,951	2,095
ECM related services fee income	10,489	28,985	90,380
Commission and fee income from CIES	689	2,403	4,173
	<u>19,787</u>	<u>46,105</u>	<u>116,075</u>

7. OTHER INCOME AND GAINS

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Bank interest income	178	334	309
Bond interest income	–	22	22
Gain/(loss) on exchange, net	24	62	(24)
Sundry income	84	119	258
	<u>286</u>	<u>537</u>	<u>565</u>

8. PROFIT BEFORE INCOME TAX CREDIT/(EXPENSE)

The Group's profit before income tax credit/(expense) is arrived at after charging:

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Directors' emoluments (Note 10)	703	671	1,243
Employee benefits (excluding directors' emoluments):			
Wages and salaries	4,894	6,307	9,904
Discretionary bonus	293	2,596	9,018
Share based payment (Note 38)	–	–	3,383
Accommodation	–	172	–
Commission	73	998	13,149
Pension scheme contributions	179	213	311
Other benefits	39	72	142
Total employee benefits costs	<u>6,181</u>	<u>11,029</u>	<u>37,150</u>
Auditor's remuneration:			
Statutory audit	<u>100</u>	<u>400</u>	<u>400</u>

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9. FINANCE COSTS

	Year ended 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Interest expenses:			
– Wholly repayable within five years	<u>1</u>	<u>4</u>	<u>1</u>

10. DIRECTORS' EMOLUMENTS

During the Relevant Periods, no directors of the Company received remuneration from the Group as capacity of the Company's directors. While certain directors received remuneration from the subsidiary now comprising the Group as follows:

	Fees HK\$'000	Salaries, allowances, commission and other benefits HK\$'000	Discretionary bonus HK\$'000	Contributions to pension plan HK\$'000	Total HK\$'000
Year ended 31 December 2012					
<i>Executive directors:</i>					
Mr. So Kwok Keung (Note 1)	–	560	39	14	613
Ms. Yan Siu Fung	90	–	–	–	90
Mr. Lau Shek Yuen Simon (Note 2)	–	–	–	–	–
<i>Non-executive director:</i>					
Mr. Mak Kwong Yiu (Note 3)	–	–	–	–	–
Total	<u>90</u>	<u>560</u>	<u>39</u>	<u>14</u>	<u>703</u>
Year ended 31 December 2013					
<i>Executive directors:</i>					
Mr. So Kwok Keung (Note 1)	–	580	76	15	671
Ms. Yan Siu Fung	–	–	–	–	–
Mr. Lau Shek Yuen Simon (Note 2)	–	–	–	–	–
<i>Non-executive director:</i>					
Mr. Mak Kwong Yiu (Note 3)	–	–	–	–	–
Total	<u>–</u>	<u>580</u>	<u>76</u>	<u>15</u>	<u>671</u>
Year ended 31 December 2014					
<i>Executive directors:</i>					
Mr. So Kwok Keung (Note 1)	–	653	93	17	763
Ms. Yan Siu Fung	180	–	300	–	480
Mr. Lau Shek Yuen Simon (Note 2)	–	–	–	–	–
<i>Non-executive director:</i>					
Mr. Mak Kwong Yiu (Note 3)	–	–	–	–	–
Total	<u>180</u>	<u>653</u>	<u>393</u>	<u>17</u>	<u>1,243</u>

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Note 1: Mr. So Kwok Keung resigned as an executive director of CIS on 15 December 2011 and appointed as an executive director of the Company on 23 June 2014.

Note 2: Mr. Lau Shek Yuen Simon has been appointed as an executive director of the Company on 12 March 2015. He was one of the five highest paid employees of the Group during the Relevant Periods. His emolument was included in note 11 below.

Note 3: Mr. Mak Kwong Yiu resigned as a non-executive director of the Company on 12 March 2015.

No independent non-executive director was appointed during the Relevant Periods.

Save as the deed of waiver date 23 June 2014 and entered into between Ms. Yan Siu Fung and CIS with respect to the waiver of the emoluments of Ms. Yan Siu Fung as a director of CIS in the amount of HK\$180,000 for the year ended 31 December 2013, there has been no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

11. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one, one and nil, for the years ended 31 December 2012, 2013 and 2014 respectively, is a director whose emolument is disclosed in note 10. The emoluments of the remaining four individuals were as follows:

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances, commission and other benefits	2,446	6,313	26,326
Contributions to pension fund	50	60	93
	<u>2,496</u>	<u>6,373</u>	<u>26,419</u>

The emoluments paid to each of the above non-director highest paid individuals for each of the Relevant Periods fell within the following bands:

	Year ended 31 December		
	Number of individuals		
	2012	2013	2014
Nil to HK\$1,000,000	4	2	2
HK\$1,000,001 to HK\$2,000,000	–	1	1
HK\$4,000,001 to HK\$5,000,000	–	1	1
HK\$15,000,001 to HK\$20,000,000	–	–	1
	<u>–</u>	<u>–</u>	<u>1</u>

During the Relevant Periods, no remuneration was paid by the Group to the Directors of the Company or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

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The emoluments paid or payable to members of senior management for each of the Relevant Periods fell within the following bands:

	Year ended 31 December		
	Number of individuals		
	2012	2013	2014
Nil to HK\$1,000,000	3	1	1
HK\$1,000,001 to HK\$2,000,000	–	1	–
HK\$4,000,001 to HK\$5,000,000	–	1	1
HK\$15,000,001 to HK\$20,000,000	–	–	1

12. INCOME TAX CREDIT/(EXPENSE)

The Company incorporated in the Cayman Islands is exempted from taxation.

- (a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods. As at 31 December 2012, no provision for Hong Kong Profits Tax has been made in the financial statements since the Group has sufficient tax losses brought forward to set off against the assessable profits of 2012. Please refer to note 30 for the details of deferred tax assets.

The amount of taxation in the consolidated statements of profit and loss and other comprehensive income represents:

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax			
– tax for the year	–	–	5,067
Deferred tax (<i>Note 30</i>)			
– current year	–	(561)	–
Income tax (credit)/expense	–	(561)	5,067

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(b) Reconciliation between tax credit/(expense) and accounting profit at applicable tax rates:

	Year ended 31 December		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before income tax (credit)/expense	<u>9,846</u>	<u>6,750</u>	<u>18,243</u>
Tax on profit before taxation, calculated at the Hong Kong Profits Tax rate of 16.5%	1,624	1,114	3,010
Tax effect of revenue not taxable for tax purpose	(28)	(58)	–
Tax effect of expense not deductible for tax purpose	–	–	2,062
Tax effect of temporary differences not recognised	(2)	(11)	(5)
Tax effect of utilisation of tax losses unrecognised in prior years	<u>(1,594)</u>	<u>(1,606)</u>	<u>–</u>
	<u>–</u>	<u>(561)</u>	<u>5,067</u>

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the year ended 31 December 2012 and 2013 on a combined basis as disclosed in note 1 above.

14. DIVIDEND

A dividend of HK\$0.06 per share was declared and paid by CIS to its then shareholder during the year ended 31 December 2013. The Directors of CIS also recommended the payment of a dividend of HK\$0.06 per share on 10 February 2014 and paid on or about 21 February 2014. However, CIS took up certain restatements after 31 December 2013, which caused (i) decrease in profit for the year 31 December 2013; and (ii) increase in accumulated losses as at 31 December 2013. The board of directors decided to revoke both dividends. The paid dividends, totaling HK\$6,024,000 was subsequently refunded on or around 25 March 2014.

At a meeting held on 13 March 2015, the directors of the Company recommended a final dividend of HK\$70,000 per ordinary share for the year ended 31 December 2014. The proposed dividend has not been recognised as a liability in the Financial Information. No dividend has been paid or declared by the Company for the year ended 31 December 2012 and 2013.

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15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 January 2012	55	68	1,743	321	2,187
Additions	<u>22</u>	<u>20</u>	<u>262</u>	<u>–</u>	<u>304</u>
At 31 December 2012 and 1 January 2013	77	88	2,005	321	2,491
Additions	<u>–</u>	<u>19</u>	<u>454</u>	<u>50</u>	<u>523</u>
At 31 December 2013 and 1 January 2014	77	107	2,459	371	3,014
Additions	<u>63</u>	<u>18</u>	<u>510</u>	<u>520</u>	<u>1,111</u>
At 31 December 2014	<u>140</u>	<u>125</u>	<u>2,969</u>	<u>891</u>	<u>4,125</u>
Accumulated depreciation					
At 1 January 2012	30	35	1,321	229	1,615
Charge for the year	<u>11</u>	<u>17</u>	<u>200</u>	<u>92</u>	<u>320</u>
At 31 December 2012 and 1 January 2013	41	52	1,521	321	1,935
Charge for the year	<u>16</u>	<u>20</u>	<u>397</u>	<u>3</u>	<u>436</u>
At 31 December 2013 and 1 January 2014	57	72	1,918	324	2,371
Charge for the year	<u>24</u>	<u>20</u>	<u>348</u>	<u>177</u>	<u>569</u>
At 31 December 2014	<u>81</u>	<u>92</u>	<u>2,266</u>	<u>501</u>	<u>2,940</u>
Net book value					
At 31 December 2014	<u><u>59</u></u>	<u><u>33</u></u>	<u><u>703</u></u>	<u><u>390</u></u>	<u><u>1,185</u></u>
At 31 December 2013	<u><u>20</u></u>	<u><u>35</u></u>	<u><u>541</u></u>	<u><u>47</u></u>	<u><u>643</u></u>
At 31 December 2012	<u><u>36</u></u>	<u><u>36</u></u>	<u><u>484</u></u>	<u><u>–</u></u>	<u><u>556</u></u>

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16. INTANGIBLE ASSETS

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Cost:			
At 1 January and 31 December	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

The intangible assets represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and Hong Kong Futures Exchange Limited of HK\$500,000 each. The trading rights held by the Group are considered by the Directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The recoverable amounts of the cash generating unit of broking securities and futures have been determined base on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management cover a one-year period and a pre-tax discount rate of 10%, 10% and 10% for the years ended 31 December 2012, 2013 and 2014 respectively. Management believes that any reasonable possible change in any of the assumption would not cause the aggregate carrying amount of the cash generating unit to exceed the aggregate recoverable amount. Accordingly, there is no impairment of the trading rights as at 31 December 2012, 2013 and 2014 respectively.

17. STATUTORY DEPOSITS

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Hong Kong Securities Clearing Company Limited ("HKSCC")			
– Contribution fund deposit	50	50	50
– Admission fee deposit	50	50	50
The Stock Exchange of Hong Kong ("SEHK")			
– Compensation fund deposit	50	50	50
– Fidelity fund deposit	50	50	50
– Stamp duty deposit	30	30	75
The Hong Kong Future Exchange Clearing Corporation Limited ("HKFECC")			
– Reserve fund deposit	1,586	2,705	1,623
The SEHK Options Clearing House Limited ("SEOCH")			
– Reserve fund deposit	<u>1,500</u>	<u>1,538</u>	<u>1,570</u>
	<u>3,316</u>	<u>4,473</u>	<u>3,468</u>

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18. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Loans to margin clients:			
Directors and senior management	900	131	10,146
Related companies	207	–	2,825
Other margin clients	19,274	13,896	9,367
Less: Impairment on advances to customers	–	–	–
	<u>20,381</u>	<u>14,027</u>	<u>22,338</u>

The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group. Based on the agreement terms with margin clients, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these listed securities as at the ended 31 December 2012, 2013 and 2014 were HK\$84,556,000, HK\$93,537,000 and HK\$182,991,000 respectively.

No aging analysis is disclosed as, in the opinion of the Directors of the Company, an aging analysis is not meaningful in view of the nature of business of securities margin financing.

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and the past collection history of each client. Management considered that there were no impaired debts as at 31 December 2012, 2013 and 2014. The concentration of credit risk is limited due to the customer base being large and diversified.

19. ACCOUNTS RECEIVABLE

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities and bonds (a)	102,408	251,096	364,908
Accounts receivable arising from the ordinary course of business of dealing in futures and option contracts (b)	2,625	8,923	9,273
Accounts receivable arising from ECM related services (c)	–	2,000	14,310
	<u>105,033</u>	<u>262,019</u>	<u>388,491</u>

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(a) **Accounts receivable arising from ordinary course of business of dealing in securities and bonds**

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Cash clients: <i>(Note (i))</i>			
Directors and senior management	–	–	274
Related parties	1,232	3,754	1,546
Other cash clients	101,024	237,838	358,968
Brokers and dealers <i>(Note (ii))</i>	152	173	119
Clearing house and financial institution <i>(Note (iii))</i>	–	9,331	4,001
	<u>102,408</u>	<u>251,096</u>	<u>364,908</u>

Notes:

- (i) The settlement term of accounts receivable arising from the ordinary course of business of dealing in securities and bonds is two days after the trade date. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, except as mentioned in note 36(ii), there is no significant concentration of credit risk.
- (ii) The accounts receivable from brokers and dealers are arising from the ordinary course of business of dealing in securities, which are neither past due nor impaired.
- (iii) The settlement term of accounts receivable arising from the ordinary course of business of dealing in securities and bonds is two days after the trade date.

The accounts receivable arising from cash clients with the following ageing analysis, presented based on the trade date, as at the end of the reporting periods:

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Current	<u>100,458</u>	<u>239,246</u>	<u>353,386</u>
Less than 1 month past due	705	1,201	4,055
1 to 3 months past due	92	491	2,212
More than 3 months but less than 12 months past due	568	603	1,003
More than 1 year past due	<u>433</u>	<u>51</u>	<u>132</u>
Amounts past due	<u>1,798</u>	<u>2,346</u>	<u>7,402</u>
	<u>102,256</u>	<u>241,592</u>	<u>360,788</u>

The Group evaluates the collectability of accounts receivable based on management's judgement regarding the change in credit quality, collateral value and the past collection history of each client. Management considered that there was no impaired debts as at 31 December 2012, 2013 and 2014. The concentration of credit risk is limited due to the customer base being large and diversified.

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Receivables that were past due but not impaired related to a large number of diversified customers for whom there was no recent history of default.

(b) Accounts receivable arising from ordinary course of business of dealing in futures and option contracts

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Brokers (<i>Note i</i>)	1,114	1,014	2,377
Clearing houses (<i>Note i</i>)	1,501	7,909	6,096
Others	10	–	800
	<u>2,625</u>	<u>8,923</u>	<u>9,273</u>

Notes:

- (i) The carrying amount of the accounts receivable from overseas broker is denominated in United States dollars. The carrying amount of the accounts receivable from clearing houses are denominated in Hong Kong dollars.

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

- (c) Accounts receivable arising from ECM related services represents the securities and bonds placing commission receivables and the advisory income receivables. There is no impaired accounts receivable as at the end of the reporting period. The ageing analysis of the accounts receivable is as follows:

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Current	–	2,000	–
Less than 1 month past due	–	–	9,216
1 to 3 months past due	–	–	1,794
More than 3 months but less than 12 months past due	–	–	3,300
More than 1 year past due	–	–	–
Amounts past due	–	–	14,310
	<u>–</u>	<u>2,000</u>	<u>14,310</u>

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20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Deposits	180	355	359
Prepayments	63	136	3,244
Other debtors	743	481	2,897
	<u>986</u>	<u>972</u>	<u>6,500</u>

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Held for trading:			
Listed equity, at fair value:			
– in Hong Kong	6,809	7,396	2,267
– outside Hong Kong	3	5	1
Bonds	533	500	500
Derivatives	16,353	1,701	246
	<u>23,698</u>	<u>9,602</u>	<u>3,014</u>
Net investment gains/(losses):			
Fair value gains/(losses) on financial assets at fair value through profit or loss, net			
	<u>2,860</u>	<u>(16,524)</u>	<u>(3,140)</u>

22. PLEDGED BANK DEPOSIT

Pledged bank deposit is denominated in Hong Kong dollars and pledged to a bank to secure the general banking facilities granted to the Group (note 28). The interest rate of pledged bank deposit was at bank's deposit rate per annum. As at 31 December 2012, 2013 and 2014 the interest rate is 0.19%, 0.11% and 0.13% respectively.

23. SEGREGATED CLIENTS ACCOUNT BALANCES

The Group maintains segregated clients accounts with recognised institutions to hold client's monies arising from its normal course of business. The Group has classified the clients' monies as segregated clients account balances under the current assets section of the consolidated statements of financial position and recognised the corresponding accounts payable (note 25) to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The segregated clients account balances are restricted and governed by the Hong Kong Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance.

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24. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents in the consolidated statements of financial position are the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
United states dollars	1,803	2,343	4,893
Renminbi	546	909	210
Australia dollars	10	539	–

25. ACCOUNTS PAYABLE

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities and bonds (a)	191,770	430,711	667,587
Accounts payable arising from the ordinary course of business of dealing in futures and option contracts (b)	6,925	15,475	8,787
Accounts payable arising from ECM related services (c)	–	–	8,510
	<u>198,695</u>	<u>446,186</u>	<u>684,884</u>

(a) Accounts payable arising from ordinary course of business of dealing in securities and bonds

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Cash clients:			
Directors and senior management	1	1,505	326
Related parties	4,125	8,538	314
Other cash clients	183,594	404,825	627,542
Margin clients:			
Directors and senior management	–	3	3,084
Related parties	–	5,817	196
Other margin clients	2,124	10,023	22,610
Clearing house and financial institution	1,926	–	13,515
	<u>191,770</u>	<u>430,711</u>	<u>667,587</u>

Notes:

- (i) The settlement terms of accounts payable attributable to dealing in securities and bonds are two days after the trade date.
- (ii) No aging analysis is disclosed as, in the opinion of the Directors, an aging analysis is not meaningful in view of the nature of business of securities.

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(b) Accounts payable arising from ordinary course of business of dealing in future contracts and stock options

Accounts payable to clients arising from the ordinary course of business of dealing in futures contracts are margin deposits received from clients for their trading of futures contracts. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

- (i) The carrying amounts of the accounts payable arising from the ordinary course of business of dealing in future contracts and stock options are denominated in the following currencies:

	As at 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	5,629	14,895	8,099
United States dollars	1,296	580	578
Renminbi	–	–	110
	<u> </u>	<u> </u>	<u> </u>

- (ii) No aging analysis is disclosed as, in the opinion of the Directors, an aging analysis is not meaningful in view of the business nature.

(c) Accounts payable arising from ECM related services represents the securities and bonds placing commission payables. The ageing analysis of the accounts payable is as follows:

	As at 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Current or less than 1 month	–	–	8,510
1 to 3 months	–	–	–
More than 3 months but less than 12 months	–	–	–
More than 12 months	–	–	–
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

- (d)** As at 31 December 2012, 2013 and 2014, included in accounts payable was an amount of HK\$99,061,148, HK\$199,043,675 and HK\$326,388,744 payable to clients in respect of segregated bank balances received and held for client in the course of the conduct of regulated activities.

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26. BALANCES WITH RELATED COMPANIES

Particulars of amounts due from/(to) related companies are as follows:

Name of related companies	Relationship	31 December 2012 HK\$'000	Maximum amount outstanding during the year HK\$'000	1 January 2012 HK\$'000
Convoy Securities Holdings Limited ("CSHL")	Then immediate holding company controlled by CFG	10,631	10,631	–
Convoy Asset Management Limited ("CAM")	Related company controlled by common directors	122	122	–
Convoy Financial Group Limited ("CFG")	Then intermediate holding company	(1,788)	N/A	(1,788)
Convoy Financial Services Limited ("CFS")	Fellow subsidiary	(17)	N/A	–
Convoy Management Services Limited ("CMS")	Fellow subsidiary	(34)	N/A	–

Name of related companies	Relationship	31 December 2013 HK\$'000	Maximum amount outstanding during the year HK\$'000	1 January 2013 HK\$'000
CSHL	Then immediate holding company controlled by CFG	3,012	10,631	10,631
CAM	Related company controlled by common directors	–	122	122
Smart Aerial Holdings Limited ("Smart Aerial") (Note 2)	The intermediate holding company	–	–	–
CFG	Then intermediate holding company	–	N/A	(1,788)
CFS	Fellow subsidiary	–	N/A	(17)
CMS	Fellow subsidiary	–	N/A	(34)

Name of related companies	Relationship	31 December 2014 HK\$'000	Maximum amount outstanding during the year HK\$'000	1 January 2014 HK\$'000
CSHL	Then immediate holding company controlled by CFG	–	3,012	3,012
Smart Aerial (Note 2)	The immediate holding Company	–	–	–

Note 1: The amounts due from/(to) related companies are unsecured, interest-free and repayable on demand.

Note 2: As at 31 December 2013, the amounts due from Smart Aerial were less than a thousand dollar and such amounts were fully repaid during 2014.

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27. DEFERRED INCOME

On 15 December 2012, 350,000,000 warrants were issued by Company A conferring rights to CIS to subscribe for 350,000,000 shares in the share capital of Company A (the "Warrants") as consideration for certain ECM and related services to be provided by CIS over a period of 36 months commencing from 15 December 2012. The Warrants were valued at approximately HK\$14.6 million as at 15 December 2012. Such revenue was deferred to be recognised as income over the service period. An amount of HK\$0.2 million and HK\$4.9 million was amortised as income for the years ended 31 December 2012 and 2013 respectively. During the year ended 31 December 2014, Company A had agreed with CIS to early terminate the ECM and related services with effect from 17 April 2014. The deferred income was fully amortised and recognised as income for the year ended 31 December 2014.

On 11 April 2013, 32,000,000 options were issued by Company B conferring rights to CIS to subscribe for 32,000,000 shares in the share capital of Company B (the "Options") as consideration for certain ECM and related services to be provided by CIS over a period of 36 months commencing from 11 April 2013. The Options were valued at approximately HK\$3.3 million as at 11 April 2013. Such revenue was deferred to be recognised as income over the service period. An amount of HK\$0.8 million and HK\$1.1 million was amortised as income for the year ended 31 December 2013 and 2014 respectively.

28. BANKING FACILITIES

- (a) At 31 December 2012, the Group had the following banking facilities with Bank of China (Hong Kong) Limited:
- (i) Bank overdraft facility to the extent of HK\$10,000,000, in which secured by marketable securities of HK\$4.5 million. The secured bank overdrafts bore interest at overnight HIBOR + 2.5% per annum; and
 - (ii) Bank overdraft facility to the extent of HK\$3,000,000, in which secured by the fixed bank deposits of the Group. The secured bank overdrafts bore interest at higher of overnight HIBOR + 1.5% per annum or charged deposit rate + 1.5% per annum.
- (b) At 31 December 2013, the Group had the following banking facilities with Bank of China (Hong Kong) Limited:
- (i) Bank overdraft facility to the extent of HK\$10,000,000, in which secured by marketable securities owned by margin client of the group. No marketable securities were pledged as at 31 December 2013. The secured bank overdrafts bore interest at overnight HIBOR + 2.5% per annum; and
 - (ii) Bank overdraft facility to the extent of HK\$3,000,000 in which secured by the fixed bank deposits of the Company. The secured bank overdrafts bore interest at higher of overnight HIBOR + 1.5% per annum or changed deposit rate + 1.5% per annum.
- (c) At 31 December 2014, the Group had the following banking facilities with Bank of China (Hong Kong) Limited:
- (i) Bank overdraft facility to the extent of HK\$20,000,000, in which secured by marketable securities owned by margin client of the group and bore interest at overnight HIBOR + 2.5% per annum. HK\$4.8 million listed securities were pledged as at 31 December 2014; and
 - (ii) Temporary overdraft facility under CCASS settlement to the extent of HK\$6,000,000, which was secured by the fixed bank deposits of CIS of HK\$3,000,000. The facility was interest free if repaid in full before the close of business of the utilisation date. Otherwise, interest shall be charged at HKD Prime Rate + 10% per annum or CNY HIBOR + 10% per annum for HKD utilisation and CNY utilisations respectively.
- (d) As at 31 December 2012, 2013 and 2014, the Group had not utilised any of the above credit facilities.

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29. LOAN FROM A RELATED COMPANY

During the reporting periods, the Company had an irrevocable revolving credit facility amounting to HK\$20,000,000 granted by CFG, the then intermediate holding company of CIS. The facility is subject to the agreement among CIS, CFG and the Securities and Futures Commission ("SFC") dated 9 December 2009. The facility is unsecured, non-interest bearing and available for five years, and if such loan is drawn down, it is repayable by 8 December 2014 on conditions that,

- CIS has given one month written notice to SFC;
- SFC has given prior written consent;
- CIS has complied with all the applicable provisions of the Financial Resources Rules.

None of conditions and covenants had been contravened. The facility has expired on December 2014.

30. DEFERRED TAX ASSETS

	At 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
At 1 January	–	–	561
Credited/(charge) to profit or loss for the year	–	561	(561)
At 31 December	–	561	–

As at 31 December 2012, the Group has unused tax losses of HK\$9.7 million available to offset against future assessable profit. No deferred tax asset has been recognised in the year 2012 as the management forecast that there is uncertainty over the timing of utilisation relating to future cash flow. As at 31 December 2013, the Group has unused tax losses arising in Hong Kong of approximately HK\$3.4 million available for offset against future profits. A deferred tax asset of HK\$561,000 has been recognised for tax losses. As at 31 December 2014, the tax losses were fully utilised, deferred tax asset reduced to zero.

31. SHARE CAPITAL

The Balance as at 1 January 2012, 31 December 2012 and 2013 represented the aggregate share capital of Apex Team and CIS, and the balance as at 31 December 2014 represented the share capital of the Company.

The Company was incorporated in Cayman Islands on 19 February 2014 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of par value of HK\$0.1 each. On 23 June 2014, as part of Reorganisation, the Company further allotted and issued a total 99 shares in consideration for the acquisition of subsidiaries.

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32. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statements of changes in equity in section I.

Nature and purpose of reserves

(i) *Share premium*

Share premium represents the amount subscribed for share capital in excess of nominal value.

(ii) *Other reserve*

Other reserve represents the difference between the par value of the share of the Company issued in exchange for the entire share capital of the Group pursuant to the Reorganisation.

33. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to the minimum and maximum relevant income levels. Contributions to the plan vest immediately.

The retirement scheme cost recognised in consolidated statements of profit or loss and other comprehensive income represents contributions paid or payable to the MPF scheme by the Group at rates specified in the rule of the MPF scheme. As at 31 December 2012, 2013 and 2014, the Group had no significant obligation apart from the contributions as stated above and there is no forfeited contribution arose upon employees leaving the retirement benefit scheme and which were available to reduce contributions payable.

34. LEASES

Operating leases – lessee

As at 31 December 2012, the Group has no future minimum lease payments under non-cancellable operating lease.

As at 31 December 2013 and 2014, the future minimum lease payments under non-cancellable operating lease of the Group in respect of building for not later than one year amounted to approximately HK\$622,000 and HK\$622,000 respectively. For future minimum lease payments that later than one year and not later than five years amounted to approximately HK\$1,243,000 and HK\$622,000 respectively.

35. UNDERWRITING COMMITMENT

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Company BB	–	–	128,700
Company CC	–	–	38,800
Company Z	–	68,368	–
	–	68,368	–
	–	68,368	167,500

As at 31 December 2013 and 2014, the Group was obliged under the underwriting commitment to subscribe for the placing shares and to make payment at the placing price for the allocated shares. During the Relevant Periods, all portion had been taken up by subscribers and the Group had not taken up any shortfall due to under-subscription of the shares. There was no underwriting commitment as at 31 December 2012.

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36. FINANCIAL RISK MANAGEMENT

The objective of the Group's risk management is to achieve an appropriate balance between risk and return, and reduce the negative impact on the Group's operating results and maximise shareholder value. The Group's risk management strategy is to identify and analyse the various risks faced by the Group, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

The main risks arising from the Group's financial instruments include interest rate risk, credit risk, liquidity risk and price risk. The Group has no significant exposures to other financial risks except as disclosed below. Directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily from its bank deposits and advances to customers. Fluctuations of the prevailing Prime Rate of local banks are the major sources of the Group's cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The management monitors the Group's exposure on ongoing basis.

Sensitivity analysis

If the interest rates had been increased by 100 basis points at the beginning of the reporting periods and all other variables were held constant, the Group's profit after tax and retained earnings would increase by approximately HK\$1,317,402, HK\$2,402,806 and HK\$3,929,373 for the years ended 31 December 2012, 31 December 2012, 2013 and 2014 respectively. The assumed changes have no impact on the Group's and other components of equity.

The same % decrease in the interest rate would have the same magnitude on the Group's profit after income tax and retained earnings as shown above but of opposite effect, on the basis that all variables remain constant.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The sensitivity analysis included in the financial statements for the years ended 31 December 2012, 31 December 2013 and 2014 have been prepared on the same basis.

(ii) Credit risk

Credit risk is the risk of loss due to failures or inability to fulfill obligations by counterparties, or the downgrade of credit rating of them. The Group's credit exposure mainly relates to financial assets under margin financing and the Group's securities and futures brokerage business. The Group's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, financial assets at fair value through profit or loss, deposits with exchanges and bank balances.

Bank balances of the Group are mainly deposited in authorised financial institutions. Their exposure to credit risk is considered low.

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Margin financing represents advances to customers. The main credit risk of these financial assets is customers' failure to repay the principal or interest lent to them. The Group monitors margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities when necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. As at 31 December 2012, 2013 and 2014, the collateral ratios of most of the Group's margin clients were above 100%, which indicated the collateral value was sufficient to cover the exposure to credit risk arising from margin financing.

The credit risk of the Group also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, the Group may have to complete the trade settlement using its own funds. To mitigate the credit risk, the Group requires clients deposit certain amounts for the transactions before it settles on behalf of customers. Through this, the Group can assure the credit risk is appropriately managed.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy change, market fluctuation, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, large underwriting on a firm commitment basis or significant proprietary trading position. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group could be penalized by the regulatory authority by imposing restrictions on the Group's business operation, which would then cause adverse impact on the Group's operation and reputation.

The Group centralises management and control over funds. Through early alert and management on the usage of large sums of money, the Group achieves the objective of centralised control and management of liquidity risk. After balancing among safety, liquidity and profitability, the Group adjusts and allocate asset size and terms structure, so as to establish different levels of liquidity reserve system and achieve the objective of liquidity risk management through money market and capital market transactions in a timely manner.

The following tables show the remaining contractual maturities at the end reporting periods of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

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	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
31 December 2012						
Non-derivatives:						
Accounts payable	198,695	198,695	198,695	-	-	-
Accruals and other payables	2,836	2,836	2,836	-	-	-
Amount due to a related company	1,839	1,839	1,839	-	-	-
Loan from a related company	13,000	13,000	-	13,000	-	-
	<u>216,370</u>	<u>216,370</u>	<u>203,370</u>	<u>13,000</u>	<u>-</u>	<u>-</u>
31 December 2013						
Non-derivatives:						
Accounts payable	446,186	446,186	446,186	-	-	-
Accruals and other payables	6,611	6,611	6,611	-	-	-
	<u>452,797</u>	<u>452,797</u>	<u>452,797</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2014						
Non-derivatives:						
Accounts payable	684,884	684,884	684,884	-	-	-
Accruals and other payables	20,865	20,865	20,865	-	-	-
	<u>705,749</u>	<u>705,749</u>	<u>705,749</u>	<u>-</u>	<u>-</u>	<u>-</u>

(iv) Price risk

Price risk is the risk that the fair value or future cash flows of a listed financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in listed equity securities and bond whose values will fluctuate as a result of changes in market prices.

The Group's price risk management policy requires setting and managing investment objectives. The Directors of the Company manage price risk by holding and appropriately diversified investment portfolio of investments to reduce the risk of concentration in any one specific industry or issuer.

As at 31 December 2012, 2013 and 2014, if the prices of the respective listed financial instruments had been 11%, 2% and 7% high/lower respectively, the net profit and retained earnings would increase/decrease by HK\$807,644, HK\$157,932, and HK\$193,770 respectively with all other variables held constant and based on their carrying amounts at the end of the reporting periods.

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(v) Financial instruments by category

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

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Financial assets			
Financial assets at fair value through profit or loss	23,698	9,602	3,014
Loans and receivables:			
Accounts receivable	105,033	262,019	388,491
Advances to customers in margin financing	20,381	14,027	22,338
Deposits and other receivables	923	836	3,256
Amounts due from related companies	10,753	3,012	–
Pledged bank deposit	3,000	3,000	3,000
Segregated clients account balances	97,697	191,370	321,033
Cash and cash equivalents	14,027	31,202	47,257
	<u>251,814</u>	<u>505,466</u>	<u>785,375</u>
	<u>275,512</u>	<u>515,068</u>	<u>788,389</u>
Financial liabilities			
Financial liabilities at amortised costs:			
Accruals and other payables	2,836	6,611	20,865
Accounts payable	198,695	446,186	684,884
Amounts due to related companies	1,839	–	–
Loan from a related company	13,000	–	–
	<u>216,370</u>	<u>452,797</u>	<u>705,749</u>

(vi) Fair value and fair value hierarchy

At 31 December 2012, 2013 and 2014, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

The fair values of the financial assets and liabilities are the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of cash and cash equivalents, advance to customers in margin financing accounts receivable, amounts due from related companies, financial assets included in deposits, prepayments and other receivables, financial liabilities included in accounts payable, accruals and other payables, amounts due to related companies and other borrowings approximate to their respective carrying amounts largely due to the short term maturities of these instruments.

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(vii) Financial instruments by category

The following table presents the carrying value of financial instruments measured at fair value at the consolidated statements of financial position across the three levels of the fair value hierarchy with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that it is significant to that fair value measurement. The levels are defined as follows:

- (i) Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- (ii) Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data; and
- (iii) Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2014				
Financial assets at fair value through profit or loss	2,768	–	246	3,014
At 31 December 2013				
Financial assets at fair value through profit or loss	7,901	–	1,701	9,602
At 31 December 2012				
Financial assets at fair value through profit or loss	7,345	–	16,353	23,698

During the years ended 31 December 2012, 2013 and 2014, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting periods in which they occur.

Information about level 3 fair value measurements

The fair value of the unlisted warrants and options are estimated using Binomial Model. The variables and assumptions used in computing the fair values of the options and warrants are based on the independent professional valuer's best estimate.

The significant unobservable inputs into the models were as follows:

	As at 31 December		
	2012	2013	2014
Type of instrument	Warrants	Options	Options
Expected volatility	40.87%	55.79%	42.8%

The fair value measurement is positively correlated to the expected volatility. As at 31 December 2012, 2013 and 2014, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would have increased the Group's profit by HK\$1,545,125, HK\$212,614 and HK\$75,000 respectively and decreased by HK\$1,535,051, HK\$216,479 and HK\$67,000 respectively.

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There were no changes in valuation techniques during the Relevant Periods.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
At 1 January	–	16,353	1,701
Consideration for service provided	14,559	3,337	–
Sales	–	(16,353)	–
Total gains or losses:			
– Changes in fair value recognised in profit or loss during the year	1,794	(1,636)	(1,455)
At 31 December	<u>16,353</u>	<u>1,701</u>	<u>246</u>

The unlisted warrants and options were revaluated on 31 December 2012, 2013 and 2014 respectively by Grant Sherman Appraisal Limited, an independent valuer who holds a recognised and relevant professional qualification.

(viii) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as revolving loan from a related company and amount to a related company less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

The Group's policy is to keep the debt to equity ratio at a reasonable level. The gearing ratios at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Loan from a related company	13,000	–	–
Amount due to a related company	1,839	–	–
Less: Cash and cash equivalents	<u>14,027</u>	<u>31,202</u>	<u>47,257</u>
Net debt	<u>812</u>	<u>–</u>	<u>–</u>
Capital and net debt	50,532	57,031	85,592
Debt to equity ratio	1.61%	N/A	N/A

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(ix) Offsetting financial assets and financial liabilities

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	Financial assets subject to offsetting					
			Related amounts not offset in the consolidated statements of financial position			
	Gross amount of recognised financial assets HK\$'000	Gross amount of recognised financial liabilities offset in the statement of financial position HK\$'000	Net amount of financial assets presented in the statement of financial position HK\$'000	Financial instruments other than cash collateral HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
At 31 December 2012						
Type of financial assets						
Accounts receivable from clearing house and financial institution	97,888	(97,888)	-	-	-	-
At 31 December 2013						
Type of financial assets						
Accounts receivable from clearing house and financial institution	246,422	(237,091)	9,331	-	-	9,331
At 31 December 2014						
Type of financial assets						
Accounts receivable from clearing house and financial institution	336,474	(332,473)	4,001	-	-	4,001
Financial liabilities subject to offsetting						
	Financial liabilities subject to offsetting					
			Related amounts not offset in the consolidated statements of financial position			
	Gross amount of recognised financial liabilities HK\$'000	Gross amount of recognised financial assets offset in the statement of financial position HK\$'000	Net amount of financial liabilities presented in the statement of financial position HK\$'000	Financial instruments other than cash collateral HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
At 31 December 2012						
Type of financial liabilities						
Accounts payable to clearing house and financial institution	(99,814)	97,888	(1,926)	-	-	(1,926)
At 31 December 2013						
Type of financial liabilities						
Accounts payable to clearing house and financial institution	(237,091)	237,091	-	-	-	-
At 31 December 2014						
Type of financial liabilities						
Accounts payable to clearing house and financial institution	(345,988)	332,473	(13,515)	-	-	(13,515)

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The tables below reconcile the amounts of accounts receivable and accounts payable as presented in the consolidated statement of financial position:

	As at 31 December		
	2012	2013	2014
Accounts receivable	HK\$'000	HK\$'000	HK\$'000
Net amount of accounts receivable from clearing house and financial institution	–	9,331	4,001
Accounts receivables not in the scope of offsetting disclosure	105,033	252,688	384,490
Accounts receivable as disclosed in the consolidated statements of financial position	<u>105,033</u>	<u>262,019</u>	<u>388,491</u>

	As at 31 December		
	2012	2013	2014
Accounts payable	HK\$'000	HK\$'000	HK\$'000
Net amount of accounts payable from clearing house and financial institution	1,926	–	13,515
Accounts payable not in the scope of offsetting disclosure	196,769	446,186	671,369
Accounts payable as disclosed in the consolidated statements of financial position	<u>198,695</u>	<u>446,186</u>	<u>684,884</u>

37. RELATED PARTY TRANSACTIONS

(i) Related party transactions

- (a) During each of the years ended 31 December 2012, 2013 and 2014, the Group entered into the following material related party transactions.

Name of related party	Related party relationship	Nature of transaction	Year ended 31 December		
			2012	2013	2014
			HK\$'000	HK\$'000	HK\$'000
Bright Vantage Limited (Note 1)	Related company	Interest income	32	–	–
Mr. Tse Tim	Senior management	Commission income	7	79	122
		Interest income	4	33	19
Mr. Tam Ying Wi	Senior management	Commission income	31	15	19
Mr. Chan Chi Keung	Director of CIS	Commission income	10	40	279
		Interest income	–	3	113
Ms. Chan Yuk Wah	Spouse of director	Commission income	2	23	77
		Interest income	–	16	55

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Name of related party	Related party relationship	Nature of transaction	Year ended 31 December		
			2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Mr. Lau Shek Yuen Simon	Director of the Company	Commission income	3	3	4
Ms. Yuen Fung Ting	Spouse of controlling shareholder	Commission income Interest income	41 1	5 –	– –
Ms. Gu Xiaowen	Spouse of controlling shareholder	Commission income Interest income	– 1	3 4	10 43
Mayson Associates Limited (Note 2)	Related company	Commission income Interest income	378 7	263 90	369 64
Paramount Ability Corporation (Note 2)	Related company	Commission income	41	–	–
LPD Investment Limited (Note 2)	Related company	Commission income Interest income	– –	– –	119 129
Mr. Wong Lee Man	Controlling shareholder	Commission income DMA services income	18 2	316 33	48 11
CFHL	Related company	ECM services income	–	24	–
CFS	Related company	Commission income DMA services income	49 7	417 51	63 15
CAM	Related company	CIES commission income	563	2,173	3,643

Note 1: Mr. Mak Kwong Yiu has controlling interest in the company.

Note 2: Mr. Kwok Wai Tak, a controlling shareholder, has controlling interest in the company.

- (b) The Group entered into a revolving loan agreement with a related company dated 9 December 2009. The loan is interest free and will be expired five years after the date of the agreement (note 29).
- (c) During each of the years ended 31 December 2012 and 2013, CFG, the then intermediate holding company of CIS provided an office premise to the Group without consideration. Such arrangement is terminated in 2014.
- (d) During the Relevant Periods, CFHL, a related company provided human resources to the Group without consideration. Such arrangement is terminated in 2014.
- (e) During the Relevant Periods, the Group used the trademark of "Convoy" with a consideration of HK\$1.00. Such arrangement is terminated in June 2014.
- (f) During the year ended 31 December 2013, the Group has transferred 60,000,000 warrants at HK\$1 consideration to Specialty Plus Limited, a company wholly-owned by Mr. Tse Tim, a senior management of the Group. HK\$299,999, being the difference between the HK\$1 consideration and an arm-length transaction, was considered as staff benefit.

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(ii) Compensation of key management personnel

The emoluments of the key management personnel of the Group other than the Directors as disclosed in note 10 were as follows:

	Year ended 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Salaries, allowances, commission and other benefits	806	5,275	24,089
Contributions to pension plan	14	31	59
	<u>820</u>	<u>5,306</u>	<u>24,148</u>

38. SHARE-BASED PAYMENT

On 16 January 2014, Apex Team had signed an option agreement (as amended by a supplemental agreement dated 20 June 2014) on behalf of the Company with Mr. Tse Tim (the "Subscriber"), the chief executive officer of the Company. Pursuant to the agreement, the Subscriber has the right to subscribe for [REDACTED] Shares ("Subscription Shares" and each a "Subscription Share") of the Company at a price of [REDACTED] per Subscription Share during the period commencing on the date falling six months after the Listing Date and ending on the date falling 42 months after the Listing Date ("Option Period"). The option is conditional upon approval for the listing and permission to deal in the Subscription Shares to be issued pursuant to the exercise of the options, being granted by the Listing Division of the Stock Exchange.

If the Subscriber ceases to be an executive, director and/or employee of the Group who is in full-time employment of the Group during any relevant Option Period (i) by reason of ill health, injury or disability or death (all evidenced to the satisfaction of the Directors), or because his employing company ceases to be a member of the Group, then, subject to the exception in the above, the Subscriber or his personal representative (as the case may be) may exercise the options within a period of 6 months of such ill health, injury, disability, death or cessation, failing which they shall lapse and determine at the end of the relevant period; or (ii) by reason of retirement in accordance with his contract of employment or upon expiration of his employment contract or his voluntary resignation, then, subject to the exception in the above, he may exercise all his options within 6 months of such retirement or expiration, failing which they shall lapse and determine at the end of the relevant period; or (iii) by reason of resignation other than by reason of the circumstances set out in the above subparagraphs (i) and (ii) or by reason whatsoever, including termination of his employment for serious misconduct or in accordance with the termination provisions of his contract of employment by his employing company otherwise than by reason of redundancy or on the ground that the Subscriber commits an act of bankruptcy or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, then all the options shall lapse and determine on the date of the resignation or termination, provided always that in each case the Board may in its absolute discretion decide that the options shall not so lapse or determine subject to such conditions or limitations as the Board may decide.

The options can be exercised in whole or in part in relation to all (or part of) the Subscription Shares;

The estimated fair value of the option granted to Tim on 16 January 2014 was [REDACTED] per option. The fair value was calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

Share price	[REDACTED]
Exercise price	[REDACTED]
Expected volatility	37.53%
Risk free rate	1.10%
Expected dividend yield	0.0%

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The fair value of share option grant is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity over the relevant vesting periods.

The share-based payment expenses amounting to HK\$3,383,000 has been recognized by the Group for the year ended 31 December 2014. No such expense has been recognized for the year ended 31 December 2012 and 2013.

39. SIGNIFICANT NON-CASH TRANSACTIONS

During the year ended 31 December 2012, proceeds of HK\$20,500,000 from the issues of 20,500,000 shares by a subsidiary were partially settled by way of offsetting with the loan from a related company amounting to HK\$10 million.

On 28 February 2014, Apex Team acquired the entire issued share capital of CIS from CSHL, in consideration of HK\$65,595,938.49 (being the net asset value of CIS as at 31 January 2014), which was satisfied by Apex Team allotting and issuing 80 shares of Apex Team to Smart Aerial in the direction of CSHL, credited as fully paid.

On 23 June 2014, pursuant to a sale and purchase agreement entered into between the Company and Smart Aerial and two independent third parties, the then shareholders of Apex Team, the Company acquired all the issued shares of Apex Team, being a total of 200 shares, from Smart Aerial and two independent third parties, in return for 79, 10 and 10 new Shares being allotted and issued to Smart Aerial and the two independent third parties respectively, credited as fully paid. After completion of the above transaction, Apex Team is wholly-owned by the Company and the issued share capital of the Company is owned as to 80%, 10% and 10% by Smart Aerial and the two independent third parties respectively.

40. CONTINGENT LIABILITIES

At the end of each reporting periods, the Group did not have any significant contingent liabilities.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The Company was incorporated on 19 February 2014 in the Cayman Islands with an authorised share capital of 3,800,000 ordinary shares of HK\$0.1 each and has not entered into any significant business transaction other than the Reorganisation. As at 31 December 2014, the Company had investment in subsidiary of HK\$77,592,413, an issued share capital of HK\$10 and share premium of HK\$77,592,403.

42. EVENTS AFTER THE REPORTING PERIOD

At a meeting held on 13 March 2015, the directors of the Company recommended a final dividend of HK\$70,000 per ordinary share for the year ended 31 December 2014. The proposed dividend has not been recognised as a liability in the Financial Information. No dividend has been paid or declared by the Company for the year ended 31 December 2012 and 2013.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2014.

Yours faithfully,
BDO Limited

Certified Public Accountants
CHAN WING FAI
Practising Certificate no.
P05443
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant's Report from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the "Accountant's Report" set forth in Appendix I to this document.

The unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set forth below to provide the prospective investors with further information on how the [REDACTED] might have affected the consolidated net tangible assets of the Group attributable to the owners of the Company after the completion of the [REDACTED].

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted consolidated net tangible assets of our Group, prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the [REDACTED] on the consolidated net tangible assets of our Group attributable to the owners of the Company as if the [REDACTED] had taken place on 31 December 2014. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated financial position of our Group attributable to the owners of the Company had the [REDACTED] been completed on 31 December 2014 or at any future dates.

Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2014 HK\$'000 (Note 1)	Estimated net proceeds from the [REDACTED] HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets as at 31 December 2014 HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per Share HK\$ (Note 3)
Based on the [REDACTED] of [REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]
<u>84,592</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to the equity holders of the Company as at 31 December 2014 is extracted from the Accountant's Report, which is based on the audited consolidated assets of our Group attributable to the equity holders of the Company at 31 December 2014 of approximately HK\$85,592,000 with an adjustment for intangible assets in aggregate amount of approximately HK\$1,000,000 at 31 December 2014.
- (2) The estimated net proceeds from the [REDACTED] are based on [REDACTED] at the [REDACTED] of [REDACTED] per [REDACTED], after deduction of the underwriting fees and related expenses payable by the Company in connection with the [REDACTED].
- (3) The unaudited pro forma adjusted consolidated net tangible assets to owners of the Company per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue. It does not take into account any Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 February 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Memorandum of Association (the "**Memorandum**") and the Articles of Association (the "**Articles**") comprise its constitution.

1. **MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. **ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on [●] and to take effect on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) **Directors**

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

(v) *Disclosure of interests in contracts with our Company or any of its subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

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(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

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(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

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(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall not have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

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(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

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(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice has been given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

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(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

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(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements generated from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

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(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

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- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

- (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

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The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

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(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

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A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

(s) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of our company. At no time may a company redeem or purchase its shares unless they are fully

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, our company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 18 March 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

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(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 February 2014. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 11 June 2014 and the principal place of business in Hong Kong is at Unit C, 24/F, @CONVOY, 169 Electric Road, North Point, Hong Kong. Ms. Yan Siu Fung, who resides at Flat C, 16/F., Tower 2, The Sparkle, 500 Tung Chau Street, Cheung Sha Wan, Kowloon, Hong Kong, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and its constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Cayman Islands companies law and certain provisions of the Articles is set out in Appendix III to this document.

2. Changes in share capital of our Company

As at the date of incorporation of our Company, its authorised share capital was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. Following its incorporation, one fully-paid Share was allotted and issued to the initial subscriber, which was then transferred to Smart Aerial on the same date. On 23 June 2014, 79, 10 and 10 new Shares were allotted and issued, credited as fully paid, to Smart Aerial, China Angel and Mr. Leung respectively.

On [●], the authorised share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 Shares of HK\$0.10 each by the creation of an additional of 996,200,000 Shares of HK\$0.10 each.

Immediately following the [REDACTED] and the Capitalisation Issue (taking into account of any Shares that may be issued under the Pre-IPO Share Options and the Share Option Scheme), the issued share capital of our Company will be [REDACTED] divided into [REDACTED] Shares fully paid or credited as fully paid. Save as disclosed in this document our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this document, there has been no alteration in the share capital of our Company since the date of its incorporation.

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3. Written resolutions of our Shareholders

On [●], resolutions in writing were passed by our Shareholders pursuant to which, among other matters:

- (a) the authorised share capital of our Company has increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 Shares of HK\$0.10 each by the creation of an additional of 996,200,000 Shares of HK\$0.10 each;
- (b) the Articles were approved and adopted conditionally to take effect on the Listing Date, the terms of which are summarised in Appendix III to this document;
- (c) conditional on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document, and (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:
 - (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED];
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" of this appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise an amount of [REDACTED] standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par [REDACTED] Shares for allotment and issue to the Shareholders whose names appear on the register of members of our Company at close of business of [●], and our Directors were authorised to give effect to such capitalisation and distribution;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the **[REDACTED]** or the Capitalisation Issue, Shares with an aggregate nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the **[REDACTED]** and the Capitalisation Issue; and (bb) the nominal amount of the share capital of our Company repurchased by our Company pursuant to the authority granted to the Directors as referred in paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands laws to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the **[REDACTED]** and the Capitalisation Issue, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands laws to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first.

4. Corporate reorganisation

Our Group underwent the Reorganisation in preparation for the listing of the Shares on GEM. For further information relating to the Reorganisation, please refer to the paragraph headed "Reorganisation and Group structure" in the section headed "History, Reorganisation and corporate structure" in this document.

5. Changes in share capital of subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountant's Report, the text of which is set out in Appendix I to this document.

Save as disclosed in the section headed "History, Reorganisation and corporate structure" in this document, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this document.

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6. Repurchase of our own securities

This section includes information required by the Stock Exchange to be included in the document concerning the repurchase by our Company of its own securities.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit a company listed on the Stock Exchange to purchase its shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of shares (which must be fully paid) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by us may be made out of profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

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(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate is to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group but only in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the listing of our Shares, would result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules), has any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

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If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, the Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this document and are or may be material in relation to the business of our Company taken as a whole:

- (a) the Underwriting Agreement, the principal terms of which are summarised in the section headed "Underwriting – Underwriting arrangements and expenses" in this document;
- (b) a deed of indemnity dated [●] executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of our Company's present subsidiaries) whereby the indemnifier(s) agreed to give certain indemnities in relation to tax and other matters including indemnities set out in the paragraph headed "Estate duty, tax and other indemnity" in this appendix;
- (c) the option agreement dated 16 January 2014 (as supplemented by a supplemental agreement dated 20 June 2014) entered into between Apex Team, as grantor of the option, and Mr. Tse Tim, as grantee of the option and subscriber to Shares upon the option being exercised, pursuant to which Apex Team agreed to grant to Mr. Tse Tim an option to subscribe for up to [REDACTED] Shares (the "Subscription Shares") at the price of [REDACTED] per Subscription Share;

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- (d) the subscription agreement dated 15 January 2014 entered into between Apex Team and Mr. Leung pursuant to which Apex Team allotted and issued 10 shares of US\$1.00 each in the share capital of Apex Team to Mr. Leung credited as fully paid for a total consideration of HK\$6,000,000;
- (e) the subscription agreement dated 15 January 2014 entered into between Apex Team and China Angel pursuant to which Apex Team allotted and issued 10 shares of US\$1.00 each in the share capital of Apex Team to China Angel credited as fully paid for a total consideration of HK\$6,000,000;
- (f) the share swap agreement dated 28 February 2014 entered into between CSHL and Apex Team pursuant to which Apex Team acquired 50,200,000 shares of HK\$1.00 each in the share capital of CIS from CSHL in consideration of the allotment and issue of 80 shares of Apex Team to Smart Aerial;
- (g) the share swap agreement dated 23 June 2014 entered into between Smart Aerial, China Angel and Mr. Leung, as vendors, and our Company, as purchaser, pursuant to which our Company agreed to purchase 160 shares, 20 shares and 20 shares of US\$1.00 in the share capital of Apex Team held by each of Smart Aerial, China Angel and Mr. Leung respectively, and in return, our Company allotted and issued, credited as fully paid, 79 Shares, 10 Shares and 10 Shares to each of Smart Aerial, China Angel and Mr. Leung respectively; and
- (h) the Deeds of Non-Competition, principal terms of which are summarised in the section headed "Relationship with our Controlling Shareholders and senior management – Non-competition Undertakings" in this document.

2. Intellectual property rights

Trademark

As at the Latest Practicable Date, application had been made by our Group for registration of the following trademark:

Trademark	Applicant	Class	Application number	Date of application	Place of application
	Our Company	35, 36	303148533	26/09/2014	Hong Kong

Domain names

As at the Latest Practicable Date, the following domain name is owned and used by our Group:

Domain Name	Name of registrant	Registration date (dd/mm/yyyy)	Next renewal Date (dd/mm/yyyy)
cisholdings.com.hk	Convoy Investment Services Limited	30/05/2014	30/05/2015
convoyinvest.com	Convoy Investment Services Limited	06/05/2008	06/05/2015

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C. DISCLOSURE OF INTERESTS

1. Interests and short positions of the Directors and the chief executives of our Company in the shares, underlying shares and debentures of our Company and its associated corporations following the [REDACTED] and the Capitalisation Issue

Immediately following completion of the [REDACTED] and the Capitalisation Issue, but without taking into account of any Shares which may be allotted and issued pursuant to the Pre-IPO Shares Options or the Share Option Scheme or any Shares which may fall to be allotted and issued or repurchased by our Company pursuant to the mandates as referred to in the section headed "Further information about our Company" in this appendix, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, or pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange will be as follows:

Long position in Shares

[REDACTED]

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2. Interests and short positions of Substantial Shareholders in the Shares, underlying Shares and debentures of our Company

So far as it is known to our Directors and save as disclosed in this document, immediately following completion of the [REDACTED] and the Capitalisation Issue, but without taking into account of any Shares which may be allotted and issued pursuant to the Pre-IPO Share Options or the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of our Company required to be kept under section 336 of the SFO or who are 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 members of our Group:

Aggregate long positions in Shares

[REDACTED]

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[REDACTED]

3. Particulars of service agreements

Each of the executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. The aforesaid term(s) is subject to the retirement by rotation and re-election in accordance with the Articles. Each of these executive Directors is entitled to the respective basic salary set out below (subject to adjustment and bonus at the discretion of the Board). An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of our Directors regarding the amount of the monthly salary and the discretionary bonus payable to him/her. The current aggregate basic annual salaries of each of the executive Directors, are as follows:

Name	Amount
Mr. So Kwok Keung	HK\$180,000
Ms. Yan Siu Fung	HK\$180,000
Mr. Lau Shek Yuen Simon	HK\$240,000

Each of the independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of the independent non-executive Directors are appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. The annual remuneration payable to the independent non-executive Directors under each of the letters of appointment is as follows:

Name	Amount
Mr. Cheng Sheung Hing	HK\$180,000
Mr. Au-Yong Shong, Samuel	HK\$180,000
Ms. Reina Lim Yan Xin	HK\$180,000

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Save as the aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. Directors' remuneration

- (a) During the years ended 31 December 2012, 2013 and 2014, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK\$1,365,000, HK\$1,377,000 and HK\$2,020,000 respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus, if any) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 December 2015 are expected to be approximately HK\$2,140,000.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the years ended 31 December 2012, 2013 and 2014 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (d) Save as the deed of waiver dated 23 June 2014 and entered into between Ms. Yan Siu Fung and CIS with respect to the waiver of the emoluments of Ms. Yan Siu Fung as a director of CIS in the amount of HK\$180,000 for the year ended 31 December 2013, there has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the years ended 31 December 2012, 2013 and 2014 respectively.
- (e) Each of the executive Directors and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his/her duties to our Group under the service agreement/the letter of appointment.
- (f) Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, workload and the time devoted to our Group.

5. Agency fees or commissions

Save as disclosed in this document, within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

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6. Connected transactions and related party transactions

Save as disclosed in the section headed "Connected transactions" in this document and in note 36 to the Accountant's Report as set out in Appendix I to this document, during the two years immediately preceding the date of this document, we have not engaged in any other material connected transactions or related party transactions.

7. Disclaimers

Save as disclosed in this document:

- (a) taking no account of any Shares which may be taken up or acquired under the **[REDACTED]** or any options which may be granted under the Pre-IPO Share Options and the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the **[REDACTED]** and the Capitalisation Issue, have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either 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 our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed;
- (c) none of our Directors or experts named in paragraph headed "Qualifications of experts" in this appendix has been directly or indirectly interested in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the **[REDACTED]** either in his own name or in the name of a nominee;
- (d) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

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- (e) none of the Directors or experts named in paragraph headed "Qualifications of experts" in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors has any existing or proposed service contracts with our Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (g) no remuneration or other benefits in kind have been paid by our Company to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by our Company to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. PRE-IPO SHARE OPTIONS

Pursuant to the Option Agreement dated 16 January 2014 (as amended by a supplemental agreement dated 20 June 2014), Apex Team (on behalf of our Company) has granted share options to Mr. Tse Tim, the chief executive officer of our Company. Details of the grantee of the Pre-IPO Share Options are set out as follows:

Grantee Name	Address	Number of underlying Shares	Approximate percentage of issued share capital (on the basis of [REDACTED] Shares)
Mr. Tse Tim (<i>Note</i>)	Flat B, 17th Floor, Block 1, Victoria Tower, 188 Canton Road, Tsim Sha Tsui, Hong Kong	[REDACTED]	[REDACTED]

Note: Mr. Tse Tim is the chief executive officer of our Company and joined our Group in December 2012.

The principal terms of the Pre-IPO Share Options are summarised below:

- (a) the Subscriber has the right to subscribe for [REDACTED] Shares ("**Subscription Shares**") and each a "**Subscription Share**") at a price of [REDACTED] per Subscription Share during the period commencing on the date falling six months after the Listing Date and ending on the date falling 42 months after the Listing Date ("**Option Period**");

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- (b) the grant of the options is conditional upon approval for the listing of and permission to deal in the Subscription Shares to be issued pursuant to the exercise of the options, being granted by the Listing Division of the Stock Exchange;
- (c) if the Subscriber ceases to be an executive, director and/or employee of our Group who is in full-time employment of our Group during any relevant Option Period (i) by reason of ill health, injury or disability or death (all evidenced to the satisfaction of the Directors), or because his employing company ceases to be a member of our Group, then, subject to the exception in the above paragraph (a), the Subscriber or his personal representative (as the case may be) may exercise the options within a period of 6 months of such ill health, injury, disability, death or cessation, failing which they shall lapse and determine at the end of the relevant period; or (ii) by reason of retirement in accordance with his contract of employment or upon expiration of his employment contract or his voluntary resignation, then, subject to the exception in the above paragraph (a), he may exercise all his options within 6 months of such retirement or expiration, failing which they shall lapse and determine at the end of the relevant period; or (iii) by reason of resignation other than by reason of the circumstances set out in the above subparagraphs (i) and (ii) or by reason whatsoever, including termination of his employment for serious misconduct or in accordance with the termination provisions of his contract of employment by his employing company otherwise than by reason of redundancy or on the ground that the Subscriber commits an act of bankruptcy or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, then all the options shall lapse and determine on the date of the resignation or termination, provided always that in each case the Board may in its absolute discretion decide that the options shall not so lapse or determine subject to such conditions or limitations as the Board may decide;
- (d) the options can be exercised in whole or in part in relation to all (or part of) the Subscription Shares;
- (e) the Subscription Shares, when allotted and issued, shall rank pari passu in all respects among themselves and with all other Listing Shares in issue on the date of allotment and issue of the Subscription Shares; and
- (f) the options shall be personal to the Subscriber and shall not be transferable or assignable.

The exercise of the Pre-IPO Share Options will cause dilution to the percentage of ownership of the existing Shareholders. Assuming the Subscriber exercise in full of the subscription rights attaching to the Pre-IPO Share Options, each of Mr. Leung and China Angel's shareholding interest in our Company will decrease from approximately [REDACTED] to approximately [REDACTED]; the shareholding interest of Smart Aerial in our Company will decrease from approximately [REDACTED] to approximately [REDACTED]; and the shareholding interest of the other public Shareholders (excluding the shareholding interests of both Mr. Leung and China Angel which will be regarded as public float) will decrease from [REDACTED] to approximately [REDACTED].

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The Subscriber (i) has undertaken to our Company, the Sponsor (on behalf of the Underwriter) and the Stock Exchange that in the event that he exercises his right attached to the options granted to him under the Pre-IPO Share Options, he will not, save as provided in Rule 13.18 of the GEM Listing Rules, dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) any of the direct or indirect interest in the Shares for a period from the date he becomes a beneficial owner of the Shares to the expiry of a period of 12 months from the date of listing of the Shares on GEM; and (ii) has undertaken to the Stock Exchange that he will not exercise the options if the exercise of such options would result in the requirement of the minimum public float of at least 25% of our Company's issued share capital from time to time not being met.

Our Directors consider that the contribution of the grantee of the Pre-IPO Share Options is crucial to the growth of our Group and/or the successful listing of the Shares on GEM. The Directors considered that the granting of the options to the grantee not only recognises the Subscriber's past contribution to our Group, but also provides a means to retain his services and to encourage his contribution to our Group in the future. As such, the Directors are of the view that the exercise price of options granted at a discount to the [REDACTED] is fair and reasonable.

E. SHARE OPTION SCHEME

Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

1. *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to enable our Company to grant options to the employee (whether in full-time or part-time employment with our Group), customer and supplier of goods or services to any member of our Group, adviser, consultant, manager, officer or entity that provides research, development or other technological support to our Group (including any director of any Company of our Group) who is engaged by our Group (the "**Eligible Participant(s)**") at the time when an option is granted to such Eligible Participants or any person who, in the absolute discretion of our board of Directors, has contributed or may contribute to our Group as incentive or reward for their contribution to our Group to subscribe for the Shares thereby linking their interest with that of our Group.

2. *Grant and acceptance of options*

Subject to the terms of the Share Option Scheme, our Board may, in its absolute discretion make offer to the Eligible Participants. An offer shall be made to an Eligible Participant by letter in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 5 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

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An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the date of offer).

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

3. *Price of Shares*

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Board but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a Business Day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

4. *Maximum number of Shares*

- (i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Group shall not exceed such number of Shares as equivalent to 10% of the issued share capital of our Company at the date of approval of the Share Option Scheme. On the basis of a total of [REDACTED] Shares in issue as at the Listing Date, the relevant limit will be [REDACTED] Shares which represent 10% of the issued Shares at the Listing Date. Our Company may seek approval by its shareholders in general meeting to refresh the 10% limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of our Group in these circumstances must not exceed 10% of the issued share capital of our Company at the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.

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- (ii) Our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to Eligible Participants specifically identified by our Company before such approval is sought. Our Company will send a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the terms of the options serve such purpose, and such information as may be required under the GEM Listing Rules from time to time.
- (iii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in the limit being exceeded.
- (iv) Unless approved by the Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participants and his associates abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participants, the number and terms of the options to be granted (and options previously granted to such Eligible Participants), and such information as may be required under the GEM Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participants must be fixed before Shareholders' approval and the date of meeting of our Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

The exercise of any option shall be subject to the shareholders of our Company in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

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5. *Exercise of options*

An option may be exercised at any time during the period to be determined and identified by our Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than ten years from the date of grant but subject to the early termination of the Share Option Scheme.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate issued by our Company's auditors or an independent financial adviser to our Company or, our Company shall accordingly allot the relevant number of Shares to the grantee (or his legal personal representative) credited as fully paid.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

6. *Restrictions on the time of grant of options*

No option shall be granted by our Directors under the following circumstances:

- (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules; and
- (ii) during the period commencing one month immediately preceding the earlier of:
 - (a) the date of the meeting of our Board for the approval of the annual results, interim results and quarterly results of our Company; and
 - (b) the deadline for our Company to publish its annual results or interim results announcement under the GEM Listing Rules, and ending on the date of the results announcements.

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7. *Rights are personal to grantees*

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any option.

8. *Rights on ceasing employment*

The option period in respect of any option to be granted by our Company shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group into disrepute).

9. *Rights on death*

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is any employee of our Group and none of the events which would be a ground for termination of his employment under paragraph 8 above arises, his personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as our Directors may determine.

10. *Cancellation of options*

Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the shareholders of our Company as mentioned in paragraph 4 above.

11. *Effect of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever, then, in

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any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct the auditors to certify in writing:

- (i) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:
 - (a) the number and/or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
 - (b) the subscription price; and/or
 - (c) the maximum number of Shares referred to in paragraph 4(i); and/or
 - (d) the method of the exercise of the option(s)

and an adjustment as so certified by the auditors shall be made, provided that:

- (a) any such adjustment must give a grantee the same proportion of the equity capital as that to which that person was previously entitled;
 - (b) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
 - (c) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
 - (d) the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
 - (e) to the advantage in any respect of the grantee without specific prior approval of the shareholders of our Company;
- (ii) in respect of any such adjustment, other than any made on a capitalisation issue, the auditors of our Company or an independent financial adviser to our Company must confirm to our Directors in writing that the adjustment so made satisfies the requirements of the relevant provisions of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

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12. *Rights on a general offer*

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become Shareholders, by the exercise in full of the options granted to them. If such offer becomes or is declared unconditional, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer (or any revised offer).

13. *Rights on winding up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as it despatches such notice to each member of our Company give notice thereof to all grantees (containing an extract of the provisions of this paragraph) and thereupon, each grantee or his personal representative(s) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

14. *Rights on a compromise or arrangement*

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph 15 below, in the event of a compromise or arrangement between our Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and any grantee or his legal representative(s) may by notice in writing to our Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by our Company not later than two Business Days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice.

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15. *Rights on a scheme of arrangement*

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such scheme of arrangement is formally proposed to the shareholders in our Company, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

16. *Ranking of Shares*

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of our Company as the holder thereof.

17. *Duration and administration of the Share Option Scheme*

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of our Company on the date which falls ten years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of our Directors whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

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18. *Alternations to the terms of the Share Option Scheme*

- (i) Alterations of the provisions relating to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Eligible Participant without the prior approval of our Company's shareholders in general meeting;
- (ii) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Company's shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (iii) any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Company's shareholders in general meeting; and
- (iv) the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

19. *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon:

- (i) the Listing Division granting approval of the listing of, and permission to deal in, any Shares to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
- (ii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by the Shareholders in general meeting or by way of written resolution to authorise our Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme.
- (iii) commencement of trading of Shares on the GEM.

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20. *Grant of options to connected persons or any of their associates*

Each grant of options to any of our Directors, chief executive or substantial shareholder or an independent non-executive Director (as defined in the GEM Listing Rules) of our Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of his associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by shareholders of our Company. Our Company must send a circular to its shareholders. All connected persons (as defined in the GEM Listing Rules) of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. The circular must contain:

- (i) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the shareholders' meeting and the date of the meeting of our board of Directors for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent shareholders as to voting; and
- (iii) the information as may be required under the GEM Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial shareholder (as defined in the GEM Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates.

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21. *Lapse of option*

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs 8, 9 or 14, where applicable;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph 12;
- (iv) subject to the scheme of arrangement becoming effective, the expiry date of the period referred to in paragraph 15;
- (v) the date on which the grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;
- (vi) the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;
- (vii) the date of the commencement of the winding-up of our Company referred to in paragraph 13;
- (viii) the date on which the grantee commits a breach of paragraph 7; or
- (ix) the date on which the option is cancelled by our Board as set out in paragraph 10.

22. *Termination*

Our Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

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23. *Miscellaneous*

Any dispute arising in connection with the number of Shares of an option, any of the matters referred to in paragraph 11 above shall be referred to the decision of our Board in its absolute discretion and whose decision shall be final and binding.

24. *Present status of the Share Option Scheme*

Application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme which shall represent 10% of the Share in issue upon completion of the [REDACTED].

As at the date of this document, no options have been granted or agreed to be granted under the Share Option Scheme.

25. *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of the options. Our Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to potential investors of our Company.

Our Board confirms that it will not approve the exercise of any option if as a result our Company will not be able to comply with the public float requirements under the GEM Listing Rules.

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F. OTHER INFORMATION

1. Estate duty, tax and other indemnity

The Controlling Shareholders (the "**Indemnifiers**") have entered into a deed of indemnity (the "**Deed of Indemnity**") with and in favour of our Company (for itself and as trustee for each of our Company's present subsidiaries) (being the material contract (b) referred to in paragraph headed "Summary of material contracts" above, to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by our Company or any members of our Group by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in Hong Kong or any other relevant jurisdiction as a result or in consequence of any event or transaction occurring on or before the Listing Date, whether or not such event or transaction shall have taken place in conjunction with any circumstances whenever occurring; and
- (b) any tax liabilities (including all fines, penalties, costs, charges, liabilities, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Indemnifiers are under no liability under the Deed of Indemnity:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for the years ended 31 December 2012, 2013 and 2014; or
- (b) to taxation or liability for such taxation falling on any of the members of our Group, on the date on which the conditions of the **[REDACTED]** having been fulfilled, would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or

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- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or
 - (iii) consisting of any of members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation; or
- (c) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group for each of the years ended 31 December 2012, 2013 and 2014 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (d) to the extent that such taxation arises as a result of our Group or any of members of our Group being in breach of any provision of the Deed of Indemnity; or
- (e) relating to any incomes, profits or gains earned, accrued or received by members of our Group or any event occurred or any transactions entered into in the ordinary course of business after 31 December 2014.

The indemnity given under the Deed of Indemnity does not cover any taxation or claim to the extent that such taxations claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law practice coming into force after the Listing Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect.

2. Litigation

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

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3. Sponsor

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules and has made an application on behalf of our Company to the Listing Division of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document and any Shares which may fall to be issued pursuant to the exercise the Options which may be granted under the Pre-IPO Share Options or any options which may be granted under the Share Option Scheme. The Sponsor is entitled to a documentation and advisory fee in the amount of HK\$5.3 million as the sponsor to our Company for the Listing.

4. Preliminary expenses

The estimated preliminary expenses of our Company were approximately HK\$92,000 and paid by our Company.

5. Promoter

Our Company has no promoter.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this document:

Name	Qualification
Quam Capital Limited	A licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities
BDO Limited	Certified Public Accountants
Michael Li & Co.	Legal advisers to the Company as to Hong Kong law
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Mr. William M.F. Wong S.C.	Barrister-at-law, Hong Kong
Grant Sherman Appraisal Limited	Independent professional valuer

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7. Consents of experts

Each of the experts listed in the paragraph headed "Qualifications of experts" has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of its letter, report, and/or valuation certificate (as the case may be) and references to its names in the form and context in which they respectively appear.

8. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

9. Exemption from the requirement of a property valuation report

No property valuation report in respect of our Group's property interests is required in reliance upon the exemption provided by section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). Our Directors confirm that none of our property interests is individually material to us in terms of rental expense.

10. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Share registers

The register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

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12. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or generated from Hong Kong may also be subject to Hong Kong profits tax.

(b) *The Cayman Islands*

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

13. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial prospects of our Company or its subsidiaries since 31 December 2014 (being the date to which the latest audited financial statements of our Company were made up).

14. Miscellaneous

Save as disclosed herein:

- (a) Within the two years immediately preceding the date of this document:
- (i) no share or loan capital of our Company has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company;

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- (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or loan capital of our Company or any of its subsidiaries; and
 - (iv) no founder, management or deferred shares of our Company have been issued or agreed to be issued.
- (b) No share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option.
- (c) The English text of this document shall precede over the Chinese text.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in paragraph headed "Consents of experts" under the section headed "Other information" in Appendix IV to this document, copies of the material contracts referred to in the paragraph headed "Summary of material contracts" under the section headed "Further information about the business" in Appendix IV to this document.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co. at 19th Floor, Prosperity Tower, 39 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum;
- (b) the Articles;
- (c) the Accountant's Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the text of which is set out in Appendix I to this document;
- (d) the letter on unaudited pro forma financial information issued by BDO Limited, Certified Public Accountants, Hong Kong, the text of which is set out in Appendix II to this document;
- (e) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this document;
- (f) the Companies Law;
- (g) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix IV to this document;
- (h) the service agreements and the letters of appointment referred to in the paragraph headed "Particulars of service agreements" in Appendix IV to this document;
- (i) the rules of the Share Option Scheme referred to in the paragraph headed "Share Option Scheme" in Appendix IV to this document; and
- (j) the written consents referred to in the paragraph headed "Consents of experts" in Appendix IV to this document.