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Application Proof of

Head & Shoulders Financial Group Limited

(incorporated in the Cayman Islands with limited liability)

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IMPORTANT

If you are in any doubt about any of the contents of this document, you should seek independent professional advice.

Head & Shoulders Financial Group Limited

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])
[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] Share and expected to be not less than HK\$[REDACTED] per [REDACTED] Share (payable in full on application in Hong Kong dollars plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund on final pricing)
Nominal value : HK\$[0.01] per Share
Stock Code : [REDACTED]

Sponsor



大有融資有限公司
MESSIS CAPITAL LIMITED

[REDACTED]

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A copy of this document, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this document, has been registered with the Registrar of Companies as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any of the other documents referred to above.

The [REDACTED] is expected to be fixed by the [REDACTED] between the [REDACTED] (for itself and on behalf of the Underwriters) and our Company on or before [REDACTED] or such later date as may be agreed between the parties. If, for any reason, the [REDACTED] (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the [REDACTED] by that date or such later date as agreed by our Company and the [REDACTED] (for itself and on behalf of the Underwriters), the [REDACTED] will not become unconditional and will lapse immediately. In such case, an announcement will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.hnsfg.com. The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. The [REDACTED] (for itself and on behalf of the Underwriters) may, with the consent of our Company reduce the indicative [REDACTED] range below that as stated in this document at any time prior to the [REDACTED]. In such case, notice of the reduction in the indicative [REDACTED] range will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.hnsfg.com.

Prior to making an investment decision, prospective investors should carefully consider 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 the [REDACTED] should note that the obligations of the Underwriters under the Underwriting Agreement are subject to termination by the [REDACTED] (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the section headed "Underwriting – Grounds for termination" in this document at any time prior to 8:00 a.m. (Hong Kong time) on [REDACTED].

[REDACTED]

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 gazette newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

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 buy any securities other than the [REDACTED] offered by this document pursuant to the [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 in any other jurisdiction or in any circumstances.

You should rely only on the information contained in this document to make your investment decision. Our Company has not authorised any persons to provide you with information that is different from what is contained in this document. Any information or representation not made nor contained in this document must not be relied on by you as having been authorised by our Company, the Sponsor, the [REDACTED], the [REDACTED], the Underwriters, any of their respective directors, officers, employees, agents, representatives or affiliates of any of them, or any other persons or parties involved in the [REDACTED].

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	iii
SUMMARY	1
DEFINITIONS	11
GLOSSARY OF TECHNICAL TERMS	24
FORWARD-LOOKING STATEMENTS	27
RISK FACTORS	29
WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES	40
INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]	41
DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]	45
CORPORATE INFORMATION	48

CONTENTS

INDUSTRY OVERVIEW	50
REGULATORY OVERVIEW	60
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	72
BUSINESS	84
CONNECTED TRANSACTIONS	127
DIRECTORS AND SENIOR MANAGEMENT	134
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	144
SUBSTANTIAL SHAREHOLDERS	152
SHARE CAPITAL	154
FINANCIAL INFORMATION	157
FUTURE PLANS AND USE OF PROCEEDS	191
UNDERWRITING	194
STRUCTURE AND CONDITIONS OF THE [REDACTED]	201
APPENDIX I – ACCOUNTANTS' REPORT	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III – SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV – STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a Hong Kong-based financial services provider founded in December 1999. We are principally engaged in the provision of (i) securities trading services; (ii) money lending services; and (iii) asset management services.

Our business activities are carried out through our operating subsidiaries, including H&S Securities, H&S AML and H&S Credit. H&S Securities is licensed to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. H&S Securities is also a Stock Exchange Participant and is currently holding 2 Stock Exchange Trading Rights. H&S AML is licensed to conduct Type 9 (asset management) regulated activity under the SFO. H&S Credit is licensed to conduct money lending business in Hong Kong under the MLO. The following table sets out the revenue generated from each of our core services during the Track Record Period:

	Year ended 31 December			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Securities trading services:				
– Commission income from placing and underwriting services	3,048	11.1	11,191	20.0
– Commission income from Brokerage Services	13,414	48.9	21,293	38.1
– Interest income from Brokerage Services	249	0.9	240	0.4
Money lending services:				
– Interest income from money lending services	7,776	28.3	17,415	31.2
Asset management services:				
– Commission income from wealth management services	2,032	7.4	950	1.7
– Management fee income from fund management services	720	2.6	3,613	6.5
– Performance fee income from wealth management services	204	0.8	1,175	2.1
Total	27,443	100.0	55,877	100.0

SUMMARY

OUR BUSINESS MODEL AND SERVICES

(i) Securities trading services

Our securities trading services are conducted through our wholly-owned subsidiary, H&S Securities. Our securities trading services comprise mainly (i) Brokerage Services; and (ii) placing and underwriting services.

(a) Brokerage Services

We provide Brokerage Services to corporate customers and individual customers for trading of equity, debt, derivative securities and structured products listed on the Stock Exchange. As at 31 December 2014 and 2015, we had 422 and 487 securities trading accounts, of which 171 and 191 of them were regarded as active accounts, respectively. As at 31 December 2014 and 2015, the gross transaction value handled by us under our Brokerage Services was approximately HK\$118.0 billion and HK\$285.5 billion, respectively. We were a Stock Exchange Participant under Category B with market share of 0.5729% for the year ended 31 December 2015, and are currently holding 2 Stock Exchange Trading Rights.

Customers may place orders to our Group for securities trading through telephone or our Group's online trading platform or on-site at our office premises through the BSS directly. Over 99.2% of our Group's total transaction value were placed through BSS directly. We also provide ancillary services including collection of dividends, and subscription of shares offered under IPOs and open offers.

(b) Placing and underwriting services

We have been providing our placing and underwriting services for over 4 years. During the Track Record Period, we participated in different kinds of fund raising exercises for companies listed on the Stock Exchange by acting as underwriter, placing agent or sub-placing agent. Those fund raising exercises included IPOs, top-up placement of shares of listed companies, issues of new shares of listed companies by way of open offer, placing of new shares and unlisted debt securities of listed companies. Customers are typically listed companies or their shareholders or placing agents. For the two years ended 31 December 2015, we completed 3 and 6 transactions under our placing and underwriting services, respectively. During the year ended 31 December 2015, we recorded a substantial increase in our revenue from placing and underwriting services. Our revenue from these services increased from approximately HK\$3.0 million in 2014 to approximately HK\$11.2 million in 2015.

(ii) Money lending services

Our money lending services are conducted through our wholly-owned subsidiary, H&S Credit. H&S Credit is a licensed money lender under the MLO. It has been operating since 7 November 2013, soon after our Money Lenders Licence was first obtained. During the Track Record Period, we extended loans to 22 customers. Under our Money Lenders Licence, we are able to offer both secured and unsecured loans to our customers. During the Track Record Period, we had granted 13 unsecured loans and 17 secured loans. For secured loans, we conducted a valuation of the collateral in order to assess its worth and therefore minimise the credit risk we may face. The loan-to-value ratio generally ranged from 6.2% to 83.9% at the time of loan drawdown during the Track Record Period. For the two years ended 31 December 2014 and 2015, the total amount of loans we granted was

SUMMARY

approximately HK\$55.3 million and approximately HK\$177.7 million, respectively, which generated an interest income of approximately HK\$7.8 million and HK\$17.4 million, respectively. As at 31 December 2014 and 2015, the outstanding balances of our loans amounted to approximately HK\$25.5 million and HK\$131.4 million, respectively. During The Track Record Period, there is no incident of overdue loans which led to the sales of collaterals nor repayment by guarantors, and there is no loss from default of the overdue loans realised.

(iii) Asset management

H&S AML started its asset management business in 2012. H&S AML is licensed to conduct Type 9 (asset management) regulated activity under the SFO. It comprises two main service areas in (i) fund management; and (ii) wealth management. As of 31 December 2015, the combined AUM of the H&S Fund and the customers' discretionary accounts managed by us amounted to approximately HK\$615.0 million.

(a) Fund management services

During the Track Record Period, H&S AML managed and invested the segregated portfolios of H&S Fund on a discretionary basis subject to the relevant investment restrictions in accordance with the relevant investment objective as contained in the offering memorandum in respect of each segregated portfolio. On 24 May 2012, we were appointed as the investment advisor of the H&S Fund (and were re-designated as the portfolio investment manager subsequently). Being the investment advisor, we were entitled to the management fees arisen from our management services to the H&S Fund, and to share the performance fees, if any, with H&S (Cayman) AML, the investment manager of the H&S Fund on 20:80 basis. On 4 February 2016, a new PIMA was entered into between H&S AML and H&S (Cayman) AML, under which we are entitled to the entire management fees and performance fees arisen from our management services to the HSPASP of the H&S Fund.

H&S Fund, as a segregated portfolio company, can operate different segregated portfolios with different investment objectives and strategies as well as the benefit of statutory segregation of assets and liabilities between each segregated portfolio. For the two years ended 31 December 2014 and 2015, HSPASP recorded a rate of return of approximately -1.4% and -19.1%, respectively.

For the two years ended 31 December 2014 and 2015, we recorded management fee for fund management services of approximately HK\$720,000 and HK\$3,613,000 respectively. As at 31 December 2015, the AUM of HSPASP was approximately USD57.7 million.

(b) Wealth management services

H&S AML acts as an investment manager and provides wealth management services to customers on a discretionary basis pursuant to their respective investment requirements, objectives, and restrictions as contained in the investment management agreements executed between our customers and H&S AML. We charge a performance fee of up to 10% of the appreciation of the net asset value of our customers' discretionary accounts as at the valuation date. We were also remunerated with commission fees ranged from 25% to 50% of all fees, spreads, commissions and/or margins charged by the international banks, based on our referred customers' AUM and transaction sizes. The AUM of customers' discretionary accounts managed by H&S AML amounted to approximately HK\$198.9 million and HK\$167.8 million as at 31 December 2014 and 2015 respectively. For the two years ended 2014 and 2015, these discretionary accounts recorded an average rate of return of approximately -6.8% and 0.9%, respectively.

SUMMARY

Our pricing policy

Set out below are the various rates (subject to adjustments after arm's length negotiation with customers) we generally charged in relation to our principal business activities during the Track Record Period.

		For the year ended 31 December	
		2014	2015
1.	Brokerage Services Placing and underwriting services	<ul style="list-style-type: none"> • commission rate: 0.01% to 0.25% of the transaction value with an average of 0.01136%; • minimum commission of HK\$20 to HK\$120 • commission rate: 2.5% of the aggregate subscription price in respect of the actual shares placed by us/the maximum shares underwritten by us 	<ul style="list-style-type: none"> • commission rate: 0.0019% to 0.25% of the transaction value with an average of 0.00745%; • minimum commission of HK\$35 to HK\$120 • commission rate: 1% to 2.5% of the aggregate subscription price in respect of the actual shares placed by us/the maximum shares underwritten/placed by us
2.	Money lending services	<ul style="list-style-type: none"> • interest rate of 18% to 48% per annum with an average of 20.40% per annum 	<ul style="list-style-type: none"> • interest rate of 5% to 48% per annum with an average of 19.1% per annum
3.	Asset management services (Fund management)	Management fee:	
		HSPASP	
		<ul style="list-style-type: none"> • Management fee payable monthly and being higher of: <ul style="list-style-type: none"> (i) HK\$50,000 or (ii) 1% per annum of the net asset value of HSPASP as at close of business in each calendar month 	<ul style="list-style-type: none"> • Management fee payable monthly and being higher of: <ul style="list-style-type: none"> (i) HK\$50,000 or (ii) 1% per annum of the net asset value of HSPASP as at close of business in each calendar month
		HSVCSP	
		<ul style="list-style-type: none"> • HK\$10,000, payable monthly 	<ul style="list-style-type: none"> • HK\$10,000, payable monthly
		Performance fee:	
		HSPASP	
		<ul style="list-style-type: none"> • Being an amount equal to 20% of the amount of performance fee received by H&S (Cayman) AML, if any (Note 1), payable quarterly (before 17 November 2014) and payable annually (after 17 November 2014) 	<ul style="list-style-type: none"> • Being an amount equal to 20% of the amount of performance fee received by H&S (Cayman) AML, if any (Note 1), payable annually

SUMMARY

For the year ended 31 December
2014 2015

HSVCSP

	<ul style="list-style-type: none">• Being an amount equal to 20% of the amount of performance fee received by H&S (Cayman) AML, if any (Note 1), payable quarterly	<ul style="list-style-type: none">• Being an amount equal to 20% of the amount of performance fee received by H&S (Cayman) AML, if any (Note 1), payable quarterly
Asset management services (Wealth management)	<ul style="list-style-type: none">• Commission: 25% to 50% of all fees, spreads, commissions and/or margins charged by the international banks, subject to minimum of USD200, and payable quarterly (Note 2)• Performance fee: up to 10% of the appreciation of net asset value of our customers' discretionary accounts as at the valuation date	<ul style="list-style-type: none">• Commission: 25% to 50% of all fees, spreads, commissions and/or margins charged by the international banks, subject to minimum of USD200, and payable quarterly (Note 2)• Performance fee: up to 10% of the appreciation of net asset value of our customers' discretionary accounts as at the valuation date

Notes:

1. The performance fee received by H&S (Cayman) AML equals to 20% of the appreciation in the net asset value per share above the aforesaid threshold, during the respective performance period.
2. The commission is sourced from the provision of our wealth management services to our customers' assets deposited and held in custodian accounts opened and maintained by them with certain international banks. All fees, spreads, commissions and/or margins charged by these banks are based on each agreement entered into between these banks and our customers.

For further information regarding our business model and services, please refer to the section headed "Business – Our Business Model and Services" on page 88 to page 102.

CUSTOMERS

Customers of our Brokerage Services, money lending services and wealth management services comprise corporate and individual customers. As for our placing and underwriting services, our customers are typically listed companies or their shareholders or the financial intermediaries referred by our management. Customers of our fund management services are H&S Fund and H&S (Cayman) AML.

For the two years ended 31 December 2015, our Group's revenue attributable to our top five largest customers, in aggregate, accounted for approximately 48.0% and 43.5% of our Group's total revenue, respectively. Among which, our largest customer for the respective year accounted for approximately 11.0% and 10.5% of our Group's total revenue, respectively. For further information of our customer, please refer to the section headed "Business – Customers" on page 109 to page 111.

SUMMARY

COMPETITIVE STRENGTHS

Our competitive strengths include (i) our ability to provide a wide range of financial services; (ii) maintaining a well-established customer base; and (iii) possessing an experienced and competent management team. For further information regarding our competitive strengths, please refer to the section headed “Business – Competitive Strengths” on page 86 to page 87.

BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our position in the financial services industry in Hong Kong. We intend to achieve our future plans by (i) further developing our existing core businesses by emphasising and expanding our money lending services; (ii) enhancing our business penetration into securities trading market through extensive networking and more active promotion; and (iii) further enhancing our wealth management services. For further information regarding our business strategies, please refer to the section headed “Business – Business Strategies” on page 87 to page 88.

RISK FACTORS

There are certain risks involved in our operations which are beyond our control. They can be broadly categorised into risks relating to (i) business and operations of our Group, (ii) the industry in which our Group operates; (iii) economic and political conditions in Hong Kong; (iv) the [REDACTED]; and (v) the [REDACTED]. Potential investors are advised to read the section headed “Risk Factors” on page 29 to page 39 carefully before making any investment decision in the [REDACTED]. Some of the more particular risk factors include:

- We are subject to extensive regulatory requirements, the non-compliance with which could result in fines, restriction on our Group’s activities or even suspension or revocation of some or all of our licences for carrying on our business activities
- We may be subject to substantial risks if our customers default on payments
- There exists higher credit risks on our unsecured loan portfolio
- If the IRD charges a Hong Kong profits tax and/or penalty that substantially exceeds the tax provision we made, it will have a negative impact on our financial condition and results of operations
- Our Money Lenders Licence is subject to annual review and/or revocation
- Our business is subject to various risks which are beyond our control and we cannot assure that our historical level of income can be sustained
- We are exposed to business risks from our placing and underwriting business in case the securities underwritten by us are undersubscribed or the placing exercises failed to complete
- We rely on our key management personnel to conduct our business, and the loss of any key members of our senior management or professional staff may negatively affect our operation

SUMMARY

KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth our key operational and financial information and ratios during the Track Record Period:

	Year ended/ As at 31 December 2014 HK\$'000	Year ended/ As at 31 December 2015 HK\$'000
Results of operation		
Revenue	27,443	55,877
Profit before tax	16,426	38,204
Profit and total comprehensive income for the year attributable to owners of our Company	13,732	31,669
Financial position		
Current assets	155,831	370,420
Current liabilities	80,633	263,728
Net current assets	75,198	106,692
	Year ended/ As at 31 December 2014	Year ended/ As at 31 December 2015
Net profit margin	50.0%	56.7%
Current ratio	1.9	1.4
Gearing ratio	–	47.1%
Net debt to equity ratio	Net cash position	Net cash position
Interest coverage	74.0	9.6
Return on assets	8.8%	8.5%
Return on equity	18.1%	29.4%

Our total revenue for the year ended 31 December 2014 was approximately HK\$27.4 million as compared to approximately HK\$55.9 million for the year ended 31 December 2015, representing an increase of approximately 103.6%. The increase of our total revenue was mainly attributable to the increase in revenue recognised in our Brokerage Services, placing and underwriting services, money lending services and fund management services, but slightly offset by the decrease in commission income from our wealth management services and the interest income from our Brokerage Services.

As at 31 December 2015, we had net current assets of approximately HK\$106.7 million, representing an increase of approximately HK\$31.5 million from approximately HK\$75.2 million as at 31 December 2014. The increase in our net current assets was principally due to the increase in interest receivables and loan receivables from money lending services.

Net profit margin was approximately 50.0% for the year ended 31 December 2014 and increased to approximately 56.7% for the year ended 31 December 2015. The increase was mainly due to (i) the increase in revenue recognised, which was in line with the increase in trading activities of customers and the increase in aggregate principal amount of the loans advanced to our customers; (ii) the increase in other income as a result of the service fee income from an independent financial institution for the year ended 31 December 2015; and (iii) the other gains recognised in 2015, while

SUMMARY

the effect of the increase in the employee benefits expenses, commission expenses, depreciation of property, plant and equipment, and other operating expenses was relatively mild to the net profit of 2015. The increase in net profit outweighed the increase in revenue for the year ended 31 December 2015, which resulted in the increase in net profit margin.

Current ratio was approximately 1.9 as at 31 December 2014 and approximately 1.4 as at 31 December 2015. Such decrease was mainly due to the increase of amount due to Dr. Choi from nil as at 31 December 2014 to approximately HK\$71.5 million as at 31 December 2015.

Return on equity was approximately 18.1% for the year ended 31 December 2014 and approximately 29.4% for the year ended 31 December 2015. Such increase was mainly due to the effect of the increase in the profit for the year attributable to owners of our Company was larger than the effect of the increase in total equity for the year ended 31 December 2015.

Please refer to the section headed "Financial Information" on page 157 to page 190 for further discussion and analysis of our financial information.

SHAREHOLDERS' INFORMATION

Immediately after completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED] and any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), [REDACTED]% of the issued share capital of our Company will be owned by Endless Source, which is owned as to 50% by Dr. Choi and as to 50% by Mrs. Choi. In view of the above, Endless Source, Dr. Choi and Mrs. Choi are our Controlling Shareholders under the GEM Listing Rules.

During the Track Record Period, we have entered into certain transactions with the connected persons of our Company. Please refer to the section headed "Financial Information – Related Parties Transactions" on page 183 to page 184 for details of the transactions. Upon the [REDACTED], our Group will continue to carry out some of these transactions with the connected persons of our Company. Please refer to section headed "Connected Transactions" on page 127 to page 133 for details of the transactions upon the [REDACTED].

LITIGATION AND CLAIMS

As at the Latest Practicable Date, our Group had not been involved in any litigations, arbitrations or claims of material importance; and no litigations, arbitrations or claims of material importance is known by the Directors to be pending or threatened by or against our Group, which would have a material adverse impact on the operating results or financial position of our Group.

SUMMARY

[REDACTED] STATISTICS

[REDACTED]

[REDACTED] EXPENSES

Assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative range of the [REDACTED] stated in this document, the [REDACTED] expenses are estimated to be approximately HK\$[REDACTED] million. Of such amount to be borne by us, approximately HK\$[REDACTED] million is directly attributable to the issue of the [REDACTED] and is expected to be accounted for as a deduction from equity upon the [REDACTED]. The remaining amount of approximately HK\$[REDACTED] million, which cannot be so deducted, will be charged to profit or loss. Of the approximately HK\$[REDACTED] million that will be charged to profit or loss, and approximately HK\$[REDACTED] million have been charged for the year ended 31 December 2015, respectively, and approximately HK\$[REDACTED] million is expected to be incurred for year ending 31 December 2016. Expenses in relation to the [REDACTED] are non-recurring in nature.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the [REDACTED], assuming that the [REDACTED] is not exercised at all and a [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], after deducting the related expenses, will be approximately HK\$[REDACTED] million. We intend to (i) apply a portion of the net proceeds approximately HK\$[REDACTED] million, or approximately [REDACTED]% of the net proceeds to expand our loan portfolio; and (ii) the balance of approximately HK\$[REDACTED] million, or approximately [REDACTED]% of the net proceeds, will be used for our working capital and other general corporate purposes. For further information in regard to our business objectives, strategies and use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” on page 191 to page 193.

SUMMARY

DIVIDEND POLICY

For the two years ended 31 December 2014 and 2015, we did not declare any dividends to our then shareholder. Our Company proposes to declare a dividend of HK\$[REDACTED] million, which is expected to be fully settled before the [REDACTED]. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

RECENT DEVELOPMENT

Our commission from the Brokerage Services highly correlates with the trading volume of the Hong Kong securities market. As at the Latest Practicable Date, the Hang Seng Index closed at 20,498.92 points, representing a decrease of approximately 6.5% as compared with 21,914.40 points as at 31 December 2015. According to the HKEx Monthly Market Highlights – February 2016, the average daily turnover of the Hong Kong securities market for the first two months of 2016 dropped approximately 11.8% to approximately HK\$74.4 billion when compared with the same period in 2015. Meanwhile, our commission income generated from the Brokerage Services also declined in February 2016 when compared with the same period in 2015. However, there had not been any material change in the commission rates charged to our customers in the Brokerage Services subsequent to 31 December 2015.

For our placing and underwriting services, as at 31 December 2015, we had 1 engagement as underwriter in progress. Subsequent to 31 December 2015 and up to the Latest Practicable Date, we did not have any engagements as underwriter/sub-underwriter and placing agent/sub-placing agent. During the same period, we had completed 1 of those engagements.

For our money lending businesses, subsequent to 31 December 2015 and up to the Latest Practicable Date, we have granted secured loans amounted to HK\$6.3 million in total, and there were no occasions where our customers failed to repay any loan principal or to pay their interest. Our Directors will continue to closely monitor our outstanding loan position and their recoverability.

As at 29 February 2016, the AUM of H&S Fund was approximately US\$50.9 million and the aggregate AUM of the discretionary accounts managed by us was approximately HK\$139.6 million.

Dr. Choi has provided shareholder's loans to our Group with an aggregate amount of approximately HK\$[181,605,000], being the sum of the amount due by our Group to Dr. Choi of approximately HK\$71,508,000 as at 31 December 2015 and the Grand Rich's Debt of approximately HK\$[110,097,000] which will be assumed by Trinity Union in full as part of the consideration payable by it under the H&S SPA. Our Group had repaid part of the shareholder's loans in the amount of approximately HK\$21,841,000 by March 2016. The remaining shareholder's loan in the amount of approximately HK\$[159,764,000] provided by Dr. Choi to our Group will be fully capitalised prior to the completion of the Reorganisation. For details of the capitalisation of the shareholder's loans, please refer to the section headed "History, Reorganisation and Corporate Structure – Reorganisation – Capitalisation of the shareholder's loans provided by Dr. Choi" in this document.

Our Directors confirm that save for the non-recurring [REDACTED] expenses, subsequent to the Track Record Period and up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

“active accounts”	securities trading accounts of our Group which had recorded at least one transaction within the financial year ended 31 December 2014 or 31 December 2015 (as the case may be)
“AE Accounts”	the securities trading accounts, the matters of which our designated account executives are responsible for in relation to each of such accounts
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on [●], and to take effect on [REDACTED], as supplemented, amended or otherwise modified from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Authorised Institution(s)”	a bank, a restricted licence bank or a deposit-taking company authorised under the Banking Ordinance
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board” or “Board of Directors”	our board of Directors
	[REDACTED]
“Brokerage Services”	the brokerage services and services incidental thereto provided by H&S Securities
“BSAs”	collectively, Mr. Chu’s BSA, Mr. Chan’s BSA and Mr. KK Chan’s BSA
“Business Day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

DEFINITIONS

“Buy-Back Mandate”	the general mandate to buy back Shares given to our Directors by our sole Shareholder, a summary of which is contained in the section headed “Further information about our Group – Written resolutions of our sole Shareholder dated [●]” in Appendix IV to this document
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of [REDACTED] Shares to be made upon 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 Group – Written resolutions of our sole Shareholder dated [●]” in Appendix IV to this document
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person permitted 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
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“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), which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”	Head & Shoulders Financial Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 30 October 2015
“Compliance Adviser’s Agreement”	the compliance adviser’s agreement dated 7 April 2016 entered into between Messis Capital and our Company
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and in the context of this document, unless the context otherwise requires, refers to Endless Source, Dr. Choi and Mrs. Choi
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“CWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity to be executed by our Controlling Shareholders prior to the [REDACTED] as indemnifiers in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries) as more particularly set out in the section headed “Other information – Tax and other indemnities” in Appendix IV to this document
“Deed of Non-competition”	the deed of non-competition to be executed by our Controlling Shareholders prior to the [REDACTED] in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries from time to time) as more particularly set out in the section headed “Relationship with Controlling Shareholders” in this document
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Dr. Choi”	Dr. Choi Chiu Fai Stanley (蔡朝暉), an executive Director, the chairman of the Board, one of our Controlling Shareholders and spouse of Mrs. Choi
“Dr. Choi’s BSA”	the service agreement dated 22 March 2016 entered into between H&S Securities and Dr. Choi in respect of the provision of Brokerage Services by H&S Securities to Dr. Choi and/or his associates
“Dr. Law”	Dr. Law Man Wah (羅文華), an independent non-executive Director
“EarnLink”	Earnlink Limited (御喬有限公司), a company incorporated in Hong Kong with limited liability on 18 March 2013 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Endless Source”	Endless Source Limited (恒本有限公司), a company incorporated in the BVI with limited liability on 22 September 2015, which is owned as to 50% by Dr. Choi and as to 50% by Mrs. Choi, and one of our Controlling Shareholders
“FATCA”	the United States Foreign Account Tax Compliance Act
“FFIs”	the foreign financial institutions that hold or manage customers’ money, including banks, private equity funds, hedge funds, institutional investment funds, retirement funds and trusts, insurance companies, securities brokers and dealers, irrespective of where they are headquartered or whether or not the shareholding structure is in the USA
“First 6-Month Period”	has the meaning as it is defined in the section headed “Underwriting” in this document
“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

DEFINITIONS

“Grand Rich”	Grand Rich Limited, a company incorporated in the BVI with limited liability on 12 March 2013 that would not form part of our Group upon completion of the Reorganisation
“Grand Rich’s Debt”	the shareholder’s loans in the sum of approximately HK\$[110,097,000] advanced by Dr. Choi to Grand Rich and used by Grand Rich partly for the paid up share capital of and partly as advance to its then subsidiaries of our Group prior to the Reorganisation and to be assumed by Trinity Union in full as part of the consideration payable by Trinity Union under the H&S SPA
“Group”, “our Group” or “the Group”	our Company and our subsidiaries or any of them or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries
“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, a wholly-owned subsidiary of HKEx
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	[REDACTED]
“House Accounts”	securities trading accounts of our Group other than AE Accounts
“HSPASP”	HS Powered Alpha Segregated Portfolio (formerly known as Derivative Power Segregated Portfolio)
“HSSESP”	HS Special Event Segregated Portfolio

DEFINITIONS

“HSVCSP”	HS Value Conserve Segregated Portfolio
“H&S AML”	Head & Shoulders Asset Management Limited (聯合資產管理有限公司), a company incorporated in Hong Kong with limited liability on 19 January 2012 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation and a corporation licensed to carry on Type 9 (asset management) regulated activity under the SFO
“H&S (Cayman) AML”	Head and Shoulders (Cayman) Asset Management Limited, a company incorporated in the Cayman Islands with limited liability on 21 June 2010, which is indirectly wholly-owned by Dr. Choi and his associate(s)
“H&S Credit”	Head & Shoulders Credit Limited (聯合信貸有限公司), a company incorporated in Hong Kong with limited liability on 23 July 2013 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“H&S Fund”	Head and Shoulders Global Investment Fund SPC, an exempted company incorporated in the Cayman Islands and registered as a segregated portfolio company on 21 June 2010, formerly known as Head and Shoulders China Core SPC, and changed to its current name on 7 February 2013, which is directly wholly-owned by H&S (Cayman) AML
“H&S Securities”	Head & Shoulders Securities Limited (聯合證券有限公司), a company incorporated in Hong Kong with limited liability on 15 December 1999, formerly known as Head & Shoulders Securities Limited (時峯證券有限公司), and changed to its current name on 19 November 2003, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation and a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO

DEFINITIONS

“H&S SPA”	the sale and purchase agreement to be entered into between Grand Rich, as vendor and Trinity Union, as purchaser prior to the completion of the Reorganisation, pursuant to which Grand Rich agreed to transfer (i) one share in Master Gold and the indebtedness in the sum of approximately HK\$[50,087,000] owed by Master Gold to Grand Rich; (ii) 1,298,107 shares in Spread Fame; and (iii) 50,000,000 shares in H&S Credit, to Trinity Union
“IGA”	an intergovernmental agreement entered into between the governments of the United States and Hong Kong for implementation of FATCA
“Incorporation Share”	one Share which was allotted and issued to the initial subscriber on 30 October 2015 and was transferred to Endless Source on the same date
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive, or substantial Shareholders, our subsidiaries or any of their respective associates
“IRD”	the Hong Kong Inland Revenue Department
“Issue Mandate”	the general mandate to allot, issue and deal with new Shares given to our Directors by our sole Shareholder, a summary of which is contained in the section headed “Further information about our Group – Written resolutions of our sole Shareholder dated [●]” in Appendix IV to this document
“Latest Practicable Date”	1 April 2016, being the latest practicable date prior to the printing of this document for ascertaining certain information referred to in this document
	[REDACTED]
“Linewear Assets”	Linewear Assets Limited, a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of Simsen, and an Independent Third Party

[REDACTED]

DEFINITIONS

[REDACTED]

“Listing Division”	the listing division of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lynch Oasis”	Lynch Oasis Inc., a company incorporated in the BVI with limited liability, which is owned as to 50% by Dr. Choi and as to 50% by Mrs. Choi
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operates in parallel with GEM
“Management Services”	the management and investment services with respect to HSPASP provided by H&S AML
“Master Gold”	Master Gold Limited (金碩有限公司), a company incorporated in the BVI with limited liability on 8 January 2013 and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on [●], as amended, supplemented or otherwise modified from time to time
“Messis Capital” or “Sponsor”	Messis Capital Limited, the sponsor of our Company for the [REDACTED], a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Money Lenders Licence”	the money lenders licence issued by the Licensing Court pursuant to the Money Lenders Ordinance and Money Lenders Regulations for carrying on money lending business in Hong Kong
“Money Lenders Ordinance” or “MLO”	the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Money Lenders Regulations”	the Money Lenders Regulations (Chapter 163A of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Mr. Chan”	Mr. Chan Wai Sang (陳偉生), the chief operating officer of our Group and a director of certain subsidiaries of our Group
“Mr. Chan’s BSA”	the service agreement to be entered into between H&S Securities and Mr. Chan prior to the [REDACTED], in respect of the provision of Brokerage Services by H&S Securities to Mr. Chan and/or his associates
“Mr. Chu”	Mr. Chu Stephen Henry (徐英略), our non-executive Director
“Mr. Chu’s BSA”	the service agreement to be entered into between H&S Securities and Mr. Chu prior to the [REDACTED], in respect of the provision of Brokerage Services by H&S Securities to Mr. Chu and/or his associates
“Mr. Hon”	Mr. Hon Ming Sang (韓銘生), our independent non-executive Director
“Mr. Huang”	Mr. Huang Hongwei (黃鴻偉), the senior equity strategist of our Group
“Mr. KK Chan”	Mr. Chan Kam Kwan (陳錦坤), a director of certain subsidiaries of our Company
“Mr. KK Chan’s BSA”	the service agreement to be entered into between H&S Securities and Mr. KK Chan prior to the [REDACTED], in respect of the provision of Brokerage Services by H&S Securities to Mr. KK Chan and/or his associates
“Mr. Lam”	Mr. Lam Yat Ming (林一鳴), our executive Director
“Mr. Leung”	Mr. Leung Chiu Lun (梁釗麟), the financial controller of our Group
“Mr. Wong”	Mr. Wong Chun Kit (王震傑), the company secretary of our Company

DEFINITIONS

“Mrs. Choi” Ms. Cheung Fung Kuen Maggie (張鳳娟), one of our Controlling Shareholders and spouse of Dr. Choi

[REDACTED]

“PIMA” the portfolio investment management agreement dated 4 February 2016 entered into between H&S AML and H&S (Cayman) AML in respect of the provision of the Management Services by H&S AML to H&S (Cayman) AML

[REDACTED]

DEFINITIONS

"PRC" the People's Republic of China, and for the purpose of this document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

[REDACTED]

"Relevant Jurisdictions" has the meaning as it is defined in the section headed "Underwriting" in this document

"Relevant Securities" has the meaning as it is defined in the section headed "Underwriting" in this document

"Reorganisation" the reorganisation of our Group for the purpose of the [REDACTED], particulars of which are set out in the section headed "History, Reorganisation and Corporate Structure" in this document

"Second 6-Month Period" has the meaning as it is defined in the section headed "Underwriting" in this document

"SFC" the Securities and Futures Commission of Hong Kong

"SFO" the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Share(s)" ordinary share(s) of HK\$0.01 each in the share capital of our Company

"Share Option Scheme" the share option scheme conditionally approved and adopted by our Company on [●], the principal terms of which are summarised in the section headed "Share Option Scheme" in Appendix IV to this document

"Shareholder(s)" holder(s) of the Share(s)

DEFINITIONS

“Simsen”	Simsen International Corporation Limited (currently known as Huarong International Financial Holdings Limited (華融國際金融控股有限公司)), a company incorporated in Bermuda as an exempted company with limited liability, the issued shares of which are listed on the Main Board (stock code: 993), and an Independent Third Party
“Sino Wealth”	Sino Wealth Limited, a company incorporated in the BVI with limited liability on 1 March 2013 that would not form part of our Group upon completion of the Reorganisation
“Spread Fame”	Spread Fame Investments Limited (晉名投資有限公司), a company incorporated in the BVI with limited liability on 12 September 2011 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Tax Adviser”	Mazars Tax Services Limited, our tax adviser handling the tax audit as to the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)
“Tracing Paper”	Tracing Paper International Limited, a company incorporated in BVI with limited liability, which is owned as to 70% by Mr. Cheung Haywood and as to 30% by Lynch Oasis
“Track Record Period”	the two years ended 31 December 2015
“Trading Limit(s)”	the maximum dollar amount of securities that our customers can purchase when they do not have sufficient cash in their account. Our customers are required to settle their trade executed within the T+2 period

DEFINITIONS

“Trinity Union”	Trinity Union Limited, a company incorporated in the BVI with limited liability on 21 December 2015 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Underwriters”	the underwriters of the [REDACTED] whose names are set out in the section headed “Underwriting – Underwriters” in this document
“Underwriting Agreement”	the conditional underwriting agreement dated [●] made between, among others, our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the [REDACTED] and the Underwriters relating to the [REDACTED], brief particulars of which are summarised in the section headed “Underwriting” in this document
“United States”, “US” or “USA”	the United States of America
“US IRS”	the US Internal Revenue Service
“HK\$” and “cents”	Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“p.a.”	per annum
“sq.ft.”	square feet
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	per cent.

All dates and times refer to Hong Kong dates and time.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this document, unless otherwise specified, amounts denominated in HK\$, US\$ have been converted, for the purpose of this document, based on the rates set out below (for the purpose of illustration only):

US\$1.00 : HK\$7.75

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations and definitions of certain terms used in this document in connection with our Group and our business. These terms and their meanings may not correspond to meanings or usage given to them by others.

“AMS”	the Automatic Order Matching and Execution System, a historical electronic stock trading system of the Stock Exchange, the first generation of which was launched in November 1993, and ceased to be available for trading purposes since 4 September 2015
“Anti-Money Laundering Guideline”	the Guidance on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC and became effective since July 2012
“AUM”	asset under management
“BSS”	the Broker Supplied System, developed and operated by the Stock Exchange Participant for trading purposes, which includes any server, terminal and other device connected to it
“Chinese Wall”	the theoretical barrier to ensure that non-public material information regarding listed companies which is obtained in one department is not released to another department, and to isolate those persons who make investment decisions from those who are privy to non-public material information which may influence those decisions
“Code of Conduct”	the Code of Conduct for Persons Licensed by or Registered with the SFC
“CSR”	the Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“FRR”	the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“IPO”	initial public offering
“JFIU”	Joint Financial Intelligence Unit

GLOSSARY OF TECHNICAL TERMS

“Licensed Representative(s)”	individual(s) who is/are granted a licence(s) under section 120(1) or 121(1) of the SFO to carry on one or more regulated activities for a licensed corporation to which he/she/they is/are accredited
“Licensing Court”	the court responsible for determination of applications for granting or renewing of the Money Lenders Licences
“MWS”	the Multi-Workstation System, a part of the AMS that is a computer-based system designed to automatically record, match and execute orders to buy or sell securities listed on the Stock Exchange historically, and ceased to be available for trading purposes since 4 September 2015
“NSTD”	the New Securities Trading Device (also known as ET Trade Speed Station), a multi-workstations front-end trading device
“Registrar of Money Lenders”	the person appointed under the Money Lenders Ordinance for the purposes of establishing and maintaining the register of money lenders, who currently is the Registrar of Companies in Hong Kong
“Responsible Officer(s)”	Licensed Representative(s) who is/are also approved as a responsible officer(s) under section 126 of the SFO to supervise one or more regulated activities of the licensed corporation to which he/she/they is/are accredited
“Shanghai-Hong Kong Stock Connect”	the securities trading and clearing linked program developed by the Stock Exchange, Shanghai Stock Exchange and China Securities Depository and Clearing Corporation, pursuant to the relevant Hong Kong and PRC regulations, as amended, supplemented or otherwise modified from time to time
“Stock Exchange Participant(s)”	person(s) who, in accordance with the rules of the Stock Exchange, may trade on or through the Stock Exchange; and whose name(s) is/are entered in a list, register or roll kept by the Stock Exchange as a person(s) who may trade on or through the Stock Exchange

GLOSSARY OF TECHNICAL TERMS

“Stock Exchange Trading Right” a right to be eligible to trade on or through the Stock Exchange and entered as such a right in a list, register or roll kept by the Stock Exchange

“T+2” two trading days from the relevant transaction day

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN DOCUMENT MAY NOT MATERIALISE

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “might”, “plan”, “consider”, “potential”, “propose”, “anticipate”, “seek”, “should”, “would” or similar expressions or the negative thereof, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- Future development, trends and conditions in the industry and markets in which we operate;
- Expansion, consolidation or other trends in the industry in which we operate;
- Regulations and restrictions;
- General political and economic conditions in Hong Kong, the PRC and internationally;
- Exchange rate fluctuations and developing legal system, in each case pertaining to Hong Kong and the industry and markets in which we operate;
- Macroeconomic measures taken by the Hong Kong and/or the PRC governments to manage economic growth;
- Our business prospects;
- The competition for our business activities and the actions and development of our competitors;
- Financial condition and performance of our Group;
- Our dividend policy;

FORWARD-LOOKING STATEMENTS

- Changes to our expansion plans and use of capital expenditures; and
- Realisation of the benefits of our business plan and strategies.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Sponsor, the [REDACTED], the [REDACTED], the Underwriters, any other parties involved in the [REDACTED] or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to those discussed under the section headed "Risk Factors" and elsewhere in this document.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

RISK FACTORS

You should consider carefully all the information set out in this document and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading prices of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP

We are subject to extensive regulatory requirements, the non-compliance with which could result in fines, restriction on our Group's activities or even suspension or revocation of some or all of our licences for carrying on our business activities

The Hong Kong financial market in which we operate is highly regulated under applicable laws and regulations including but not limited to, the SFO, the Companies Ordinance, the CSR, the FRR, the Listing Rules, the GEM Listing Rules, the trading rules of the Stock Exchange and the Takeovers Code. Our money lending business is also regulated under the Money Lenders Ordinance and the Money Lenders Regulations. Any changes in rules and regulations governing our business activities from time to time might result in an increase in our cost of compliance, or might restrict our business activities. In case we fail to comply with the applicable rules and regulations from time to time, it might result in fines, restrictions on our Group's activities or even suspension or revocation of some or all of our licences for carrying on our business activities. Accordingly, our business operation and financial results might be materially and adversely affected.

Furthermore, we are required to be, and continuously to be, licensed with the relevant regulatory authorities including without limitation, as licensed corporations under the SFO and as a licensed money lender. In this respect, we have to ensure continuous compliance with all applicable laws, regulations, codes and guidelines, and to satisfy the relevant regulatory authorities that we remain fit and proper to be licensed. If there is any change or tightening of the relevant laws, rules, regulations, codes and guidelines, it may adversely affect our operation and business.

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

RISK FACTORS

We may be subject to substantial risks if our customers default on payments

(i) Securities trading services

During the course of provision of Brokerage Services, our customers are required to settle their securities transactions within T+2. If our customers do not have sufficient cash with us to do so, our Group is required to settle the same with CCASS on behalf of the customers. Therefore, our Group needs to maintain sufficient resources for the abovementioned settlements and is exposed to potential default in payment by our customers. As such, our liquidity position will be adversely affected.

There is no assurance that our customers will continue to meet their obligations to settle their securities transactions. In the event that our customers fail to meet their payment obligations, our financial results may be materially and adversely affected.

(ii) Money lending services

We provide money lending services to customers under our Money Lenders Licence. For the year ended 31 December 2015, the total amount of loans we granted amounted to approximately HK\$177.7 million and as at 31 December 2015, our Group's loan receivables from our money lending services were amounted to approximately HK\$131.4 million.

The securities or other assets pledged to us as collateral under our money lending services may not be sufficient to cover the amount of our outstanding loan in the event of default by our customers. As at 31 December 2014 and 2015, 19.6% and 22.4% of our total gross outstanding loans were unsecured loans. During the Track Record Period, for the secured loans, the range of loan-to-value ratios as at the date of entering into of the loan agreements were from 6.2% to 83.9%. In the case of sudden adverse developments in the market, such as a stock market crash, the amount of outstanding loans may exceed the value of the securities after realisation and we may suffer material and adverse effects to our profitability, financial conditions and results of operations.

There exists higher credit risks on our unsecured loan portfolio

As of 31 December 2014 and 2015, 19.6% and 22.4% of our total gross outstanding loans were unsecured loans. Notwithstanding, we have developed a series of credit evaluation procedures that enable us to make credit decisions based on the creditworthiness of our customers, in general, our ability to recover payments from defaulting customers of unsecured loans is more limited than those backed by collateral or pledge.

Our customers' repayment abilities are affected by various factors including economic development in the regions where our customers locate or operate, market conditions in the industries where our customers conduct business, and development of our customers' business. As a result, if our customers of unsecured loans default for any reason, our return and results of operations could be adversely affected.

RISK FACTORS

If our customers of unsecured loans default, we may apply to the court to claim against the defaulting customers and to enforce the judgment orders against their assets, such as real property. However, the enforcement application for assets of another person and liquidating or realising the value of such assets may be time consuming or ultimately unsuccessful. In addition, the enforcement process may be difficult for legal and practical reasons. Furthermore, the defaulting customers may have concealed, transferred or sold their assets beforehand, which make it difficult or impossible for us to apply for enforcement. Moreover, if the foreclosed assets are mortgaged and registered in favour of third parties, our interests will be ranked behind these third parties and our unsecured rights may not be enforced until secured creditors receive full payment, thereby limiting or even preventing us from benefiting from such assets.

If the IRD charges a Hong Kong profits tax and/or penalty that substantially exceeds the tax provision we made, it will have a negative impact on our financial condition and results of operations

(i) H&S Securities

H&S Securities provides Brokerage Services to corporate customers and individual customers for trading of equity and debt securities listed on the Stock Exchange, and conducts placing and underwriting activities in Hong Kong. H&S Securities was the key operating entity of our Group and it was subject to registration and tax reporting in Hong Kong. During the period from 23 March 2012 and up to the Latest Practicable Date, a tax audit on H&S Securities was being conducted by the Field Audit and Investigation Unit of the IRD. For the years of assessment of 2005/06 to 2009/10, the IRD issued notices of additional assessment to H&S Securities. According to these notices of additional assessment, the estimated aggregated additional assessable profits were approximately HK\$5,241,000 and the aggregated taxes demanded were approximately HK\$897,000. Details of the tax audit and H&S Securities' potential tax exposure that may result from the tax audit are set out in the section headed "Business – Taxation" in this document.

(ii) H&S AML

Our H&S AML provides asset management services and develops asset management products based on our customers' asset size and needs. We have been appointed as portfolio investment manager (formerly known as investment advisor) of H&S Fund pursuant to the PIMA entered into between H&S AML and H&S (Cayman) AML since February 2012. Since both H&S Fund and H&S (Cayman) AML were incorporated in the Cayman Islands, the management was previously under the impression that H&S Fund and H&S (Cayman) AML were not subject to registration and tax reporting in Hong Kong, and any profits derived from them were outside Hong Kong. On 23 June 2015, an enquiry letter regarding the H&S Fund managed by H&S AML was issued by the IRD and a reply to the enquiry letter was submitted to the IRD on 30 October 2015. As at the Latest Practicable Date, no written or verbal follow-up enquiry was received from the IRD in relation to this enquiry letter. The Tax Adviser is of the view that, in respect of the matters in relation to the H&S Fund, if the profits of H&S

RISK FACTORS

(Cayman) AML are subject to tax in Hong Kong, the estimated additional tax liability of HK\$68,311 may be assessed on H&S Securities and H&S AML. Details of the tax audit and the H&S AML's potential tax exposure that may result from the tax audit are set out in the section headed "Business – Taxation" in this document.

We cannot assure you that the IRD would not charge us tax payable which exceeds our provision and/or charge penalty in respect of the tax assessments of H&S Securities and H&S AML or otherwise. If the IRD requires us to pay the full amount of the Hong Kong profits tax or imposes penalty on us, it would affect our cash flow and could have a material adverse impact on our financial condition and results of operations.

Our securities trading services involve active interactions between our staff and customers and therefore it is subject to human errors, which we have to bear the losses resulting therefrom

During the course of providing securities trading services, trading errors (such as incorrect input of customers' instructions, including stock code, number of shares, account numbers and buy/sell orders) may occur. Upon discovery of any trading errors, we have to take immediate actions to close out error trade positions and recognise gains or losses from such error trades, if any. During the Track Record Period, we identified 1 and 2 incidents of error trades, respectively. The amount involved in each incident was minimal and it was either covered by us or compensated by the responsible account executive. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any regulatory fines or penalties as a result of error trades.

Our Money Lenders Licence is subject to annual review and/or revocation

Our money lending business is subject to licensing requirements under the provisions of the Money Lenders Ordinance. The Money Lenders Licence is granted by the Licensing Court and is renewable annually subject to satisfaction of all licensing conditions. The Licensing Court also has the discretion to suspend or revoke the licence if it determines that the licensee is or has been in material breach of any licensing conditions. The Money Lenders Licence was granted to H&S Credit since 7 November 2013. On 5 January 2016, we were granted with a renewal of the money lenders licence which will expire on 8 November 2016. There is no assurance that we are able to, and continue to be able to, renew the licence in future upon its expiry. In the event that our Money Lenders Licence is not renewed for any reason, our money lending services will have to be suspended and our results of operations may be adversely affected.

Our business is subject to various risks which are beyond our control and we cannot assure that our historical level of income can be sustained

We generate income mainly from the provision of (i) securities trading services; (ii) money lending services; and (iii) asset management services, which are highly dependent on the activeness of the financial market in Hong Kong. Any sudden downturn in the global economic and sudden change in the political environment, which are beyond our control, may

RISK FACTORS

adversely affect the financial market sentiment. Severe fluctuation in market and economic sentiments may also lead to a prolonged period of sluggish market activities which would in turn incur adverse impact on our business and operating performance. As such, the revenue and profitability of our Group may fluctuate and there is no assurance that we will be able to maintain our historical financial results under difficult or unstable economic conditions.

In addition, market competition is another key factor affecting our business. Apart from the large multi-national financial institutions such as banks and investment banks with global network and local presence in Hong Kong, we face local competition from branded medium-sized and well-established financial services firms, as well as other small-sized financial services firms, which offer similar range of services as our Group. We may not be able to compete effectively and successfully with the competitors and our results of operations may be adversely affected should such competition intensify.

We are exposed to business risks from our placing and underwriting business in case the securities underwritten by us are undersubscribed or the placing exercises failed to complete

During the Track Record Period, our placing and underwriting commission accounted for approximately 11.1% and 20.0% of our total revenue for the two years ended 31 December 2015 respectively.

During the Track Record Period, our underwriting service was conducted on a fully underwritten basis, whereby we were obliged to take up the undersubscribed securities up to the maximum of our underwriting commitment. We are also involved in a number of placing exercises as a placing agent or a sub-placing agent. Depending on the terms of the particular placing agreements, the placing exercises were on a best efforts basis.

If the securities underwritten by us are undersubscribed and we fail to procure subscribers to take up all of the undersubscribed securities, we are required to purchase all of the undersubscribed portion for our own account, which would materially and adversely affect our liquidity. Our financial position would also be adversely affected if the underwritten securities taken up by us become illiquid and/or their market value drops. In the case of placing of securities on a best efforts basis, if the securities are undersubscribed or if market conditions become volatile, the placing may not be completed in full or may be cancelled as a result. Our commission from such placing engagements may reduce or in the worst case we may have no commission at all.

Moreover, the placing and underwriting commission generated by us is directly related to the number of placing and underwriting exercises secured and completed by us and their fund raising sizes. Our Directors consider that our placing and underwriting business is subject to various external factors which are beyond our control, including the number and the size of IPOs in the market, and the activeness of the secondary market for fund-raising exercises under the prevailing financial market environment. There is no assurance that the performance of our Group's placing and underwriting business will not be affected by such external factors.

RISK FACTORS

We rely on our key management personnel to conduct our business, and the loss of any key members of our senior management or professional staff may negatively affect our operation

Our performances and the implementation of our business plans depend on, to a significant extent, the strategies and visions of our key management personnel. Given that the competition for recruiting competent personnel is intense, we may not be able to attract or retain the services of the necessary key personnel for our business in the future. Our key management personnel have extensive experience and network in the financial services industry and are responsible for formulating our corporate strategies and overseeing our business operation and development.

Should our key personnel cease to be involved in our management in the future and we fail to find suitable replacements, our operation and profitability may be materially and adversely affected. In addition, we may need to incur additional costs to recruit, train and retain key personnel.

As at the Latest Practicable Date, our Group had 4, 2 and 3 Responsible Officers for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities respectively, and some of our Responsible Officers hold multiple licenses for different regulated activities. Under the licensing requirements of the SFO, we must at all times maintain at least two Responsible Officers for each regulated activity. Any resignation of our Responsible Officers may result in breaching the relevant licensing requirements, which may lead to suspension of our licences and thus jeopardising our business operation.

Our asset management fees could decline if the investments we manage perform poorly or our customers withdraw assets we manage

For the two years ended 31 December 2015, revenue from our fund management services accounted for approximately 2.6% and 6.5%, respectively, of our total revenue, while revenue from our wealth management services accounted for approximately 8.2% and 3.8%, respectively of our total revenue. Our asset management fees are mainly derived from (i) the management fee of H&S Fund and the discretionary accounts; and (ii) the performance fee and commission which are highly related to the AUM and its appreciation of H&S Fund and the discretionary accounts we manage. Investment performance affects the size of the AUM and is also one of the most important factors in retaining customers and competing for new investment management business. Market volatility and limitations in investment options could limit our ability to provide stable returns for our customers and cause us to lose customers. In addition, we may not be able to keep or increase the AUM due to increased competition from other securities firms, fund managers, private equity investment funds, insurance companies, trust companies, banks and other competitors, which could adversely affect our results of operations.

RISK FACTORS

We may be reliant on major customers if we do not successfully diversify our customer base

Our largest customer contributed to approximately 11.0% and 10.5% of our total revenue for each of the two years ended 31 December 2014 and 2015 respectively. In addition, our top five customers accounted for approximately 48.0% and 43.5% of our total revenue for the years ended 31 December 2014 and 2015 respectively. Saved as the second largest customer who is a former controlling shareholder and director of H&S Securities, each of the top five customers for each of the two years ended 31 December 2015 was an Independent Third Party.

Our results will continue to depend on (i) our ability to retain our customers; (ii) the financial condition of our customers; and (iii) factors that affect the Hong Kong economy in general. We cannot guarantee that we will be able to maintain or improve our relationships with our major customers, who do not have long term commitments with us, and as such any of them may terminate their respective relationships with us. In particular, customers make their borrowing decisions at their own discretion based on their preference and prevailing financial circumstances, and there is no assurance that we will be able to maintain business relationships with such customers in the future. Any decrease in the demand for the required services provided by us could have an adverse impact on our operations and profits. In addition, there is no assurance that we can diversify our customer portfolio.

Our expansion plans may not materialise in accordance with the timetable or at all

As set out in more details in the sections headed "Business – Business strategies" and "Future Plans and Use of Proceeds" in this document, our Group intends to (i) further develop our existing core businesses by emphasizing and expanding our money lending services; (ii) enhance our business penetration into the securities trading market through extensive networking and more active promotion; and (iii) further enhance our wealth management services.

The above expansion plans are based on current intentions and assumptions. The future execution may be subject to capital investment and human resources constraints. Furthermore, our expansion plans may also be hindered by other factors beyond our control, such as the general market conditions, the performance of the financial services industry, and the economic and political environment of Hong Kong, the PRC and the world. Therefore, our expansion plans may not materialise in accordance with the timetable or at all.

Any harm to our reputation may have a material adverse effect on our business, results of operations and financial condition

We and our services are vulnerable to adverse market perception as we operate in an industry where integrity, customer trust and confidence are critical. Litigation and disputes, employee misconduct, changes in senior personnel, customer complaints, and outcome of regulatory investigations or penalties on us may harm our reputation. Any harm to our reputation may cause our existing and potential customers to be reluctant to use our services from us, and may thus have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

The use of the "Head & Shoulders" brand name by other entities may expose us to reputational risks if any actions taken by these entities damage the "Head & Shoulders" brand name

Certain entities are using "Head & Shoulders" as their corporate names. If any actions taken by these entities damage the "Head & Shoulders" brand name, or any negative publicity is associated with any of these entities, our reputation, business, growth prospects, results of operations and financial condition may be materially and adversely affected.

For the details of these entities and our potential liability that may arise from our current use of "Head & Shoulders" as our corporate name, please refer to the section headed "Business – Intellectual property" in this document.

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

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

Past dividends should not be used as a reference for our future dividend policy

For the two years ended 31 December 2014 and 2015, we did not declare any dividends to our then shareholder. Our Company proposes to declare a dividend of HK\$[REDACTED] million, which is expected to be fully settled before [REDACTED].

The declaration and payment of dividends during the Track Record Period and up to the date before the [REDACTED] should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. Whether dividends will be distributed and the amount of dividends to be paid will depend upon, among other things, our profitability, financial conditions, business development requirements, and future prospects and cash requirements of our Group. Any declaration, payment and amount of dividends are at the discretion of our Directors, and will be subject to, among other things, our constitutional documents and the Cayman Islands law.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

The financial services industry in Hong Kong is highly competitive, and our business and prospects may be materially and adversely affected if we are unable to compete effectively

The financial services industry in Hong Kong has a large number of participants which makes the industry highly competitive. As at 31 March 2016, there were 575 Stock Exchange Participants including 526 trading participants and 33 non-trading participants on the Stock Exchange. New participants may enter into the industry so long as they obtain the requisite licences and permits. Apart from large multi-national financial institutions, our Group also faces competition from local medium and small-sized financial services firms which offer similar range of services.

Our Group will have to compete against competitors who may have greater brand recognition in the market, more human and financial resources, a wider range of services and longer operating history than our Group. There is no assurance that our Group will be able to maintain our competitive strengths by responding rapidly to the changing business environment or to capture new market opportunities. Any intensified competition may result in price reduction, which in turn, may have an adverse impact on our operating performance and financial results.

RISK RELATING TO ECONOMIC AND POLITICAL CONDITIONS IN HONG KONG

Changes in the economic, political and social conditions, as well as government policies, could have a material and adverse effect on our business, financial condition, results of operations and prospects

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

RISK FACTORS

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares. The trading volume and market price of the Shares following the [REDACTED] may be volatile

Prior to the [REDACTED], there is no public market for our Shares. The [REDACTED] of, and the permission to deal in, our Shares on GEM do not guarantee the development of an active public market for our Shares or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our revenue, earnings and cash flows, strategic alliances or acquisitions made by us or our competitors, industrial or environmental accidents suffered by us, loss of key personnel, litigation or fluctuations in the market prices for our services, the liquidity of the market for our Shares, the general market sentiment regarding the financial services industry could cause the market price and trading volume of our Shares to change substantially. In addition, both the market price and liquidity of our Shares could be adversely affected by factors beyond our control and unrelated to the performance of our business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, our Shares may not be sold at or above the [REDACTED] in the public market.

Shareholders may experience further dilution if we grant options under the Share Option Scheme and/or issue additional Shares in future

Our Company has conditionally adopted the Share Option Scheme although no options had been granted thereunder as at the Latest Practicable Date. We may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

Under the HKFRS, the costs of the options to be granted under the Share Option Scheme will be charged to our consolidated income statement over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

In addition, we may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to our existing Shareholders, the shareholding of our Shareholders may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

Future sales or perceived sales of substantial amounts of our securities in the public market could have a material and adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [REDACTED]. We cannot predict the effect, if any, of any future sales of our Shares by any of our Controlling Shareholders, or that the availability of our Shares for sale by any of our Controlling Shareholders may have impact on the market price of our Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of our Shares.

RISK FACTORS

RISKS RELATING TO THIS DOCUMENT

Some facts, forecast and statistics contained in this document with respect to the global and Hong Kong economies and securities industries are derived from various official or third party sources and may not be accurate, complete or up-to-date

Certain facts, statistics, and data presented in the section headed "Industry Overview" in this document and elsewhere in this document relating to the global and Hong Kong economies and securities industries have been derived, in part, from various publications and industry-related sources prepared by government bodies or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither we, our Directors, the Sponsor, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Forward-looking statements contained in this document are subject to risks and uncertainties

Included in this document are various forward-looking statements that are based on various assumptions. Our future results could differ materially from those expressed or implied by such forward-looking statements. Prospective investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although our Company believes the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by our Company that our plans or objectives will be achieved and prospective investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. For details of these statements, please refer to the section headed "Forward-looking Statements" in this document.

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 20 OF THE GEM LISTING RULES

1. Brokerage Services rendered by H&S securities to Dr. Choi and/or his associates

On 22 March 2016, H&S Securities, an indirect wholly-owned subsidiary of our Company, entered into Dr. Choi's BSA with Dr. Choi, our executive Director, chief executive officer and chairman of our Board and one of our Controlling Shareholders, pursuant to which, H&S Securities may, upon request, (but not obliged to) provide the Brokerage Services to Dr. Choi and/or his associates from time to time, on a non-exclusive basis, in accordance with the terms and conditions of Dr. Choi's BSA. Given that the proposed annual caps contemplated under Dr. Choi's BSA for the years ending 31 December 2016, 2017 and 2018 are approximately HK\$4,500,000, HK\$5,400,000 and HK\$6,500,000, respectively, Dr. Choi's BSA and the transactions thereunder constitute continuing connected transactions of our Company under the GEM Listing Rules upon the [REDACTED], and are subject to the announcement requirement but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 20.74 of the GEM Listing Rules upon the [REDACTED]. The Sponsor on behalf of our Company, has applied to the Stock Exchange for, and [the Stock Exchange has granted], a waiver from strict compliance with the announcement requirement in respect of such continuing connected transactions under Rule 20.103 of the GEM Listing Rules.

2. Management Services rendered by H&S AML to H&S (Cayman) AML

On 4 February 2016, H&S AML, an indirect wholly-owned subsidiary of our Company, entered into the PIMA with H&S (Cayman) AML, a corporation wholly-owned by Dr. Choi and his associate(s), pursuant to which, H&S (Cayman) AML agreed to appoint H&S AML to provide the Management Services in accordance with the terms and conditions of the PIMA. Given that the proposed annual caps contemplated under the PIMA for the years ending 31 December 2016, 2017 and 2018 are approximately HK\$5,700,000, HK\$11,200,000 and HK\$20,800,000, respectively, the PIMA and the transactions thereunder constitute continuing connected transactions of our Company under the GEM Listing Rules upon the [REDACTED], and are subject to the announcement, circular and independent shareholders' approval requirements pursuant to Rule 20.03 of the GEM Listing Rules upon the [REDACTED]. The Sponsor, on behalf of our Company, has applied to the Stock Exchange for, and [the Stock Exchange has granted], a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements in respect of such continuing connected transactions under Rule 20.103 of the GEM Listing Rules.

Details of the aforementioned continuing connected transactions and information in relation to the reasons, annual caps, basis and conditions for the waiver are set out in the section headed "Connected Transactions – Non-exempt continuing connected transactions" in this document.

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

Name	Address	Nationality
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Executive Directors

Dr. Choi Chiu Fai Stanley (蔡朝暉)	House 8 28 Gough Hill Road Hong Kong	Chinese
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Mr. Lam Yat Ming (林一鳴)	1C, Starview Discovery Bay Lantau Hong Kong	British
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Non-executive Director

Mr. Chu Stephen Henry (徐英略)	Flat A, 12/F 23-29 Tin Hau Temple Road North Point Hong Kong	Canadian
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Independent Non-executive Directors

Dr. Law Man Wah (羅文華)	Flat H, 11/F, Block 19 South Horizons Ap Lei Chau Hong Kong	Chinese
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Professor Lai Kin Keung (黎建強)	Flat D, 13/F, Block 7 Peridot Court 9 Yu Chui Street Tuen Mun New Territories Hong Kong	British
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Mr. Hon Ming Sang (韓銘生)	Flat 710, 7/F Yan Tung House Tung Tau Estate Kowloon City Hong Kong	Chinese
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For further information on the profile and background of our Directors, please refer to the section "Directors and Senior Management" in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sponsor

Messis Capital Limited
A licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
Room 1606, 16/F., Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

[REDACTED]

Underwriters

[REDACTED]

Legal advisers to our Company

as to Hong Kong law
Michael Li & Co
Solicitors, Hong Kong
19th Floor
Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

as to Cayman Islands law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Legal advisers to the Sponsor and
[REDACTED]**

as to Hong Kong law
Vincent T.K. Cheung, Yap & Co.
Solicitors, Hong Kong
11th Floor
Central Building
1-3 Pedder Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Reporting accountants

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
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	Room 2509-12A, 25/F COSCO Tower 183 Queen's Road Central Hong Kong
Company's website	www.hnsfg.com <i>(the contents of the website do not form part of the [REDACTED])</i>
Company secretary	Mr. Wong Chun Kit (<i>HKICS</i>) Room 7, 32/F, Block E King Shan Court Diamond Hill Kowloon
Authorised representatives (for the purpose of the GEM Listing Rules)	Dr. Choi Chiu Fai Stanley House 8 28 Gough Hill Road Hong Kong Mr. Wong Chun Kit Room 7, 32/F, Block E King Shan Court Diamond Hill Kowloon
Compliance officer	Mr. Lam Yat Ming
Audit committee	Mr. Hon Ming Sang (<i>Chairman</i>) Professor Lai Kin Keung Dr. Law Man Wah
Remuneration committee	Professor Lai Kin Keung (<i>Chairman</i>) Dr. Law Man Wah Mr. Hon Ming Sang

CORPORATE INFORMATION

Nomination and corporate governance committee	Dr. Law Man Wah (<i>Chairman</i>) Professor Lai Kin Keung Mr. Hon Ming Sang
Principal share registrar and transfer office in the Cayman Islands	[REDACTED]
Hong Kong branch share registrar and transfer office	[REDACTED]
Compliance adviser	Messis Capital Limited <i>A licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO</i> Room 1606, 16/F., Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong
Principal bank	Chong Hing Bank Limited Chong Hing Bank Centre 24 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, 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 facts 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], the [REDACTED], the Underwriters 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 derived 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.

HISTORY OF THE HONG KONG STOCK MARKET

Reports of securities trading in Hong Kong date back to the mid-19th century. However, Hong Kong's first stock exchange, the Association of Stockbrokers, was not established until 1891. It was re-named as The Hong Kong Stock Exchange in 1914. 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. To streamline the regulatory framework for the development of the stock market in Hong Kong, a series of mergers and acquisitions of stock exchange took place and the Stock Exchange commenced trading in 1986.

After the 1987 market crash, the SFC was set up in 1989 to facilitate the regulatory and infrastructural development in the securities and futures markets. Further improvements to the stock market infrastructure were brought about by the introduction of CCASS in 1992 and the AMS in 1993. In 1999, the Stock Exchange launched GEM to provide a platform of fund-raising for growth enterprises. In April 2015, the migration of MWS and AMS terminals to NSTD, a multi-workstation front-end trading device, was completed successfully.

On 6 March 2000, the Stock Exchange, Hong Kong Futures Exchange Limited and HKSCC were merged under a single holding company, HKEx. On 27 June 2000, HKEx listed its shares on the Main Board by way of introduction.

With decades of development, the Stock Exchange became one of the leading stock exchanges in the world. According to the global ranking of stock exchanges by market capitalisation which is available on the SFC website, Hong Kong ranked the eighth largest market of the world's leading stock exchanges in terms of domestic equity market

INDUSTRY OVERVIEW

capitalisation as at the end of December 2015 with a total market capitalisation of approximately US\$3,185 billion. It was also the fourth largest stock market in Asia falling behind Tokyo, Shanghai and Shenzhen as at the end of December 2015.

Rank	Exchange	Approximately US\$ billion (as at the end of December 2015)
1	NYSE Euronext (United States)	17,787
2	NASDAQ OMX (United States)	7,281
3	Japan Exchange Group (Japan) ¹	4,895
4	Shanghai Stock Exchange (PRC)	4,549
5	London Stock Exchange Group (United Kingdom) ²	3,973
6	Shenzhen Stock Exchange (PRC)	3,639
7	NYSE Euronext (Europe) ³	3,306
8	Hong Kong Stock Exchange (Hong Kong) ⁴	3,185
9	Deutsche Börse (Germany)	1,716
10	TMX Group (Canada) ⁵	1.592

Source: SFC

Notes:

1. Comprises Tokyo Stock Exchange and Osaka Securities Exchange
2. Comprises London Stock Exchange and Borsa Italiana
3. Comprises Euronext Amsterdam, Euronext Brussels, Euronext Lisbon and Euronext Paris
4. Includes GEM
5. Includes TSX Venture

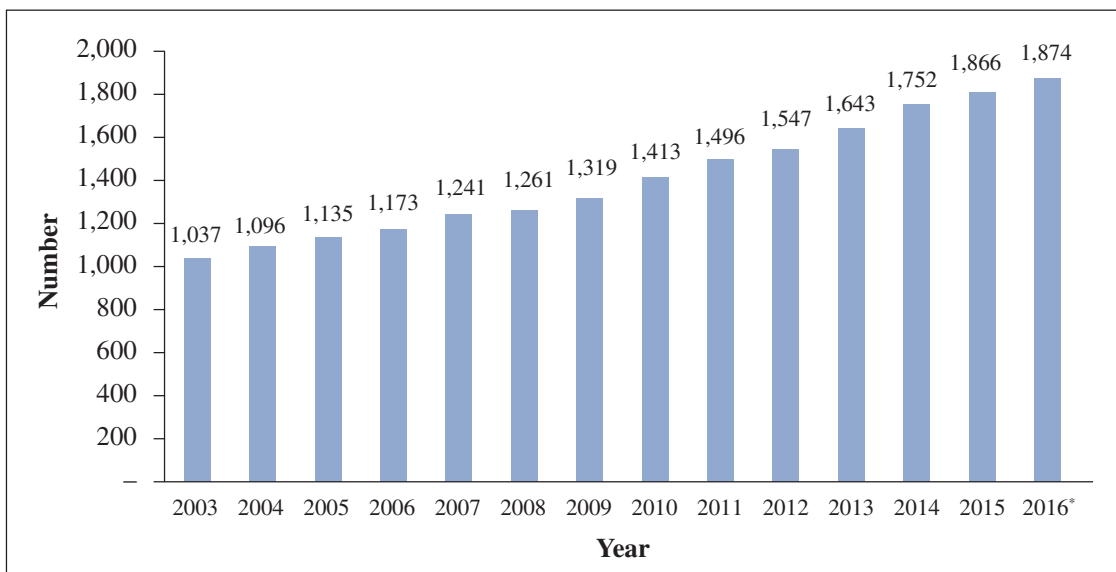
Growth of Hong Kong stock market

The number of companies listed in Hong Kong increased substantially from 1,037 in 2003 to 1,866 as at 31 December 2015, among which 1,644 companies were listed on the Main Board and 222 companies were listed on GEM. As at February 2016, the number of listed companies further increased to 1,874.

The total market capitalisation of listed companies in Hong Kong fluctuated during the past years along with the market conditions. The total market capitalisation increased from approximately HK\$5,548 billion in 2003 to HK\$20,698 billion in 2007. A significant decline in total market capitalisation to approximately HK\$10,299 billion was experienced in 2008 following the 2008 global financial tsunami. The stock market recovered gradually thereafter until 2011 where the Hong Kong stock market was impacted by the US sub-prime financial crisis. The total market capitalisation then increased from approximately HK\$17,537 billion as at 31 December 2011 to HK\$24,684 billion as at 31 December 2015. As at February 2016, the market capitalisation decreased to approximately HK\$21,487 billion.

INDUSTRY OVERVIEW

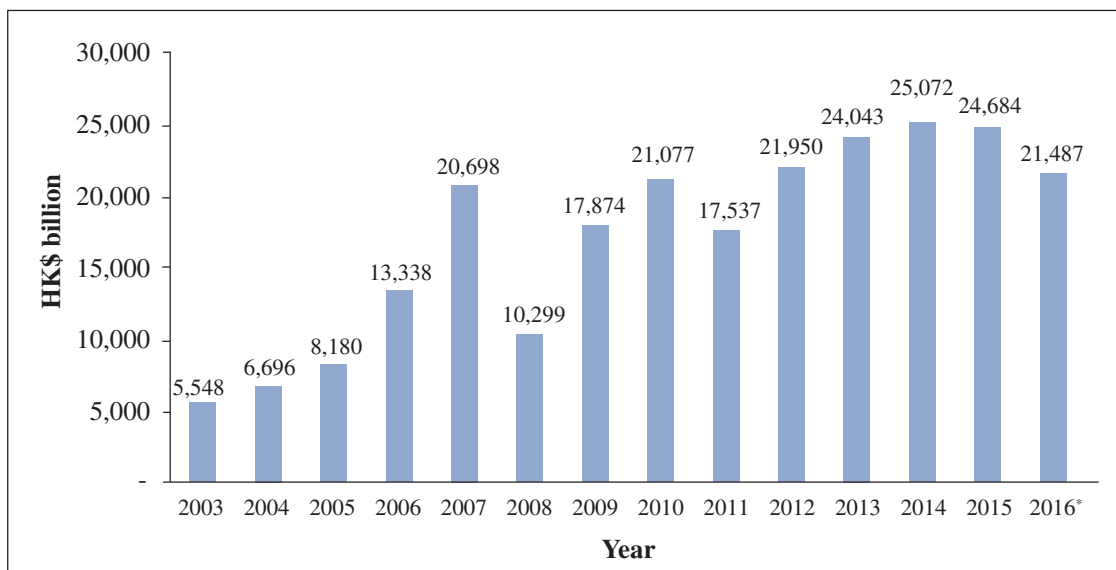
Number of companies listed on the Main Board and GEM between 2003 and 2016*



* As at 29 February 2016

Source: HKEx Fact Book 2015 and HKEx Monthly Market Highlights – February 2016

Total market capitalisation of companies listed on the Stock Exchange between 2003 and 2016*



* As at 29 February 2016

Source: HKEx Fact Book 2015 and HKEx Monthly Market Highlights – February 2016

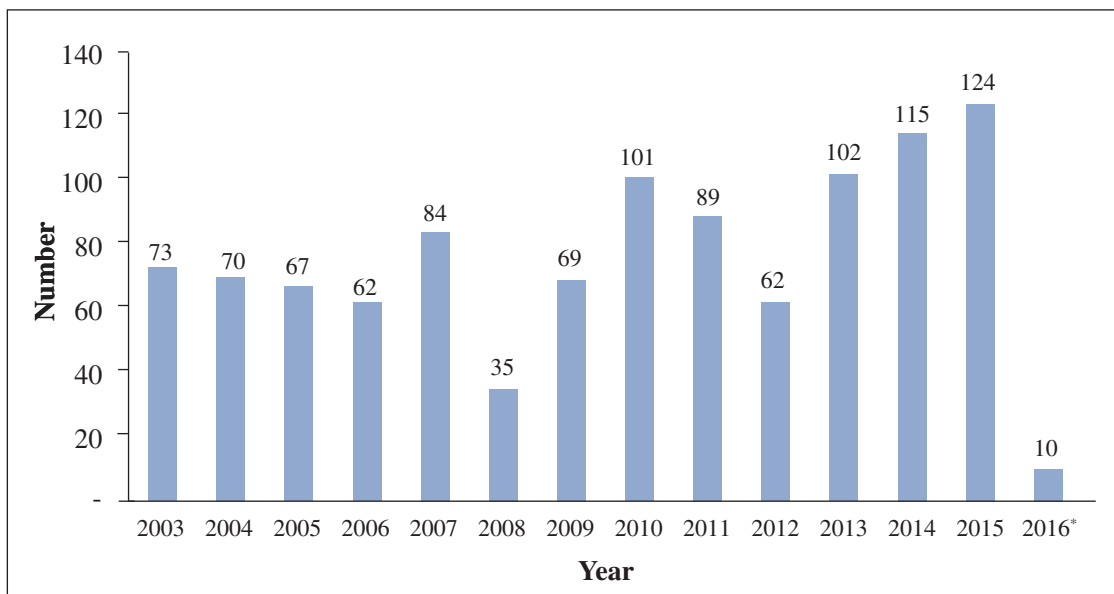
Fund-raising activities in the Hong Kong stock market

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

INDUSTRY OVERVIEW

slipped to the fourth place in terms of amount raised. The number of IPOs increased since 2013 up to 2015 with 102, 115 and 124 new IPOs being launched during the period. Funds raised by IPOs for the year ended 31 December 2015 totalled approximately HK\$263 billion, an increase of approximately 12.9% compared with approximately HK\$233 billion for the same period in 2014. For the two months ended 29 February 2016, a total of 10 equity IPOs were launched, raising approximately HK\$5 billion.

Number of new listings on the Main Board and GEM from 2003 to 2016*

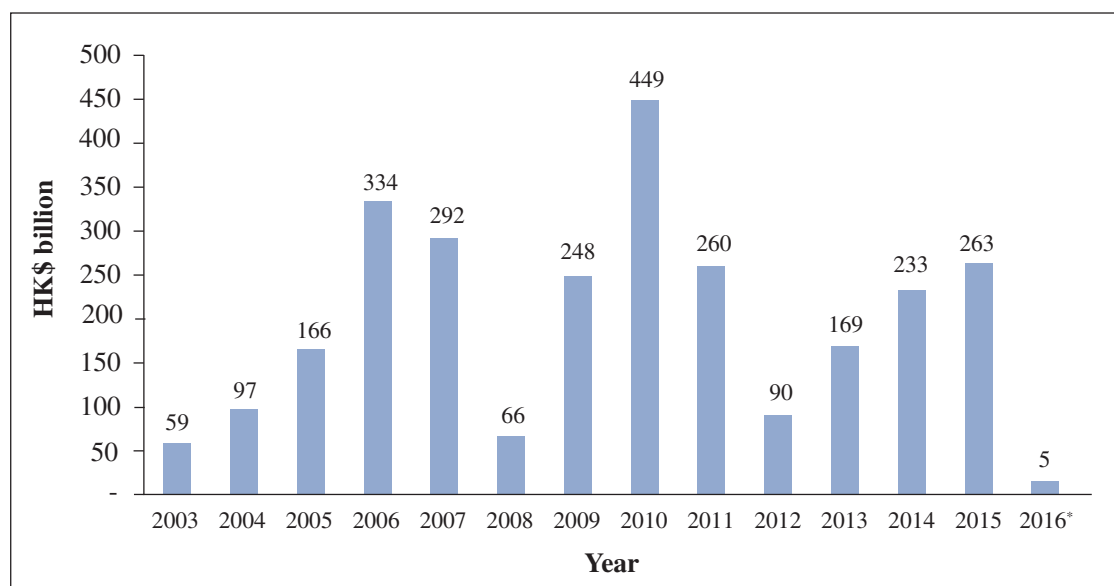


* For the two months ended 29 February 2016

Source: HKEx Fact Book 2015 and HKEx Monthly Market Highlights – February 2016 and GEM website.

Note: Excluding companies transferred from GEM to Main Board

Fund raised from IPO from 2003 to 2016*



* For the two months ended 29 February 2016

Source: HKEx Fact Book 2015 and HKEx Monthly Market Highlights – February 2016

INDUSTRY OVERVIEW

According to the Bi-Monthly Newsletter published by the Stock Exchange, the Stock Exchange continues to perform well in IPO fund raising, ranking the first worldwide and in the top 5 position for 13 consecutive years since 2003.

Global ranking in IPO fund raising (January – December 2015)

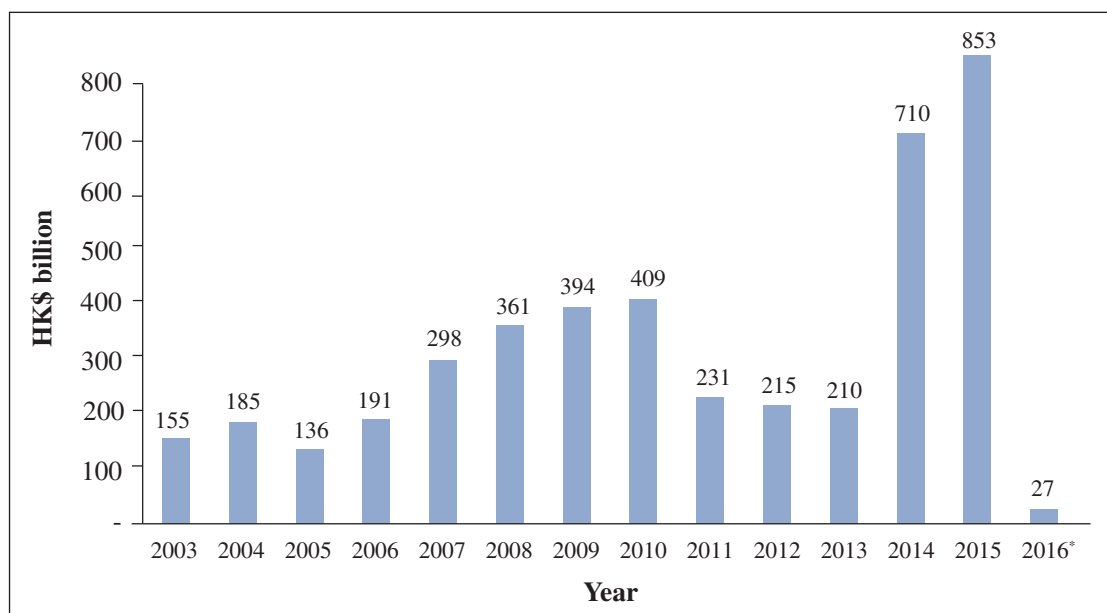
Rank	Exchange	Number of IPOs	Year-to-date funds raised (US\$ billion)
1	Hong Kong	138	33.50
2	New York	60	19.69
3	Nasdaq	147	18.04
4	London	85	17.50
5	Shanghai	87	17.47
6	Tokyo	97	15.67
7	Madrid	12	9.38
8	Shenzhen	127	8.05
9	Deutsche Borse	21	7.84
10	Amsterdam (Euronext)	9	7.71

Source: HKEx – Bi-Monthly Newsletter November – December 2015

Secondary market

Equity fund raising in secondary market in Hong Kong was active with year-on-year growth between 2007 and 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 for the year ended 31 December 2013, the equity fund raising in secondary market decreased further to approximately HK\$210 billion. For the year ended 31 December 2014, the amount increased significantly to approximately HK\$710 billion. For the year ended 31 December 2015, the amount further increased to HK\$853 billion. For the two months ended 29 February 2016, the equity fund raising in secondary market was approximately HK\$27 billion.

Funds raised in secondary market from 2003 to 2016*



* For the two months ended 29 February 2016

Source: HKEx Fact Book 2015 and HKEx Monthly Market Highlights – February 2016

INDUSTRY OVERVIEW

SECURITIES TRADING IN HONG KONG

Securities trading

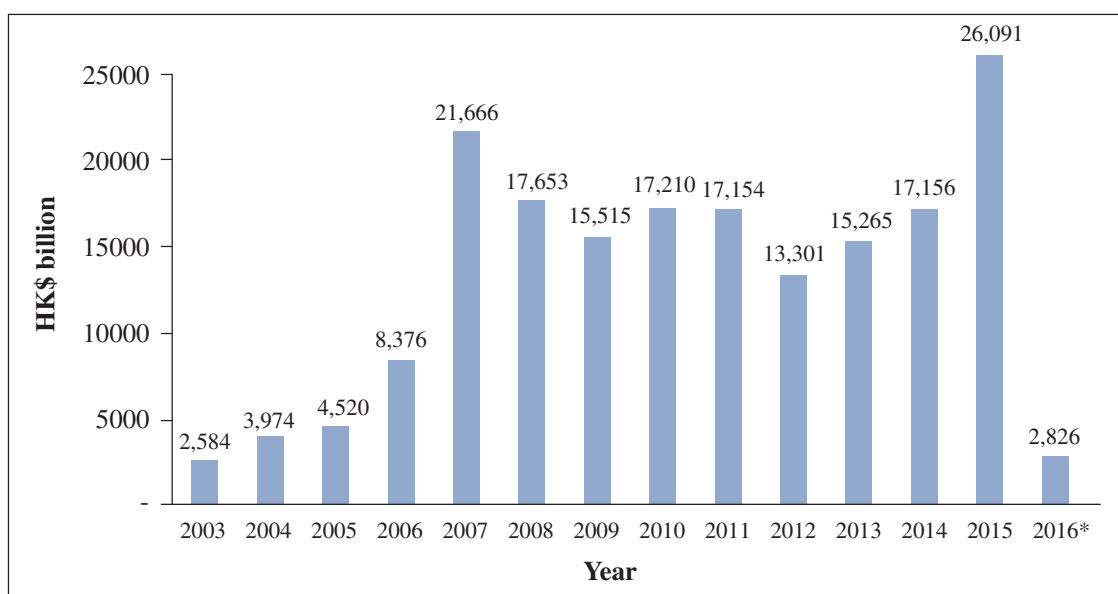
The Main Board and GEM are the two markets operated by the Stock Exchange for securities trading. The Main Board provides a platform for the trading of securities of larger and more established companies while the GEM provides a platform for the trading of securities of growth companies.

Since 2003, 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 tsunami 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 trading turnover amounted to about HK\$69.7 billion, approximately 0.9% higher than that in 2010. Amid 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 activity improved and the average daily trading turnover increased by approximately 16.2% from 2012 levels to approximately HK\$63 billion.

The average daily trading turnover for the year ended 31 December 2014 was approximately HK\$69 billion, representing an increase of approximately 11.0% compared with approximately HK\$63 billion in 2013. The average daily trading turnover for the year ended 31 December 2015 was approximately HK\$106 billion, representing a substantial increase of 53.6% when compared with HK\$69 billion for the year ended 31 December 2014. The average daily trading turnover for the two months ended 29 February 2016 was approximately HK\$74 billion.

Total annual trading turnover from 2003 to 2016*

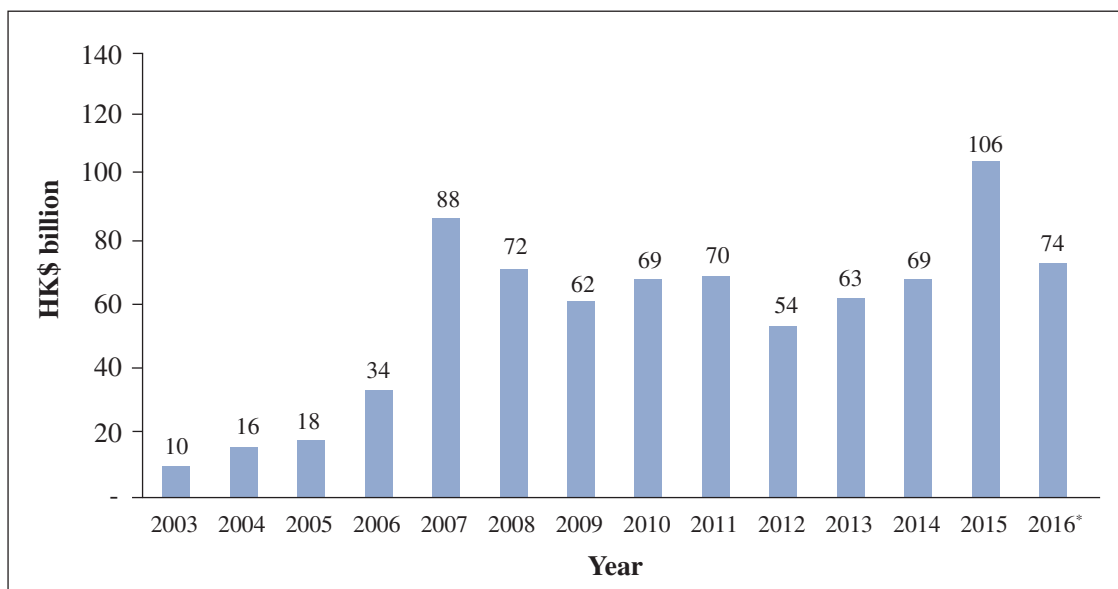


* For the two months ended 29 February 2016

Source: HKEx Fact Book 2015 and HKEx Monthly Market Highlights – February 2016

INDUSTRY OVERVIEW

Average daily trading turnover from 2003 to 2016*



* For the two months ended 29 February 2016

Source: HKEx Fact Book 2015 and HKEx Monthly Market Highlights – February 2016

Exchange participants

In order to trade in securities through the trading facilities of the Stock Exchange, a participant, among other things, shall hold a Stock Exchange Trading Right and be a Stock Exchange Participant. 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.

	Cash Market Transaction Survey (2006/07 – 2014/15)								
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Respondent sample size	380	404	410	409	431	453	457	433	414
Online broker									
Number of online brokers	126	155	173	185	209	245	250	247	240
As percentage of all responding Exchange Participants	33%	38%	42%	45%	48%	54%	55%	57%	58%
Online trading									
Online trading value (HK\$ million)	845,014	1,156,321	921,416	1,095,691	1,252,109	919,187	1,235,360	1,465,223	3,079,997
As percentage of total retail investor trading	16.8%	17.4%	21.5%	26.9%	25.8%	33.8%	39.2%	38.2%	44.3%
As percentage of total market turnover	5.3%	5.1%	6.3%	6.9%	6.6%	6.8%	8.2%	9.3%	11.6%

Source: Cash Market Transaction Survey 2009/10 and Cash Market Transaction Survey 2014/15

INDUSTRY OVERVIEW

MONEY LENDING INDUSTRY IN HONG KONG

In Hong Kong, participants in the money lending industry mainly include Authorised Institutions and licensed money lenders. Authorised Institutions include licence banks, restricted licence banks and deposit-taking companies. These participants offer similar loan products such as personal loans, mortgage loans, credit card facilities, tax loans and corporate loans.

Authorised Institutions are subject to the supervision of the HKMA and the regulations under the Banking Ordinance. While the Authorised Institutions are able to receive deposits from customers as one of the sources of funding for their money lending business, the HKMA imposes restrictions on Authorised Institutions regarding the provision of credit facilities to borrowers.

Meanwhile, licensed money lenders and the regulation of money lending transactions of such lenders are governed by the Money Lenders Ordinance. Anyone wishing to carry out business as a money lender must apply for a licence from the Licensing Court, details of which are set out in the section headed “Regulatory Overview” in this document. In contrast to Authorised Institutions, licensed money lenders enjoy greater flexibility in their business operations in terms of loan sizes, requirement of income proof and the range of collateral acceptable for securing loans.

The banking industry and money lending industry are well established in Hong Kong. Whilst there has been no significant change in the number of Authorised Institutions over the past five years, the number of licensed money lenders has been on the rise in the corresponding period, with an average annual growth rate of approximately 15.5%. The following table sets out the number of Authorised Institutions and licensed money lenders in Hong Kong from 2010 to 2015.

Number of Authorised Institutions and licensed money lenders in Hong Kong

	As at 31 December					
	2010	2011	2012	2013	2014	2015
Authorised Institutions						
Licence banks	146	152	155	156	159	157
Restricted licence banks	21	20	21	21	21	24
Deposit-taking companies	26	26	24	24	23	18
Total	193	198	200	201	203	199
Licensed money lenders	784	829	959	1,120	1,309	1,605

Source: HKMA and Companies Registry of Hong Kong

As at 31 December 2015, a total of 1,733 new and renewal applications for registration as money lenders in Hong Kong were received by the Registrar of Companies, among which 1,584 were granted or renewed. The number of licensed money lenders in Hong Kong increased from 784 in 2010 to 1,605 in 2015. Details regarding the relevant legislation and regulations for licensed money lenders in Hong Kong are set out in the section headed “Regulatory Overview” in this document. The following table sets out the number of applications and approvals of Money Lenders Licences from 2010 to 2015.

INDUSTRY OVERVIEW

Applications for money lenders licence received/granted

	As at 31 December					
	2010	2011	2012	2013	2014	2015
Number of new applications	87	149	190	252	337	453
Number of renewal applications	736	759	817	941	1,091	1,280
Total new and renewal applications	823	908	1,007	1,193	1,428	1,733
Number of new licence granted	57	85	160	201	254	363
Number of renewal applications granted	742	651	857	887	990	1,221
Total new and renewal licences granted	799	736	1,017	1,088	1,244	1,584
Number of licensed money lenders	784	829	959	1,120	1,309	1,605

Source: Companies Registry of Hong Kong

Information and statistics concerning the market of licensed money lenders are generally not made available through official public sources. The information is reproduced with the permission of the Companies Registry (all rights reserved).

ASSET MANAGEMENT SERVICES

According to the Fund Management Activities Survey (FMAS) conducted by SFC, the asset management business in Hong Kong amounted to approximately HK\$12,770 billion as of the end of 2014. The asset management business in Hong Kong continued to trend up in 2014 with year-on-year growth of 11.9% from 2013.

The asset management business can be analysed as follows:

By source of funds

<i>(HK\$ million)</i>	Licensed corporations	Registered institutions	Insurance companies	Total
Hong Kong Investors (% of total)	2,862,058 (25.3%)	389,549 (38.6%)	385,488 (85.2%)	3,637,095 (28.5%)
Non-Hong Kong investors (% of total)	8,446,727 (74.7%)	619,517 (61.4%)	66,944 (14.8%)	9,133,188 (71.5%)
Total	11,308,785 (100%)	1,009,066 (100%)	452,432 (100%)	12,770,283 (100%)

INDUSTRY OVERVIEW

Funds from non-Hong Kong investors accounted for more than 70% of the asset management business and increased by approximately 9.3% to HK\$9,133 billion in 2014.

By geographical distribution of investments

<i>(HK\$ million)</i>	Licensed corporations	Registered institutions	Insurance companies	Total
Invested in Hong Kong (% of total)	2,127,731 (18.8%)	385,585 (38.2%)	92,130 (20.4%)	2,605,446 (20.4%)
Invested overseas (% of total)	9,181,054 (81.2%)	623,481 (61.8%)	360,302 (79.6%)	10,164,837 (79.6%)
Total	11,308,785 (100%)	1,009,066 (100%)	452,432 (100%)	12,770,283 (100%)

About 20% of the asset management business was invested in Hong Kong in 2014. In value terms, the amount of assets invested in Hong Kong grew by approximately 6.5% to HK\$2,605 billion at the end of 2014. Given the relatively better performance of other markets (including the PRC), more funds were invested outside Hong Kong.

By location of management

<i>(HK\$ million)</i>	Licensed corporations	Registered institutions	Insurance companies	Total
Managed in Hong Kong (% of total)	6,062,482 (53.6%)	684,954 (67.9%)	108,276 (23.9%)	6,855,712 (53.7%)
Managed overseas (% of total)	5,246,303 (46.4%)	324,112 (32.1%)	344,156 (76.1%)	5,914,571 (46.3%)
Total	11,308,785 (100%)	1,009,066 (100%)	452,432 (100%)	12,770,283 (100%)

The proportion of assets managed in Hong Kong accounted for 53.7% of the asset management business in 2014. In terms of value, the amount of assets managed in Hong Kong increased by 17.7% to a record level of approximately HK\$6,856 billion.

COMPETITIVE LANDSCAPE

The financial services sector in Hong Kong is highly competitive, for details, please refer to the section headed "Business – Competitive landscape" in this document.

REGULATORY OVERVIEW

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 strives to strengthen and protect the integrity and soundness of Hong Kong's securities and futures markets for the benefit of investors and the industry.

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 financial services including 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 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, automated trading service providers, approved share registrars, Investor Compensation Company Limited, and all market participants (including investors).

Overview of licensing requirements under the SFO

Under the SFO, any person who:

- (a) carries on a business in a regulatory activity; or
- (b) holds himself out as carrying on a business in a regulated activity,

must be licensed under the relevant provisions of the SFO for carrying on such regulated activity, unless one of the exceptions under the SFO applies. It is a serious offence for a person to conduct any regulated activity without the appropriate licence.

If a person actively markets, whether by himself or another person on his behalf and whether in Hong Kong or from a place outside Hong Kong, to the public any services that he provides; and such services, if provided in Hong Kong, would constitute a regulated activity, then that person is also subject to the licensing requirements under the SFO.

REGULATORY OVERVIEW

In addition to the licensing requirements on corporations that carry on regulated activities, any individual who:

- (a) performs any regulated function in relation to a regulated activity carried on as a business; or
- (b) holds himself out as performing such regulated activity,

must be licensed separately under the SFO as a Licensed Representative accredited to his principal.

Types of regulated activities

The SFO promulgates a single licensing regime where a person only needs one licence or registration to carry on different types of regulated activity as defined in Schedule 5 to the SFO provided that he is fit and proper to do so. There are ten types of regulated activities, namely:

- 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

As of the Latest Practicable Date, the following members of the Group are licensed under the SFO to carry out the regulated activities as stated below:

Company	Types of regulated activities
H&S AML	Type 9
H&S Securities	Type 1 and Type 4

REGULATORY OVERVIEW

Responsible Officer

For each regulated activity conducted by a licensed corporation, it must appoint not less than two responsible officers, at least one of whom must be an executive director, to supervise the business of such regulated activity. A responsible officer is an individual approved by the SFC to supervise the regulated activity or activities of the licensed corporation to which he is accredited. An "executive director" of a licensed corporation is defined as a director of the corporation who (a) actively participates in; or (b) is responsible for directly supervising, any business of the regulated activities for which the corporation is licensed. Every executive director of the licensed corporation must apply to the SFC to become a responsible officer.

A person who intends to apply to be a responsible officer must demonstrate that he/she fulfills 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 business of regulated activities. Accordingly, the applicant should fulfill certain requirements on academic/industry qualification, industry experience, management experience and regulatory knowledge as stipulated by the SFC. If the responsible officer intends to conduct regulated activities in relation to matters falling within the ambit of a particular code issued by the SFC, e.g. the Codes on Takeovers and Mergers and Share Buy-backs, 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/she is performing a regulated function for his/her principal which is a licensed corporation in relation to a regulated activity carried on as a business or he/she holds out as performing such function.

A person who intends to apply to be a licensed representative must fulfill the competence requirements as set out by the SFC. An applicant needs to establish that he/she has the requisite basic understanding of the market in which he/she is to work as well as the laws and regulatory requirements applicable to the industry. In assessing his/her competence to be licensed as a representative, the SFC will have regard to academic and industry qualification as well as regulatory knowledge.

Fit and Proper Requirement

Persons applying for licences under the SFO must satisfy and continue to satisfy after the grant of such licences by the SFC that they are fit and proper persons to be so licensed. In simple terms, a fit and proper person means one who is financially sound, competent, honest, reputable and reliable.

REGULATORY OVERVIEW

Ongoing obligations of licensed corporations

Licensed corporations, licensed representatives and responsible officers must remain fit and proper as defined under the SFO at all times. They are required to comply with all applicable provisions of the SFO and its subsidiary rules and regulations as well as the codes and guidelines issued by the SFC.

Outlined below are some of the key ongoing obligations of a licensed corporation:

- (a) maintenance of minimum paid-up share capital and liquid capital, and submission of financial returns to the SFC, in accordance with the requirements under the FRR;
- (b) maintenance of segregated account(s), and custody and handling of client securities in accordance with the requirements under the CSR;
- (c) maintenance of segregate account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong);
- (d) issuance of contract notes, statements of account and receipts, in accordance with the requirements under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Chapter 571Q of the Laws of Hong Kong);
- (e) maintenance of proper records in accordance with the requirements prescribed under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong);
- (f) submission of audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules (Chapter 571P of the Laws of Hong Kong);
- (g) maintenance of insurance against specific risks for specified amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules (Chapter 571AI of the Laws of Hong Kong);
- (h) notification to the SFC of certain changes and events, in accordance with the requirements under the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong);
- (i) implementation of appropriate policies and procedures relating to client acceptance, client due diligence, record keeping, identification and reporting of suspicious transactions and staff screening, education and training, in accordance with the requirements under the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC in April 2012 and updated in April 2015 (as discussed in more detail below); and

REGULATORY OVERVIEW

- (j) complying with the business conduct requirements under the Code of Conduct, the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC, and other applicable codes and guidelines issued by the SFC.

Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)

Subject to certain exemptions described below, a licensed corporation is required to maintain minimum paid-up share capital of:

- HK\$5,000,000 – in the case of (i) a corporation licensed for Type 1 regulated activity that does not provide securities margin financing; and (ii) a corporation licensed for Type 2 or Type 7 regulated activity; (iii) a corporation licensed for Type 3 regulated activity that is an approved introducing agent; (iv) a corporation licensed for Type 4, Type 5, Type 9 or Type 10 regulated activity that is not subject to the licensing condition that it shall not hold client assets; or (v) a corporation licensed for Type 6 regulated activity that is subject to the no sponsor work licensing condition (but is not subject to the licensing condition that it shall not hold client assets);
- HK\$10,000,000 – in the case of (i) a corporation licensed for Type 1 regulated activity that provides securities margin financing; (ii) a corporation licensed for Type 8 regulated activity; or (iii) a corporation licensed for Type 6 regulated activity that is not subject to the no sponsor work licensing condition; or
- HK\$30,000,000 – in the case of a corporation licensed for Type 3 regulated activity that is not an approved introducing agent.

There is no minimum paid-up share capital requirement if the corporation is (i) licensed for Type 1 regulated activity and is an approved introducing agent or a trader; (ii) licensed for Type 2 regulated activity and is an approved introducing agent, a trader or a futures non-clearing dealer; or (iii) licensed for Type 4, Type 5, Type 9 or Type 10 regulated activity which is subject to the licensing condition that it shall not hold client assets; or (iv) licensed for Type 6 regulated activity which is subject to both licensing conditions that it shall not hold client assets or engage in sponsor work.

Other than the minimum paid-up share capital requirements, the FRR also stipulates that a licensed corporation shall also maintain minimum liquid capital applicable to our Group's licensed corporations which shall be the higher of the amount of (a) and (b) below:

- (a) the amount of:
- HK\$100,000 – in the case of a corporation licensed for Type 4, Type 5, Type 6, Type 9 or Type 10 regulated activity which is subject to the licensing condition that it shall not hold client assets;

REGULATORY OVERVIEW

- HK\$500,000 – in the case of (i) a corporation licensed for Type 1 regulated activity that is an approved introducing agent or a trader; or (ii) a corporation licensed for Type 2 regulated activity that is an approved introducing agent, a futures non-clearing dealer or a trader;
- HK\$3,000,000 – in the case of (i) a corporation licensed for Type 1 regulated activity that is not an approved introducing agent or a trader; or (ii) a corporation licensed for Type 2 regulated activity that is not an approved introducing agent, a futures non-clearing dealer or a trader; (iii) a corporation licensed for Type 3 regulated activity that is an approved introducing agent; (iv) a corporation licensed for Type 4, Type 5, Type 6, Type 9 or Type 10 regulated activity which is not subject to the licensing condition that it shall not hold client assets; or (v) a corporation licensed for Type 7 or Type 8 regulated activity; or
- HK\$15,000,000 – in the case of a corporation licensed for Type 3 regulated activity that is not an approved introducing agent.

(b) its variable required liquid capital, as defined in the FRR.

If the licensed corporation apply for more than one type of regulated activity, the minimum paid-up share capital and liquid capital that the corporation should maintain shall be the higher or the highest amount required amongst those regulated activities applied for.

Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong)

The repledging limit stipulated under section 8A of the CSR applies to an intermediary which is licensed for dealing in securities or securities margin financing and where the intermediary or an associated entity of such intermediary repledges securities collateral. On each Business Day, the intermediary shall ascertain the aggregate market value of the repledged securities collateral, which shall be calculated by reference to the respective closing prices of the collateral on that Business Day.

Pursuant to section 8A of the CSR, if the aggregate market value of the repledged securities collateral as calculated above exceeds 140% of the intermediary's aggregate margin loans on the same Business Day (the "**Relevant Day**"), the intermediary shall by the close of business on the next Business Day following the Relevant Day (the "**Specified Time**") withdraw, or cause to be withdrawn, from deposit an amount of repledged securities collateral such that the aggregate market value of the repledged securities collateral at the Specified Time, which is calculated by reference to the respective closing prices on the Relevant Day, does not exceed 140% of the intermediary's aggregate margin loans as at the close of business on the Relevant Day.

REGULATORY OVERVIEW

Offence to issue advertisements, invitations or documents relating to investments

Under section 103(1) of the SFO, the issue of advertisement, invitation or document which contains an invitation to the public:

- (a) to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities; or a regulated investment agreement or an agreement to acquire, dispose of, subscribe for or underwrite any other structured product; or
- (b) to acquire an interest in or participate in, or offer to acquire an interest in or participate in, a collective investment scheme,

has to be authorised by the SFC under section 105(1) of the SFO, unless specific exemptions apply.

The specific exemptions include, among others, that under section 103(3)(k) of the SFO, if the issue of the advertisement, invitation or document made in respect of securities or structured products, or interests in any collective investment scheme, that are or are intended to be disposed of only to "professional investors" (as defined in Part 1 of Schedule 1 to the SFO), authorisation of the issue by the SFC is not required.

If a person commits an offence contrary to section 103(1) of the SFO for him to issue advertisement, invitation or document relating to investments without the authorisation of the SFC and no specific exemptions under the SFO apply, he is liable:

- (a) on conviction on indictment to a fine of HK\$500,000 and to imprisonment for 3 years and, in the case of a continuing offence, to a further fine of HK\$20,000 for every day during which the offence continues; or
- (b) on summary conviction to a fine of HK\$100,000 and to imprisonment for 6 months and, in the case of a continuing offence, to a further fine of HK\$10,000 for every day during which the offence continues.

Anti-Money Laundering and Counter-Terrorist Financing

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong as well as the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC in April 2015 (the "**Anti-Money Laundering Guideline**").

REGULATORY OVERVIEW

The Anti-Money Laundering Guideline provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Under the Anti-Money Laundering Guideline, licensed corporations should, among other things:

- (a) assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the associated money laundering and terrorist financing risks;
- (b) identify the client and verify the client's identity using reliable, independent source documents, data or information, and review from time to time documents, data and information relating to the client obtained to ensure that the client's information is up-to-date and relevant;
- (c) conduct ongoing monitoring of transaction of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transactions that have no apparent economic or lawful purposes, and examining the background and purposes of those transactions and setting out its findings in writing;
- (d) maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the various lists that have been made known to or, alternatively, make arrangements to access to such a database maintained by third party service providers; and
- (e) conduct ongoing monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs and Excise Department to monitor and investigate suspected money laundering.

We set out below a brief summary of the principal legislation in Hong Kong that is concerned with money laundering and terrorist financing.

(1) Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong) (the "AMLO")

Among other things, the AMLO imposes requirements relating to client due diligence and record-keeping and provides regulatory authorities with the powers to supervise compliance with the requirements under the AMLO. In addition, the regulatory authorities are empowered to (i) ensure that proper safeguards exist to prevent contravention of specified provisions in the AMLO; and (ii) mitigate money laundering and terrorist financing risks.

REGULATORY OVERVIEW

(2) Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) (the "DTROP")

Among other things, the DTROP empowers competent authorities to investigate assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities. It is an offence under the DTROP if a person deals with any property knowing or having reasonable grounds to believe it to be the proceeds from drug trafficking. The DTROP requires a person to report to an authorised officer if he/she knows or suspects that any property (directly or indirectly) is the proceeds from drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offence under the DTROP.

(3) Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) (the "OSCO")

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs & Excise Department to investigate organized crime and triad activities, and it gives the courts jurisdiction to confiscate the proceeds of organized and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offences. The OSCO extends the money laundering offence to cover the proceeds from all indictable offences in addition to drug trafficking.

(4) United Nations (Anti-terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) (the "UNATMO")

Among other things, the UNATMO provides that it would be a criminal offence to: (i) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (ii) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The UNATMO also requires a person to report his knowledge or suspicion of terrorist property to an authorised officer, and failure to make such disclosure constitutes an offence under the UNATMO.

Money lending business in Hong Kong

The Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) states that no person shall conduct business as a money lender without a licence, at any place other than the premises specified in such licence or otherwise than in accordance with the conditions of a licence. Every licence shall authorise the person and/or entity named therein to conduct business as a money lender for a period of 12 months from the day it is granted. Licences are not generally transferable and licensees may apply for the renewal of a licence within three months prior to the expiration of its licence. The licensing of money lenders and regulation of money lending transactions are governed by the Money Lenders Ordinance and the Money Lenders Regulations (Chapter 163A of the Laws of Hong Kong).

REGULATORY OVERVIEW

The governing authorities of the money lending industry in Hong Kong include:

- Licensing Court – responsible for determination of applications for and granting of money lenders licences;
- The Registrar of Money Lenders (the role is presently performed by the Registrar of Companies) – responsible for processing applications for money lenders licences, renewal of licenses and endorsement on licences; and maintaining a register of money lenders for inspection by members of the public; and
- Commissioner of Police (the “**Commissioner**”) – responsible for carrying out examination on applications for and endorsements on money lenders licences, investigation of complaints against money lenders and enforcement of the Money Lenders Ordinance.

Grant or renewal of Money Lenders Licences by the Licensing Court

Under section 11 of the Money Lenders Ordinance, the Licensing Court will not grant a Money Lenders Licence to an applicant who is convicted of an offence under the Money Lenders Ordinance and whom there is in force an order made by a court disqualifying such person from holding a Money Lenders Licence. The Licensing Court shall not grant or renew a Money Lenders Licence, if the application has been subject to an objection by the Registrar or the Commissioner or any other person who has served notice of his intention to object, or any other person who is granted leave by the Licensing Court to make such objection unless the Licensing Court is satisfied that:

- (i) the applicant is a fit and proper person to carry on business as a money lender; or, in the case where the applicant is a company, then the person who, is in control of the company, in accordance with whose directions or instructions the directors thereof are accustomed to act is a fit and proper person to be associated with the money lending business;
- (ii) any person responsible (or proposed to be responsible) for the management of the applicant’s business, or, in case the applicant is a company, any director, secretary or officer of the company, is a fit and proper person to be associated with the money lending business;
- (iii) the applicant’s name under which the Money Lenders Licence is applied for is not misleading or otherwise undesirable;
- (iv) the premises to be used in the applicant’s money lending business are suitable for conducting the money lending business;
- (v) the applicant has complied with the relevant provisions and regulations relating to the application; and
- (vi) in all the circumstances the grant of such licence is not contrary to public interest.

REGULATORY OVERVIEW

The Licensing Court may impose any condition as it deems fit in the licence.

Grounds for suspension or revocation of Money Lenders Licence

The Registrar or the Commissioner may apply to the Licensing Court, and the Licensing Court may make an order suspending or revoking any Money Lenders Licence granted by the Licensing Court if it is of the opinion that:

- (i) the licensee has seriously breached any condition specified on the Money Lenders Licence or has not been able to satisfy any other conditions relating to his money lending business; or
- (ii) the licensee has ceased to be a fit and proper person to conduct money lending business; or
- (iii) the premises specified in the Money Lenders Licence have become unsuitable for conducting the money lending business; or
- (iv) the business of the licensee has been carried on at any time or on any occasion since the date on which the licence was granted by recourse to use of any methods, or in any manner, contrary to the public interest.

Relevant statutes, other relevant laws and regulations

(1) Money Lenders Ordinance

The Money Lenders Ordinance imposes a number of regulations on the transactions and arrangements which may be conducted by a licenced money lender. These include, but are not limited to, the matters set out below:

- Any agreement entered into by a money lender for the repayment of money, the payment of interest on money so lent and any security given in respect of such agreement or loan shall be unenforceable unless a note or written memorandum of the agreement (containing the information specified in the Money Lenders Ordinance) is signed personally by the borrower within 7 days after making of the agreement and a copy of such note or memorandum is given to the borrower at the time of signing.
- Borrowers are entitled at any time, by notice in writing to the money lender, to make early repayment of all amount payable as principal under any loan agreement together with interest computed up to the date of such payment.
- Any agreement made for the loan of money by a money lender shall be illegal if it provides directly or indirectly for (a) the payment of compound interest; (b) prohibiting the repayment of the loan by instalments; or (c) the rate or amount of interest being increased by reason of any default in the payment of sums due under the agreement.
- It is a criminal offence to lend or offer to lend money at an effective rate of interest which exceeds 60% per annum.

REGULATORY OVERVIEW

- Any agreement for the payment by the borrower to the money lender of any sum for or on account of costs, charges or expense (other than stamp duties or similar duties) incidental to or relating to the negotiations for or the granting of the loan or proposed loan or the guaranteeing or securing of the repayment thereof is illegal.
- It is also illegal for any money lender to charge, recover or receive any sum as for or on account of any such costs, charges or expenses (other than stamp duties or similar charges) or to demand or receive any remuneration or reward from a borrower for or in connection with procuring, negotiating or obtaining any loan made or guaranteeing or securing the repayment of a loan.

(II) Money Lenders Regulations

The Money Lenders Regulations is the subsidiary legislation of the Money Lenders Ordinance. It primarily governs the administrative aspects and certain procedures for application and renewal of Money Lenders Licences such as regulating the procedures, formats and the fees for the application and renewal of Money Lenders Licences.

THE FATCA

The FATCA was enacted by the US in March 2010 aiming to combat tax evasion by US taxpayers using offshore financial accounts. In brief, under the FATCA, certain US taxpayers holding financial assets outside the United States must report those assets to the US IRS. In addition, the FATCA will require FFIs to report directly to the US IRS certain information about financial accounts held by US taxpayers, or by foreign entities in which US taxpayers hold a substantial ownership interest.

The governments of the United States and Hong Kong have entered into the IGA for implementation of FATCA. Hong Kong has opted for Model 2 IGA with the US, which establishes a framework of enabling relevant financial institutions in Hong Kong to seek consent for disclosure from US clients, and to report relevant tax information of such clients to the US IRS.

Under the IGA, financial institutions in Hong Kong need to:

- (i) use established due diligence (i.e. "know-your-clients") procedures under the prevailing anti-money laundering legislation to identify US accounts and clients;
- (ii) obtain a consent of relevant US clients (including individuals and entities) for reporting their relevant account balances, gross amounts of relevant interest incomes, dividend incomes and withdrawals, and identification details (e.g. name, address, the US federal taxpayer identifying numbers) to the US IRS annually; and
- (iii) report "aggregate information" of account balances, payment amounts and number of non-consenting US accounts to the US IRS. The US IRS may lodge to the IRD, requesting for exchange of information based on such aggregate information.

FFIs that do not comply with the FATCA will be subject to a 30% withholding tax on certain types of US-sourced payments.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

Introduction

H&S Securities, our Group's principal operating subsidiary, was incorporated in Hong Kong with limited liability on 15 December 1999. H&S Securities obtained a licence to carry out Type 1 (dealing in securities) regulated activity under the SFO on 23 December 2004 to provide brokerage, underwriting and placing services to individual and corporate clients, who are interested in investing in securities. For further details relating to the business of H&S Securities, please refer to the section headed "Business" in this document.

On 15 October 2003, Mrs. Choi and Mr. Lam Tung Woo acquired from Madam Fung Loretta, the founder of H&S Securities, 92% and 8% of the then issued share capital in H&S Securities. H&S Securities further obtained a licence to carry out Type 4 (advising on securities) regulated activity under the SFO on 27 March 2008. After completion of series of share transfers in H&S Securities, on 22 August 2013, H&S Securities was beneficially wholly-owned by Master Gold, an indirect investment vehicle of Dr. Choi and Mrs. Choi. For further details relating to the history of H&S Securities, please refer to the paragraph headed "Corporate history – H&S Securities" in this section.

To expand our Group's business coverage to include the provision of various financial services, H&S AML obtained a licence to carry out Type 9 (asset management) regulated activity under the SFO on 21 May 2012. We also provide money lending services through H&S Credit upon obtaining the Money Lenders Licence on 7 November 2013.

As at the Latest Practicable Date, our Group comprised eight members, our Company, Trinity Union, Master Gold, Spread Fame, EarnLink, H&S AML, H&S Credit and H&S Securities.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Business milestones

The following table summarises various milestones of our Group's business development:

December 1999	Our Group's first operating subsidiary, H&S Securities was incorporated in Hong Kong with limited liability.
December 2004	H&S Securities obtained a licence to carry out Type 1 (dealing in securities) regulated activity under the SFO.
March 2008	H&S Securities obtained a licence to carry out Type 4 (advising on securities) regulated activity under the SFO.
May 2012	H&S AML obtained a licence to carry out Type 9 (asset management) regulated activity under the SFO.
November 2013	H&S Credit obtained the Money Lenders Licence to carry on money lending business under the Money Lenders Ordinance.

Our subsidiaries

The following table summarises our subsidiaries and their principal business activities as at the Latest Practicable Date:

Name of company	Place of incorporation	Date of incorporation	Principal business activity(ies)
Trinity Union	The BVI	21 December 2015	Investment holding
Master Gold	The BVI	8 January 2013	Investment holding
Spread Fame	The BVI	12 September 2011	Investment holding
EarnLink	Hong Kong	18 March 2013	Provision of management services to the group companies
H&S AML	Hong Kong	19 January 2012	Provision of asset management services
H&S Credit	Hong Kong	23 July 2013	Provision of money lending services
H&S Securities	Hong Kong	15 December 1999	Provision of brokerage, underwriting and placing services

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 30 October 2015, with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares, of which the Incorporation Share, representing the then entire issued share capital, was allotted and issued to the initial subscriber, which was transferred to Endless Source on the same date. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 24 November 2015.

Prior to the completion of the Reorganisation, Dr. Choi and Mrs. Choi will transfer [REDACTED] shares and [REDACTED] shares in Trinity Union, respectively, to our Company, in consideration of our Company allotting and issuing [REDACTED] Shares, all credited as fully paid, to Endless Source at the directions of Dr. Choi and Mrs. Choi. The share transfers will be completed on the same day. Upon completion of the share transfers, Trinity Union will become a direct wholly-owned subsidiary of our Company. For further details, please refer to the paragraph headed "Reorganisation" in this section.

Pursuant to the written resolutions of our sole Shareholder dated [●], the authorised share capital of our Company was increased from HK\$380,000 to HK\$[REDACTED] by the creation of additional [REDACTED] Shares.

Our Company is principally engaged in investment holding.

H&S Securities

On 15 December 1999, H&S Securities was incorporated in Hong Kong with limited liability, of which 3,500,000 shares and 1,500,000 shares, all credited as fully paid, representing 70% and 30% of the then issued share capital in H&S Securities, were allotted and issued to Madam Fung Loretta and Mr. Fung King Yun Larry, both Independent Third Parties. On 11 April 2000, Mr. Fung King Yun Larry transferred 1,500,000 shares in H&S Securities to Madam Fung Loretta at the consideration of HK\$1. The share transfer was completed on the same day.

On 15 October 2003, Mrs. Choi and Mr. Lam Tung Woo acquired the entire issued share capital of H&S Securities from Madam Fung Loretta and Madam Fung Loretta transferred 6,440,000 shares and 560,000 shares, representing 92% and 8% of the then issued share capital in H&S Securities, respectively, to Mrs. Choi and Mr. Lam Tung Woo at the consideration of HK\$4,690,904 and HK\$407,905, respectively. The share transfers were completed on the same day.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 28 September 2006, Mrs. Choi transferred 1,089,000 shares, representing 9.9% of the then issued share capital in H&S Securities, to Ms. Wong Shuet Sau, an Independent Third Party, at the consideration of HK\$1,089,000. The share transfer was completed on the same day. Upon completion of the share transfer, H&S Securities was owned as to 82.1%, 9.9% and 8.0% by Mrs. Choi, Ms. Wong Shuet Sau and Mr. Lam Tung Woo, respectively.

Leveraging on the reputation, performance and clientele of Simsen, the issued shares of which are listed on the Main Board (stock code: 993), an Independent Third Party, on 6 March 2007, Mrs. Choi, as vendor and Linewear Assets, a wholly-owned subsidiary of Simsen, as purchaser, entered into the sale and purchase agreement, pursuant to which Linewear Assets, conditionally agreed to acquire and Mrs. Choi conditionally agreed to sell 4,400,000 shares, representing 40% of the then issued share capital in H&S Securities at a total consideration of HK\$16,000,000, of which HK\$3,000,000 was payable in cash and HK\$13,000,000 was payable by the allotment and issue of 101,960,000 consideration shares in Simsen, representing 14.37% of the then issued share capital in Simsen, to Lynch Oasis, at an issue price of HK\$0.1275 per consideration share, all credited as fully paid. The said consideration was determined with reference to the then price-to-earnings ratio of similar listed broking companies in Hong Kong and the overall prospects of the broking business in Hong Kong. The share transfer was completed on 6 June 2007. Upon completion of the share transfer, H&S Securities was owned as to 42.1%, 40.0%, 9.9% and 8% by Mrs. Choi, Linewear Assets, Ms. Wong Shuet Sau and Mr. Lam Tung Woo, respectively.

On 11 July 2007, Ms. Wong Shuet Sau transferred 792,000 shares, representing 3.96% of the then issued share capital in H&S Securities, back to Mrs. Choi at the consideration of HK\$1,148,400. The share transfer was completed on the same day. On 20 November 2007, Ms. Wong Shuet Sau further transferred 1,782,000 shares, representing 5.94% of the then issued share capital in H&S Securities, back to Mrs. Choi at the consideration of HK\$2,690,820. The share transfer was completed on the same day. Upon completion of the share transfers, H&S Securities was owned as to 52%, 40% and 8% by Mrs. Choi, Linewear Assets and Mr. Lam Tung Woo, respectively.

On 17 December 2007, Mrs. Choi and Mr. Lam Tung Woo, as vendors and Linewear Assets, as purchaser, entered into the sale and purchase agreement, pursuant to which Linewear Assets conditionally agreed to acquire and Mrs. Choi and Mr. Lam Tung Woo conditionally agreed to sell in aggregate 18,000,000 shares, representing 60% of the then issued share capital in H&S Securities at a total consideration of HK\$90,000,000, by the allotment and issue of 219,716,000 consideration shares and 33,802,000 consideration shares in Simsen, representing 20.29% and 3.12% of the then issued share capital in Simsen, respectively, at an issue price of HK\$0.355 per consideration share, all credited as fully paid. The said consideration was determined with reference to the rapid growth in the revenue of H&S Securities for the year ended 31 December 2007 and the great potential of the securities market in Hong Kong and the PRC. The share transfers were completed on 2 April 2008. Upon completion of the share transfers, H&S Securities was indirectly wholly-owned by Simsen.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As Simsen intended to streamline its securities broking and dealing business by the disposal of redundant assets, on 27 November 2009, Linewear Assets, as vendor, and Tracing Paper, as purchaser, entered into the sale and purchase agreement, pursuant to which Tracing Paper conditionally agreed to acquire and Linewear Assets conditionally agreed to sell 30,000,000 shares, representing the then entire issued share capital in H&S Securities at the cash consideration of HK\$31,000,000, which was determined with reference to the unaudited net asset value of H&S Securities of approximately HK\$30,240,000 as at 5 November 2009. The share transfer was completed on 29 March 2010.

On 2 July 2013, Tracing Paper, as vendor, and Master Gold, as purchaser, entered into the sale and purchase agreement, pursuant to which Master Gold conditionally agreed to acquire and Tracing Paper conditionally agreed to sell 30,000,000 shares, representing the then entire issued share capital in H&S Securities at the cash consideration of HK\$26,575,300. The share transfer was completed on 22 August 2013.

Due to subsequent share allotments by H&S Securities, on 22 October 2014, Master Gold and Dr. Choi owned 99,999,999 shares and 1 share (held on trust for the benefit of Master Gold), representing 99.999999% and 0.000001% of the issued share capital in H&S Securities, respectively. On 14 December 2015, Dr. Choi transferred the legal title of one share in H&S Securities (held on trust for the benefit of Master Gold) to Master Gold at nil consideration. The share transfer was completed on the same day. Upon completion of the share transfer, H&S Securities was legally and beneficially wholly-owned by Master Gold. H&S Securities is principally engaged in the provision of brokerage, underwriting and placing services.

Our Director confirmed that the abovementioned transfers of shares in H&S Securities were properly and legally completed and settled.

H&S AML

On 19 January 2012, H&S AML was incorporated in Hong Kong with limited liability, of which the incorporation share, credited as fully paid, representing the then entire issued share capital in H&S AML, was allotted and issued to Spread Fame.

On 22 March 2012, 15 May 2012, 31 July 2013 and 2 August 2013, H&S AML allotted and issued 4,999,999 shares, 1,000,000 shares, 3,000,000 shares and 1,000,000 shares, respectively, all credited as fully paid, to Spread Fame. Since the date of incorporation, H&S AML is a direct wholly-owned subsidiary of Spread Fame. H&S AML is principally engaged in the provision of asset management services.

H&S Credit

On 23 July 2013, H&S Credit was incorporated in Hong Kong with limited liability, of which the incorporation share, credited as fully paid, representing the then entire issued share capital in H&S Credit, was allotted and issued to Grand Rich.

On 10 December 2013, 10 June 2014 and 23 December 2014, H&S Credit allotted and issued 999,999 shares, 39,000,000 shares and 10,000,000 shares in H&S Credit, respectively, all credited as fully paid, to Grand Rich.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In contemplation of our Group's internal restructuring exercise, prior to the completion of the Reorganisation, Grand Rich will transfer 50,000,000 shares, representing the entire issued share capital in H&S Credit to Trinity Union, in consideration of Trinity Union, among other matters, allotting and issuing one share and one share, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Grand Rich. The share transfer will be completed on the same day. Upon completion of the share transfer, H&S Credit will become a direct wholly-owned subsidiary of Trinity Union. H&S Credit is principally engaged in the provision of money lending services.

[Our Directors confirmed that the abovementioned transfer of shares in H&S Credit was properly and legally completed and settled.]

Trinity Union

On 21 December 2015, Trinity Union was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On 27 January 2016, one share and one share, all credited as fully paid, representing 50% and 50% of the issued share capital in Trinity Union, were allotted and issued to Dr. Choi and Mrs. Choi, respectively.

In contemplation of our Group's internal restructuring exercise, prior to the completion of Reorganisation, Grand Rich will transfer (i) one share, representing the entire issued share capital in Master Gold, and the indebtedness in the sum of approximately HK\$50,087,000 owed by Master Gold to Grand Rich; (ii) 1,289,107 shares, representing the entire issued share capital in Spread Fame; and (iii) 50,000,000 shares, representing the entire issued share capital in H&S Credit, to Trinity Union, in consideration of Trinity Union (i) allotting and issuing in aggregate three shares and three shares, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Grand Rich; and (ii) assuming all the payment obligations and liabilities under the Grand Rich's Debt in place and stead of Grand Rich to pay the Grand Rich's Debt upon completion of the H&S SPA. The share transfers will be completed on the same day.

Prior to the completion of the Reorganisation, Sino Wealth will transfer 10,000 shares, representing the entire issued share capital in EarnLink to Trinity Union, in consideration of Trinity Union allotting and issuing one share and one share, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Sino Wealth. The share transfer will be completed on the same day.

Prior to the completion of the Reorganisation, Dr. Choi and Trinity Union will enter into a loan capitalisation agreement, pursuant to which the indebtedness of approximately HK\$[159,764,000] owed by Trinity Union to Dr. Choi will be capitalised in consideration of Trinity Union allotting and issuing a total of two shares, all credited as fully paid, of which one share to Dr. Choi and one share to Mrs. Choi at the direction of Dr. Choi. The capitalisation of the indebtedness will be completed on the same day.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Prior to the completion of the Reorganisation, Dr. Choi and Mrs. Choi will transfers [REDACTED] shares and [REDACTED] shares in Trinity Union, respectively, to our Company, in consideration of our Company allotting and issuing [REDACTED] Shares, all credited as fully paid, to Endless Source at the directions of Dr. Choi and Mrs. Choi. The share transfers will be completed on the same day. Upon completion of the share transfers, Trinity Union will become a direct wholly-owned subsidiary of our Company. Trinity Union is principally engaged in investment holding.

[Our Directors confirmed that the abovementioned transfers of shares in Trinity Union were properly and legally completed and settled.]

Spread Fame

On 12 September 2011, Spread Fame was incorporated in the BVI with limited liability, with an authorised share capital of 10,000,000 shares of a single class of par value of US\$1 each. On 14 November 2011, the incorporation share, credited as fully paid, representing the then entire issued share capital in Spread Fame, was allotted and issued to H&S Securities.

On 2 May 2012, 15 May 2012, 31 July 2013 and 2 August 2013, Spread Fame allotted and issued 644,554 shares, 128,910 shares, 386,732 shares and 128,910 shares in Spread Fame, respectively, all credited as fully paid, to H&S Securities. As part of our corporate restructuring, on 17 February 2014, H&S Securities transferred 1,289,107 shares, representing the entire issued share capital in Spread Fame to Grand Rich, at the consideration of HK\$10,000,000, representing the nominal value of the shares in H&S AML. The share transfer was completed on the same day.

In contemplation of our Group's internal restructuring exercise, prior to the completion of the Reorganisation, Grand Rich will transfer 1,289,107 shares, representing the entire issued share capital in Spread Fame to Trinity Union, in consideration of Trinity Union, among other matters, allotting and issuing one share and one share, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Grand Rich. The share transfer will be completed on the same day. Upon completion of the share transfer, Spread Fame will become a direct wholly-owned subsidiary of Trinity Union. Spread Fame is principally engaged in investment holding.

[Our Directors confirmed that the abovementioned transfers of shares in Spread Fame were properly and legally completed and settled.]

Master Gold

On 8 January 2013, Master Gold was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each.

On 3 April 2013, the incorporation share, credited as fully paid, representing the then entire issued share capital in Master Gold, was allotted and issued to Grand Rich.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In contemplation of our Group's internal restructuring exercise, prior to the completion of the Reorganisation, Grand Rich will transfer one share, representing the entire issued share capital in Master Gold, and the indebtedness in the sum of approximately HK\$[50,087,000] owed by Master Gold to Grand Rich, to Trinity Union, in consideration of Trinity Union, among other matters, allotting and issuing one share and one share, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Grand Rich. The share transfer will be completed on the same day. Upon completion of the share transfer, Master Gold will become a direct wholly-owned subsidiary of Trinity Union. Master Gold is principally engaged in investment holding.

[Our Directors confirmed that the abovementioned transfer of shares in Master Gold was properly and legally completed and settled.]

EarnLink

On 18 March 2013, EarnLink was incorporated in Hong Kong with limited liability, of which the incorporation share, credited as fully paid, representing the then entire issued share capital in EarnLink, was allotted and issued to the initial subscriber.

On 3 April 2013, Sino Wealth acquired the initial subscriber share at the consideration of HK\$1, representing the nominal value of the share in EarnLink, and the share transfer was completed on 3 April 2013. On the same day, EarnLink allotted and issued 9,999 shares, all credited as fully paid, to Sino Wealth.

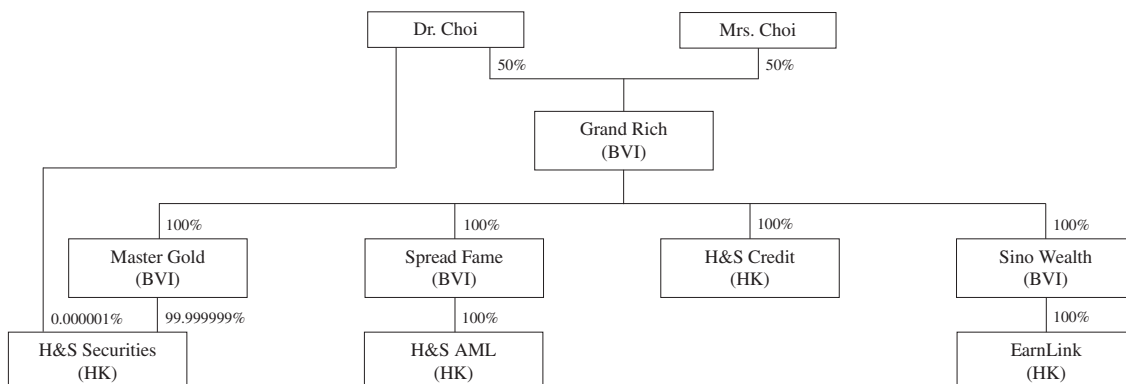
In contemplation of our Group's internal restructuring exercise, prior to the completion of the Reorganisation, Sino Wealth will transfer 10,000 shares, representing the entire issued share capital in EarnLink to Trinity Union, in consideration of Trinity Union allotting and issuing one share and one share, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Sino Wealth. The share transfer will be completed on the same day. Upon completion of the share transfer, EarnLink became a direct wholly-owned subsidiary of Trinity Union. EarnLink is principally engaged in the provision of management services to the group companies.

[Our Directors confirmed that the abovementioned transfers of shares in EarnLink were properly and legally completed and settled.]

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following chart shows the shareholding and corporate structure of our Group immediately before the Reorganisation, the [REDACTED] and the Capitalisation Issue.



REORGANISATION

The companies comprising our Group underwent a reorganisation in preparation for the [REDACTED], pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

Incorporation of our Company

On 30 October 2015, our Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which the Incorporation Share was allotted and issued to the initial subscriber, which was transferred to Endless Source on the same date.

Acquisition of H&S Securities by Master Gold

On 14 December 2015, Dr. Choi transferred the legal title of one share in H&S Securities (held on trust for the benefit of Master Gold) to Master Gold at nil consideration. The share transfer was completed on the same day. Upon completion of the share transfer, H&S Securities was legally and beneficially wholly-owned by Master Gold.

Incorporation of Trinity Union

On 21 December 2015, Trinity Union was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On 27 January 2016, one share and one share in Trinity Union, all credited as fully paid, were allotted and issued to Dr. Choi and Mrs. Choi, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Acquisition of (i) Master Gold; (ii) Spread Fame; (iii) H&S Credit; and (iv) EarnLink by Trinity Union

Prior to the completion of the Reorganisation, Grand Rich will transfer (i) one share, representing the entire issued share capital in Master Gold, and all the indebtedness in the sum of approximately HK\$[50,087,000] owed by Master Gold to Grand Rich; (ii) 1,289,107 shares, representing the entire issued share capital in Spread Fame; and (iii) 50,000,000 shares, representing the entire issued share capital in H&S Credit, to Trinity Union, in consideration of Trinity Union (i) allotting and issuing in aggregate three shares and three shares, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Grand Rich; and (ii) assuming all the payment obligations and liabilities under the Grand Rich's Debt in place and stead of Grand Rich to pay the Grand Rich's Debt upon completion of the H&S SPA. The share transfers will be completed on the same day. Upon completion of the share transfers, (i) Master Gold, (ii) Spread Fame, and (iii) H&S Credit will become direct wholly-owned subsidiaries of Trinity Union.

Prior to the completion of the Reorganisation, Sino Wealth will transfer 10,000 shares, representing the entire issued share capital in EarnLink to Trinity Union, in consideration of Trinity Union allotting and issuing one share and one share, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Sino Wealth. The share transfer will be completed on the same day. Upon completion of the share transfer, EarnLink will become a direct wholly-owned subsidiary of Trinity Union.

Capitalisation of the shareholder's loans provided by Dr. Choi

Prior to the completion of the Reorganisation, Dr. Choi and Trinity Union will enter into a loan capitalisation agreement, pursuant to which the indebtedness of approximately HK\$159,764,000 owed by Trinity Union to Dr. Choi will be capitalised in consideration of Trinity Union allotting and issuing a total of two shares, all credited as fully paid, of which one share to Dr. Choi and one share to Mrs. Choi at the direction of Dr. Choi. The capitalisation of the indebtedness will be completed on the same day.

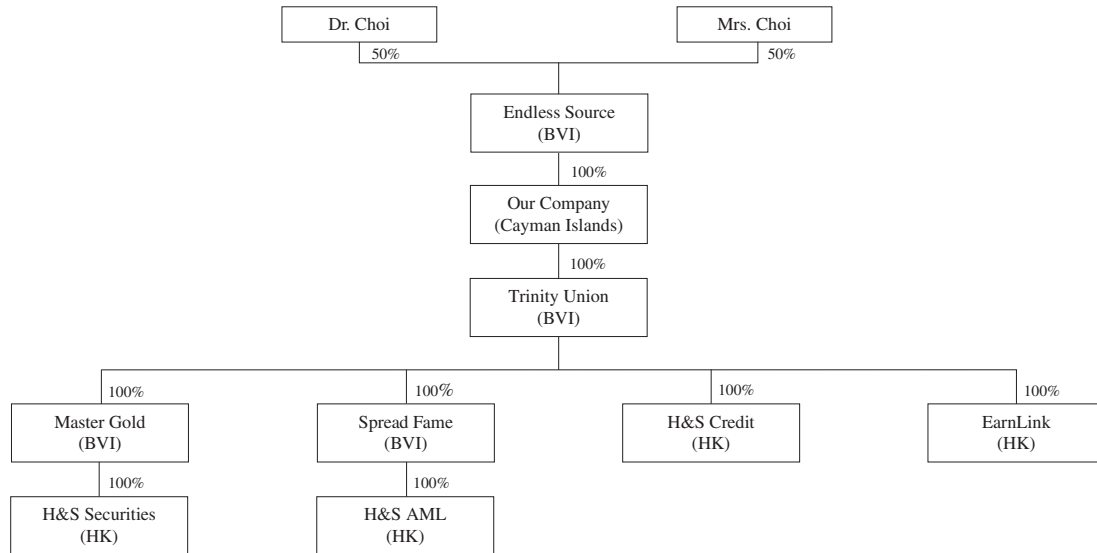
Acquisition of Trinity Union by our Company

Prior to the completion of the Reorganisation, Dr. Choi and Mrs. Choi will transfer [REDACTED] shares and [REDACTED] shares in Trinity Union, respectively, to our Company, in consideration of our Company allotting and issuing [REDACTED] Shares, all credited as fully paid, to Endless Source at the directions of Dr. Choi and Mrs. Choi. The share transfers will be completed on the same day. Upon completion of the share transfers, Trinity Union will become a direct wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION BUT BEFORE COMPLETION OF THE [REDACTED] AND THE CAPITALISATION ISSUE

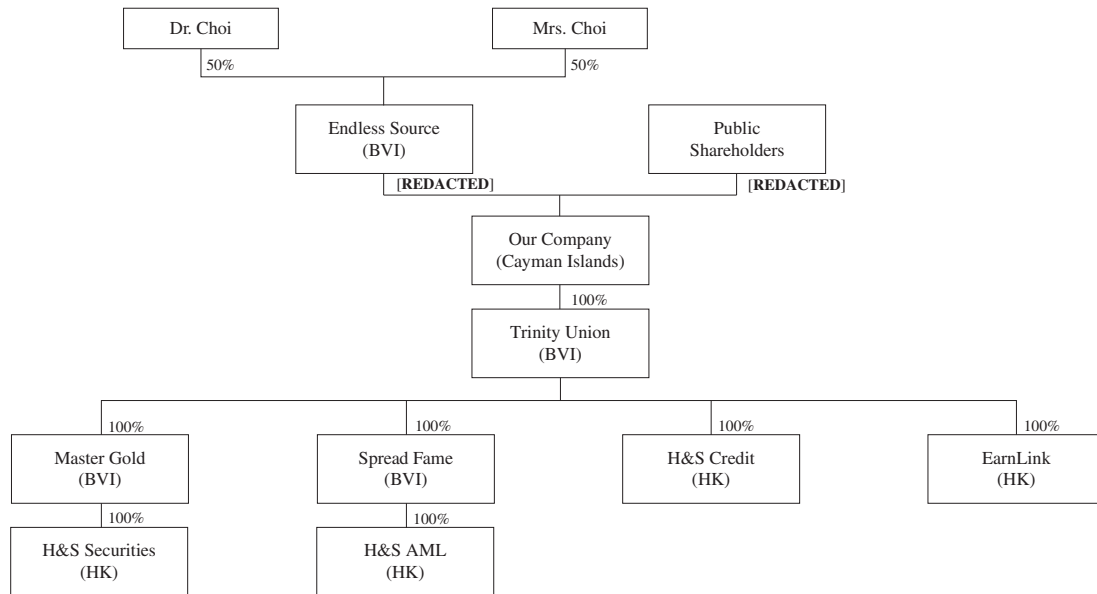
The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the [REDACTED] and the Capitalisation Issue:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF REORGANISATION, THE [REDACTED] AND THE CAPITALISATION ISSUE

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation, the [REDACTED] and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and any Shares which may be allotted and issue or bought by our Company under the Issue Mandate and the Buy-Back Mandate as referred to in the section headed “Further information about Our Group – Written resolutions of our sole Shareholder dated [●]” in Appendix IV to this document.



BUSINESS

OVERVIEW

We are a Hong Kong-based financial service provider founded in December 1999. We are principally engaged in the provision of (i) securities trading services; (ii) money lending services; and (iii) asset management services.

Our business activities are carried out through our operating subsidiaries, including H&S Securities, H&S AML and H&S Credit. H&S Securities is licensed to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO; H&S Securities is also a Stock Exchange Participant and is currently holding 2 Stock Exchange Trading Rights. H&S AML is licensed to conduct Type 9 (asset management) regulated activity under the SFO. H&S Credit is licensed to conduct money lending business in Hong Kong under the MLO.

During the years ended 31 December 2014 and 2015, our revenue and other income were approximately HK\$28.5 million and HK\$58.3 million respectively. Our profit attributable to owners of the Company during the same periods was approximately HK\$13.7 million and HK\$31.7 million respectively. As of 31 December 2014 and 2015, our total assets were approximately HK\$156.6 million and HK\$371.4 million respectively, and total equity attributable to owners of the Company was approximately HK\$76.0 million and HK\$107.7 million respectively.

Summary of the financial services provided by us are set out as follows:

- **Securities trading services**
 - **Brokerage Services:** We act as an intermediary between buyers and sellers of securities listed on the Main Board and GEM in return for brokerage commission.
 - **Placing and underwriting services:** We act as an underwriter, sub-underwriter, placing agent or sub-placing agent for equity and debt securities in transactions, such as IPOs, open offers and other fund raising exercises in return for placing or underwriting commission income.
- **Money lending services**
 - Under our Money Lenders Licence, we are able to offer both secured and unsecured loans to our customers, in return for interest income.
- **Asset management services**
 - **Fund management:** We were appointed as a portfolio investment manager for the H&S Fund, in which there were two segregated portfolios in operation during the Track Record Period, known as HSPASP and HSVCSPP, in return for management fee. As at the Latest Practicable Date, only HSPASP was in operation.

BUSINESS

- **Wealth management:** We act as an investment manager for our customers and manage their discretionary accounts in return for commission, management fee and performance fee. These customers' assets are deposited and held (i) with custodian accounts opened and maintained by them with certain international banks or (ii) in securities trading accounts of H&S Securities.

Sources of revenue

The following table sets out the revenue generated from each of our core services during the Track Record Period:

	Year ended 31 December			
	2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Securities trading services:				
– Commission income from placing and underwriting services	3,048	11.1	11,191	20.0
– Commission income from Brokerage Services	13,414	48.9	21,293	38.1
– Interest income from Brokerage Services	249	0.9	240	0.4
	<u>16,711</u>	<u>60.9</u>	<u>32,724</u>	<u>58.5</u>
Subtotal				
Money lending services:				
– Interest income from money lending services	7,776	28.3	17,415	31.2
Asset management services:				
– Commission income from wealth management	2,032	7.4	950	1.7
– Management fee income from fund management	720	2.6	3,613	6.5
– Performance fee income from wealth management	204	0.8	1,175	2.1
	<u>2,956</u>	<u>10.8</u>	<u>5,738</u>	<u>10.3</u>
Subtotal				
Total	<u><u>27,443</u></u>	<u><u>100.0</u></u>	<u><u>55,877</u></u>	<u><u>100.0</u></u>

BUSINESS

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths that enable us to grow and differentiate ourselves from our competitors:

We are able to provide a wide range of financial services to our customers

We are licensed to conduct Type 1 (dealing in securities), Type 4 (advising in securities) and Type 9 (asset management) regulated activities under the SFO. We are also licensed under the MLO to conduct money lending business in Hong Kong. With the multiple licenses we have, during the Track Record Period, we were able to offer different financial services to our customers, comprising (i) securities trading services; (ii) money lending services; and (iii) asset management services.

We also believe that our financial services in different areas can create synergies with each other. For instance, our placing and underwriting services not only provide a platform to listed companies and their shareholders to place their securities in bulk volume, but also complement to our securities trading services as our brokerage customers are the potential placees of the fund raising exercises. As such, we can generate placing and underwriting commission on one hand and brokerage commission from our brokerage customers on the other hand. The asset management services we provide can also facilitate our brokerage income through making security transactions at accounts opened with us.

Our Directors believe that the complementary nature of our services distinguishes us from our competitors under the competitive operating environment, and allows us to capture business opportunities in different business segments and thus to generate a diversified stream of income.

We maintain a well-established customer base

We recognise that market reputation and customers' confidence in our services are keys to success, which enable us to maintain on-going relationship with our existing customers, obtain customer referral from our existing customers and attract new customers from the market. In this regard, we place great emphasis on winning customer loyalty by providing them reliable, integrated and professional services. With our continuous efforts and through the multiple financial services we offer, we have successfully established a diversified customer base which covers individual and corporate investors and public companies.

BUSINESS

We possess an experienced and competent management team

We are led by a team of experienced and competent professionals who formulate corporate strategies, monitor compliance and financial performance, and manage daily operations with an aim to provide services to our customers in a reliable, efficient and professional manner. Our executive Directors, namely, Dr. Choi and Mr. Lam, have over 10 years of experience in the financial services industry with different focuses, including but not limited to investment services, merger and acquisition projects, administrative and management functions. In addition, each of our 6 Responsible Officers who worked in our management team during the Track Record Period also possesses years of experience in the financial industry. With the experience and knowledge of our management team, our Directors believe that our Group is able to respond promptly and duly to the ever-changing market conditions and environment. For details of the biographies of our management team, please refer to the section "Directors and Senior Management" in this document.

BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our position in the financial services industry in Hong Kong. We intend to achieve our future plans by adopting the following key strategies:

Further develop our existing core businesses by emphasising and expanding our money lending services

Our money lending services commenced in 2013 and it has become the second largest source of revenue of our Group during the Track Record Period. For the year ended 31 December 2015, the total amount of interest income generated from H&S Credit was approximately HK\$17.4 million when compared with approximately HK\$7.8 million for the year ended 31 December 2014, representing the fastest growing business segment of our Group. By applying the net proceeds from the [REDACTED] to the money lending services, we will have more capital resources for engaging into more sizeable loan transactions and offering a wide range of financing solutions to our customers in order to meet their individual financial needs.

Enhance our business penetration into the securities trading market through extensive networking and more active promotion

H&S Securities has been licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO since 23 December 2004, therefore we have a stable and loyal group of clientele comprised mainly of corporate and individual customers for whom we have served for many years. As a key source of our Group's revenue was generated from this business segment, we plan to increase our business penetration through a variety of channels including by way of internal referrals and sales network. Furthermore, revenue generated from the underwriting and placing services also increased substantially from HK\$3.0 million for the year ended 31 December 2014 to HK\$11.2 million for the year ended 31 December 2015. While building a convincing track record of and experience in handling underwriting and placing transactions, we will also try to explore new business opportunities with more listed issuers to grow the volume of business deals in this particular area.

BUSINESS

We aim to engage in more active promotions of our securities trading services through both existing and prospective customers. Resources will be allocated to enhance an overall uplift of the Group's image in the Hong Kong financial market as a whole, including conducting advertisements in both traditional and new media such as the internet in order to draw more attention and awareness to our services from potential high net worth customers.

Further enhance our wealth management services

Our Directors believe that, with a rapid changing investment environment around us, customers, particularly PRC investors who approach us to settle or do business in Hong Kong, are keen to search for prudent financial plans that are available in the financial market. We have set up a team of experienced investment advisors to provide wealth management services to and take care of our customers with one-stop investment services which catered to their investment objective and appetites. Our wealth management services are made to fit customers who have specific investment needs and risk preference. Being a strategic business partner working closely with our customers, our objective is to assist them to expand the size and value of their investment portfolios. Our investment advisors will focus on striving to offer suitable asset allocation strategies and appropriate investment portfolios to customers taking into consideration of their different levels of risk tolerance.

OUR BUSINESS MODEL AND SERVICES

We are a financial service provider in Hong Kong engaging in the provision of (i) securities trading services; (ii) money lending services and (iii) asset management services.

1. Securities trading services

Our securities trading services comprise mainly (i) Brokerage Services; and (ii) placing and underwriting services. The table below sets out the breakdown of the revenue from our Group's securities trading services during the Track Record Period:

	Year ended 31 December			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Commission income from placing and underwriting services	3,048	18.2	11,191	34.2
Commission income from Brokerage Services	13,414	80.3	21,293	65.1
Interest income from Brokerage Services	249	1.5	240	0.7
Total	16,711	100.0	32,724	100.0

BUSINESS

(a) Brokerage Services

We provide Brokerage Services to corporate customers and individual customers for trading of equity, debt, derivative securities and structured products listed on the Stock Exchange, which is conducted by our wholly-owned subsidiary, H&S Securities, licensed under the SFO to conduct Type 1 (dealing in securities) regulated activity. Trading orders from customers can be placed through phone or online trading platform through our designated website or on-site at our office premises through the BSS directly. We also provide ancillary services including collection of dividends, and subscription of shares offered under IPOs and open offers.

Correspondingly, we receive (i) commission by executing trades on behalf of our customers in listed securities; and (ii) securities and dividends handling fee income by providing ancillary services to our customers. During the Track Record Period, commission from Brokerage Services was our largest source of revenue which accounted for approximately 48.9% and 38.1% of our total revenue for the two years ended 31 December 2014 and 2015.

For the two years ended 31 December 2014 and 2015, we had 66 and 67 new securities trading accounts, respectively, resulting in the increase in the number of securities trading accounts from 359 as at 1 January 2014 to 487 as at 31 December 2015. Amongst all securities trading accounts maintained with us as at 31 December 2014 and 2015, approximately 171 and 191 of them were regarded as active accounts, respectively. In addition, as at 31 December 2014 and 2015, the gross transaction value handled by us under our Brokerage Services was approximately HK\$118.0 billion and HK\$285.5 billion, respectively.

The table below sets out the movement of the number of securities trading accounts during the Track Record Period:

	Year ended 31 December	
	2014	2015
Accounts maintained at the beginning of the year	359	422
Accounts opened during the year	66	67
Accounts closed during the year	(3)	(2)
Accounts maintained at the end of the year	<u>422</u>	<u>487</u>
Active accounts maintained at the end of the year	<u>171</u>	<u>191</u>

Brokerage Services are provided by our account executives, who are responsible for introducing customers, and carrying out sales and dealing procedures.

BUSINESS

During the Track Record Period our securities trading accounts were categorised as House Accounts and AE Accounts. The income generated from the House Accounts are attributed to our Group, while the income generated from the AE Accounts are shared between the responsible account executives and our Group.

The sharing portion of commissions varies among each AE Account and is determined on a case-by-case basis. To determine the portion of commission shared by the account executives for securities trading transactions, upon account opening, our account executives usually propose a sharing ratio on the gross amount of commission generated from each securities trading transaction from an AE Account. For the two years ended 31 December 2014 and 2015, the commission sharing ratio to the account executives both ranged from 13% to 80%, and the total commission shared to the account executives amounted to approximately HK\$456,000 and HK\$463,000, respectively. As at the Latest Practicable Date, we had 9 account executives who took care of both House Accounts and AE Accounts. As at 31 December 2014 and 2015, we had 422 and 487 securities trading accounts, respectively. The breakdown of total securities trading accounts and the active securities accounts are set out below:

Securities trading accounts:

	Year ended 31 December	
	2014	2015
– AE Accounts	231	261
– House Accounts	191	226
	422	487
Total securities trading accounts	422	487

Active accounts:

	Year ended 31 December	
	2014	2015
– AE Accounts	117	138
– House Accounts	54	53
	171	191
Total active accounts	171	191

Commission from Brokerage Services

We charge our customers brokerage commissions based on the transaction value of each completed trading order. Subject to a minimum charge ranging from HK\$20 to HK\$120, we generally charge our customers commissions at a rate ranging from 0.0019% to 0.25%. The commission rates charged to our customers vary and are determined on case-by-case basis after taking into account factors including their transaction histories, trading volumes and frequencies and the then market commission rates. We charge our staff at the commission rate of 0.07% and a minimum charge of HK\$35.

BUSINESS

(b) *Placing and underwriting services*

We have been providing placing and underwriting services through our subsidiary, H&S Securities for over 4 years. During the Track Record Period, we participated in different kinds of fund raising exercises for companies listed on the Stock Exchange by acting as underwriter, placing agent or sub-placing agent. Those fund raising exercises included IPOs, placing of new shares and unlisted debt securities of listed companies, top-up placement of shares of listed companies, and issues of new shares of listed companies by way of open offer.

Customers are typically listed companies or their shareholders or placing agents.

Set out below is a brief summary of the placing and underwriting services rendered by us during the Track Record Period:

Types of fund raising exercise	Role of our Group	Year ended 31 December	
		2014 Number of transactions	2015 Number of transactions
<u>IPOs</u>	Underwriter/ agent (<i>Note</i>)	N/A	2
<u>Listed companies on the Stock Exchange</u>			
– Top up placement of shares	Placing agent	N/A	1
– Placing of unlisted debt securities	Placing agent	N/A	1
– Issues of new shares by way of open offer	Underwriter/ Co Manager	3	N/A
– Placing of new shares and unlisted debt securities	Sub-placing agent	N/A	1
– Placing of new shares	Placing agent	N/A	1
Total number of placing and underwriting exercises		<u>3</u>	<u>6</u>

Note: We acted as the agent of a subscriber who subscribed for shares under an IPO.

During the Track Record Period, for our roles as placing agents and sub-placing agents, we were contracted to place listed shares or unlisted debt securities on an agreed price on a best efforts basis within a prescribed period of time, depending on the terms of the particular placing document. On the other hand, the underwriting exercises were conducted on a fully underwritten basis, whereby we were obliged under our underwriting commitment to subscribe or procure subscribers to subscribe for a number of securities at an agreed price on or before a designated date. During the Track Record Period, we did not subscribe on our own for any securities under underwriting exercises as a result of undersubscriptions.

BUSINESS

We charge commission for acting as a placing agent or a sub-placing agent in a fund raising exercise based on the aggregate placing price of the number of securities successfully placed by us to the placees or agents. We usually charge commission for acting as an underwriter or a sub-underwriter in a fund raising exercise based on our underwriting commitment and the aggregate offer price of the number of securities underwritten by us. Depending on our role under different fund raising exercises, we collect commission either from the listed companies, the shareholders of the listed companies or our immediate distributors of the relevant fund raising exercises. During the course of the provision of placing and underwriting services, we may engage other parties as the sub-placing agents or sub-underwriters for the fund raising exercise. The formation of the placing and/or underwriting syndicates aims to leverage their distribution capabilities for the completion of the fund raising exercise and to share the risks of undersubscriptions. For the two years ended 31 December 2014 and 2015, the sub-placing and/or sub-underwriting commissions shared to other sub-placing agents or sub-underwriters amounted to approximately nil and HK\$471,000, respectively.

During the Track Record Period, placing and underwriting commission was one of our key sources of income, which contributed approximately 11.1% and 20.0% of our total revenue for the two years ended 31 December 2014 and 2015, respectively.

Summary of the placing and underwriting services

Set out below is the breakdown of our revenue from our placing and underwriting services:

	Year ended 31 December					
	2014			2015		
	Number of transactions completed	Commission generated HK\$'000	%	Number of transactions completed	Commission generated HK\$'000	%
Our role						
Placing agent	–	–	–	3	7,187	64.2
Sub-placing agent	–	–	–	1	3,895	34.8
Underwriter	3	3,048	100.0	1	56	0.5
Agent	–	–	–	1	53	0.5
Total	3	3,048	100.0	6	11,191	100.0

BUSINESS

The following table sets out the placing and underwriting transactions completed by our Group during the Track Record Period:

Year ended 31 December 2014

Date of agreement	Our role	Related stocks for placing and stock code	Commission rate charged	Net Commission earned <i>HK\$'000</i>
27/2/2014	Underwriter	Sustainable Forest Holdings Limited (Stock code: 723)	2.5%	398
9/10/2014	Underwriter	Sustainable Forest Holdings Limited (Stock code: 723)	2.5%	1,880
14/11/2013	Underwriter	Perception Digital Holdings Limited (Stock code: 1822)	2.5%	770
Total				3,048

BUSINESS

Year ended 31 December 2015

Date of agreement	Our role	Related stocks for placing and stock code	Commission rate charged	Net Commission earned <i>HK\$'000</i>
7/1/2015	Agent	Target Insurance (Holdings) Limited (Stock code: 6161) (Note 1)	1%	53
24/3/2015	Underwriter	IN Construction Holdings Limited (Stock code: 1500)	2.1%	56
14/5/2015	Placing agent	Wanjia Group Holdings Limited (Stock code: 401)	2%	1,686
25/6/2015	Placing agent	Digital Domain Holdings Limited (stock code: 547)	2.5%	2,566
28/7/2015	Sub-placing agent	Imperial Pacific International Holdings Limited (Stock code: 1076)	2.5% plus fixed fee	3,895
16/12/2015	Placing agent	Digital Domain Holdings Limited (Stock code: 547)	1%	2,935
				<u>11,191</u>

Note:

1. Dr. Choi is a director of Target Insurance (Holdings) Limited.

BUSINESS

During the year ended 31 December 2015, we recorded a substantial increase in our revenue from placing and underwriting business segment. Our revenue from this segment increased from approximately HK\$3.0 million in 2014 to HK\$11.2 million in 2015. The total number of completed transactions increased from 3 in 2014 to 6 in 2015.

As at 31 December 2015, we had 1 engagement as a sub-underwriter in progress. Subsequent to 31 December 2015 and up to the Latest Practicable Date, we had no new engagements for placing and underwriting services. During the same period, we had completed 1 engagement.

2. Money lending services

Our money lending services are conducted through our wholly-owned subsidiary, H&S Credit. H&S Credit is a licensed money lender under the MLO. It has been operating since 7 November 2013, soon after our Money Lenders Licence was first obtained. During the Track Record Period, we extended loans to 22 customers. Under our Money Lenders Licence, we are able to offer both secured and unsecured loans to our customers. During the Track Record Period, we had granted 17 secured loans and 13 unsecured loans. Secured loans are secured by collaterals (including listed and unlisted equity securities and convertible notes), while unsecured loans are not secured by any collateral. For secured loans, we conducted a valuation of the collateral in order to assess its worth and therefore minimise the credit risk we may face. The loan-to-value ratio of secured loans generally ranged from 6.2% to 83.9% at the time of loan drawdown during the Track Record Period.

Our increased customer demand and outstanding loans increased significantly during the Track Record Period, primarily due to our enlarged capital base of H&S Credit by allotment and issue of 49,000,000 shares to the shareholder from HK\$1,000,000 as at 10 December 2013 to HK\$50,000,000 as at 23 December 2014. For the two years ended 31 December 2014 and 2015, the total amount of loans we granted was approximately HK\$55.3 million and HK\$177.7 million respectively.

As at 31 December 2014 and 2015, the outstanding balances of our loans amounted to approximately HK\$25.5 million and HK\$131.4 million, respectively. The following table sets forth the details of the outstanding balances of our loan portfolio by the security type as of the dates indicated:

	As of 31 December			
	2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Secured	20,500	80.4	102,040	77.6
Unsecured ⁽¹⁾	5,000	19.6	29,400	22.4
Total gross outstanding loans to customers	25,500	100.0	131,440	100.0

BUSINESS

Note:

- (1) Our unsecured loans, with outstanding balances ranged from approximately HK\$400,000 to approximately HK\$12,000,000, were granted to customers who have good credit histories upon assessing the risks involved in the loans during our credit evaluation process.

Our staff handles all of the day-to-day operations of our Group's money lending services, and are responsible for, among other things, handling and processing loan applications, verifying loan application supporting documents, and liaising with customers. All of our potential customers must undergo a thorough "know-your-clients" vetting process before any loan applications can be considered.

Loan applications are approved by the directors of H&S Credit. For potential loans which are significant in principal amounts or being unsecured in the course of assessment and approval of a loan application, the credit committee, comprising Dr. Choi, Mr. Lam and Mr. Chan, should meet to consider the loan application and details of which should be recorded.

Summary of the principal terms of our loans during the Track Record Period

Set out below is a summary of the principal terms of our loans according to the loan agreements entered into between our customers and our Group during the Track Record Period:

Loan type	Loan amount range (HK\$)	Average loan amount (HK\$)	Interest rate per annum	Repayment period
Secured	250,000-40,950,000	9.3 million	12%-48%	1-12 months
Unsecured	600,000-16,800,000	5.2 million	5%-27%	1-24 months

Revenue from our money lending services is derived from charging interest to customers. For the two years ended 31 December 2015, interest income attributable to our money lending services amounted to approximately HK\$7.8 million and HK\$17.4 million respectively.

During the Track Record Period, the interest rate charged by us ranged from 5% to 48% per annum. The interest rates are determined with reference to various factors, which include, but are not limited to, the repayment ability of the customer, the credit history of the customer, the amount of loan requested, the type of collateral or guarantee available and the repayment period of the loan. The collaterals are analysed according to various matrices, including their value, their liquidity and their type and the composition of the stock portfolio.

Any loan with principal not been repaid in full or with unpaid interests upon maturity is considered as overdue. Subject to our discretion, our customers may apply for extension of their respective loans before they become mature. However, no extension is granted by our credit committee for any matured or overdue loans. During the Track Record Period, there was no incident of overdue loans which led to the sales of collaterals nor repayment by guarantors, and there is no loss from default of the overdue loans realised.

BUSINESS

3. Asset management services

H&S AML started its asset management business in 2012. H&S AML is licensed to conduct Type 9 (asset management) regulated activity under the SFO. It comprises two main service areas in (i) fund management; and (ii) wealth management. As of 31 December 2015, the combined AUM of the H&S Fund and the customers' discretionary accounts managed by us amounted to approximately HK\$615.0 million. The table below sets out the breakdown of the revenue from our Group's asset management services during the Track Record Period:

	Year ended 31 December			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Fund management services	720	24.4	3,613	63.0
Wealth management services	2,236	75.6	2,125	37.0
Total	<u>2,956</u>	<u>100.0</u>	<u>5,738</u>	<u>100.0</u>

(a) Fund management services

During the Track Record Period, H&S AML managed and invested the segregated portfolios of H&S Fund on a discretionary basis subject to the relevant investment restrictions in accordance with the relevant investment objective as contained in the offering memorandum in respect of each segregated portfolio. On 24 May 2012, we were appointed as the investment advisor of the H&S Fund (and were re-designated as the portfolio investment manager subsequently). Being the investment advisor, we were entitled to the management fees arisen from our management services to the H&S Fund, and to share the performance fees, if any, with H&S (Cayman) AML, the investment manager of the H&S Fund on 20:80 basis. On 4 February 2016, a new PIMA was entered into between H&S AML and H&S (Cayman) AML, under which we are entitled to the entire management fees and performance fees arisen from our management services to the HSPASP (which will be explained in details below) of the H&S Fund.

H&S Fund, as a segregated portfolio company, can operate different segregated portfolios with different investment objectives and strategies as well as enjoy the benefit of statutory segregation of assets and liabilities between each segregated portfolio.

BUSINESS

Details of H&S Fund are set out below:

Full name	:	Head and Shoulders Global Investment Fund SPC (formerly known as "Head and Shoulders China Core SPC")
Fund type	:	Open-ended investment fund
Place of incorporation	:	Cayman Islands
Investment manager	:	H&S (Cayman) AML
Portfolio investment manager	:	H&S AML

Segregated portfolios

During the Track Record Period, H&S Fund consisted of three segregated portfolios, namely HSPASP, HSVCSP and HSSESP. As at the Latest Practicable Date, only HSPASP was in operation. For the two years ended 31 December 2014 and 2015, HSPASP recorded a rate of return of approximately -1.4% and -19.1%, respectively.

HSPASP

HSPASP was set up on 21 June 2010 and launched in July 2011. HSPASP's objective is long-term capital appreciation with low volatility. It seeks to achieve its objective by employing a multi-strategy investment approach whereby portions of the assets are allocated to different asset classes including equity, fixed income products, derivatives and structured products. Different investment strategies, which are corporate bonds strategy, enhanced indexing strategy and long/short equity strategy are employed for different asset classes. Pursuant to the investment strategies, HSPASP mainly invests in, but not limited to, Hong Kong, Singapore and US markets.

BUSINESS

The initial AUM of HSPASP was approximately US\$3.8 million, of which approximately HK\$30 million was invested by Unitone Group Limited, a company wholly owned by Dr. Choi, and the AUM as at 31 December 2015 was approximately US\$57.7 million. The HSPASP monthly fee will be payable to the portfolio investment manager as soon as practicable after the investment manager's receipt of the management fee in respect of HSPASP for each calendar month. If the portfolio investment manager does not act as portfolio investment manager for the whole of a calendar month, the HSPASP monthly fee payable for that month will be prorated so that is paid for that part of the month that it so acted. The HSPASP annual fee, if any, will be payable to the portfolio investment manager within one month after the investment manager's receipt of the performance fee in respect of HSPASP for each performance period.

HSVCSP

HSVCSP was set up in February 2013 and launched in July 2013 at an initial AUM of approximately US\$1.9 million. Its investment objective was to achieve attractive and consistent returns under various market situations. It sought to achieve the investment objective while restricting the associated risks, through exposure to a diversified portfolio of derivatives, equities, debt securities and structured products across global markets, with a particular focus on Asian markets. In April 2015, all subscribers redeemed their positions at HSVCSP and it ceased to operate by then. As at the Latest Practicable Date, there is no concrete timetable nor new investment scheme to re-launch the HSVCSP.

HSESP

HSESP was set up in February 2013, but it has not been launched as at the Latest Practicable Date. There is no concrete timetable of launching HSESP.

Investment Committee

Investment strategies of each segregated portfolio of the H&S Fund are decided by the investment committee, comprising of four members who have investment experience in the fund management industry. They hold meetings regularly to evaluate the overall investment performance and discuss any new opportunities or any necessary adjustment on the investment directions of the H&S Fund.

(b) *Wealth management services*

H&S AML acts as an investment manager and provides wealth management services to customers on a discretionary basis pursuant to their respective investment requirements, objectives, and restrictions as contained in the investment management agreements executed between our customers and H&S AML.

BUSINESS

H&S AML manages and invests assets of its customers on the basis of their background and investment needs and objectives. Products invested include equity, bonds, exchange-traded funds, equity funds, foreign exchange spot and forward contracts, real estate investment trusts and structured products such as equity-linked notes. The products selection process is aimed to ensure suitable products were selected for customers based on their financial requirements and risk-return appetite.

We charge a performance fee of up to 10% of the appreciation of net asset value of our customers' discretionary accounts as at the valuation date. Some of the customers' assets are deposited and held in custodian accounts opened and maintained by them with certain international banks. We were remunerated with commission fees ranged from 25% to 50% of all fees, spreads, commissions and/or margins charged by the international banks, based on our referred customers' AUM and transaction sizes. This business model aligns our interests with international banks and enhances our income. Besides, there are also other customers whose assets are deposited and held in securities trading accounts with H&S Securities. As at 31 December 2014 and 2015, H&S AML managed 14 and 13 customers' discretionary accounts, respectively. The AUM of customers' discretionary accounts managed by H&S AML amounted to approximately HK\$198.9 million and HK\$167.8 million as at 31 December 2014 and 2015 respectively. For the two years ended 31 December 2014 and 2015, these discretionary accounts recorded an average rate of return of approximately -6.8% and 0.9%, respectively.

Pricing policy

Our source of revenue is from fees and interests paid by our customers in relation to our services and is charged on a transaction basis. We do not enter into any long term service contract with our customers. The basis of the pricing for our services is as follows:

- a. Brokerage Services: brokerage fees are set with reference to, among other things, the trading histories, trading volumes and settlement practice of customers and the then market commission rates;
- b. Placing and underwriting services: placing and underwriting fees and commission are set based on the prevailing market rate, the then market sentiments, and our role and bargaining power under the fund raising exercises;
- c. Money lending services: interest rates are set with reference to, among other things, which include, but are not limited to, the repayment ability of the customers, the credit history of the customers, the amount of loans requested, the type of collateral or guarantee available and the repayment period of the loans; and
- d. Fund management services and wealth management services: management fees and performance fees are based on the negotiation with potential customers and with reference to other market pricing.

Set out below are the various rates (subject to the adjustments after arm's length negotiation with the customers) we generally charged in relation to our principal business activities during the Track Record Period.

BUSINESS

	For the year ended 31 December	
	2014	2015
1. Brokerage Services	<ul style="list-style-type: none">commission rate: 0.01% to 0.25% of the transaction value with an average of 0.01136%;minimum commission of HK\$20 to HK\$120	<ul style="list-style-type: none">commission rate: 0.0019% to 0.25% of the transaction value with an average of 0.00745%;minimum commission of HK\$35 to HK\$120
Placing and underwriting services	<ul style="list-style-type: none">commission rate: 2.5% of the aggregate subscription price in respect of the actual shares placed by us/the maximum shares underwritten by us	<ul style="list-style-type: none">commission rate: 1% to 2.5% of the aggregate subscription price in respect of the actual shares placed by us/the maximum shares underwritten by us
2. Money lending services	<ul style="list-style-type: none">interest rate of 18% to 48% per annum with an average of 20.40% per annum	<ul style="list-style-type: none">interest rate of 5% to 48% per annum with an average of 19.1% per annum
3. Asset management services (Fund management)	Management Fee:	
	HSPASP	
	<ul style="list-style-type: none">Management fee payable monthly and being higher of:<ul style="list-style-type: none">(i) HK\$50,000 or(ii) 1% per annum of the net asset value of HSPASP as at close of business in each calendar month	<ul style="list-style-type: none">Management fee payable monthly and being higher of:<ul style="list-style-type: none">(i) HK\$50,000 or(ii) 1% per annum of the net asset value of HSPASP as at close of business in each calendar month
	HSVCSP	
	<ul style="list-style-type: none">HK\$10,000, payable monthly	<ul style="list-style-type: none">HK\$10,000, payable monthly

BUSINESS

For the year ended 31 December
2014 2015

Performance Fee:

HSPASP

- | | |
|--|---|
| <ul style="list-style-type: none">• Being an amount equal to 20% of the amount of performance fee received by H&S (Cayman) AML, if any (Note 1), payable quarterly (before 17 November 2014) and payable annually (after 17 November 2014) | <ul style="list-style-type: none">• Being an amount equal to 20% of the amount of performance fee received by H&S (Cayman) AML, if any (Note 1), payable annually |
|--|---|

HSVCSP

- | | |
|---|--|
| <ul style="list-style-type: none">• Being an amount equal to 20% of the amount of performance fee received by H&S (Cayman) AML, if any (Note 1), payable quarterly | <ul style="list-style-type: none">• Being an amount equal to 20% of the amount of performance fee received by H&S (Cayman) AML, if any (Note 1), payable quarterly |
| <p>Asset management services (Wealth management)</p> <ul style="list-style-type: none">• Commission: 25% to 50% of all fees, spreads, commissions and/or margins charged by the international banks, subject to minimum of USD200, and payable quarterly (Note 2)• Performance fee: up to 10% of the appreciation of net asset value of our customers' discretionary accounts as at the valuation date | <ul style="list-style-type: none">• Commission: 25% to 50% of all fees, spreads, commissions and/or margins charged by the international banks, subject to minimum of USD200, and payable quarterly (Note 2)• Performance fee: up to 10% of the appreciation of net asset value of our customers' discretionary accounts as at the valuation date |

Notes:

1. The performance fee received by H&S (Cayman) AML equals to 20% of the appreciation in the net asset value per share above the aforesaid threshold, during the respective performance period.
2. The commission is sourced from the provision of our wealth management services to our customers' assets deposited and held in custodian accounts opened and maintained by them with certain international banks. All fees, spreads, commissions and/or margins charged by these banks are based on each agreement entered into between these banks and our customers.

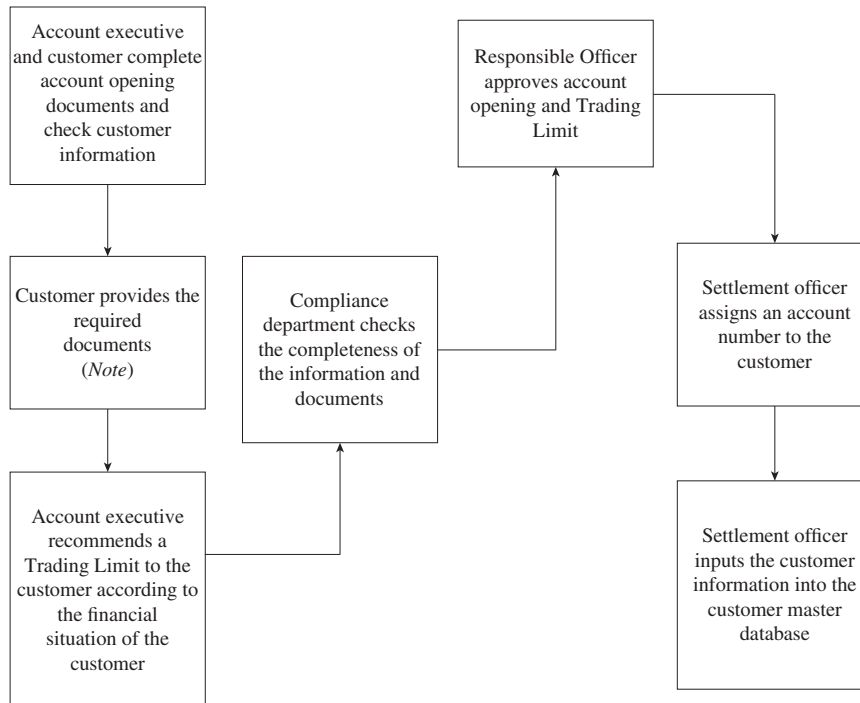
BUSINESS

OPERATION

Securities trading services

Account opening process

The following flowchart illustrates our account opening process for securities trading accounts:



Note:

Account executives shall collect the following documents from the customers:

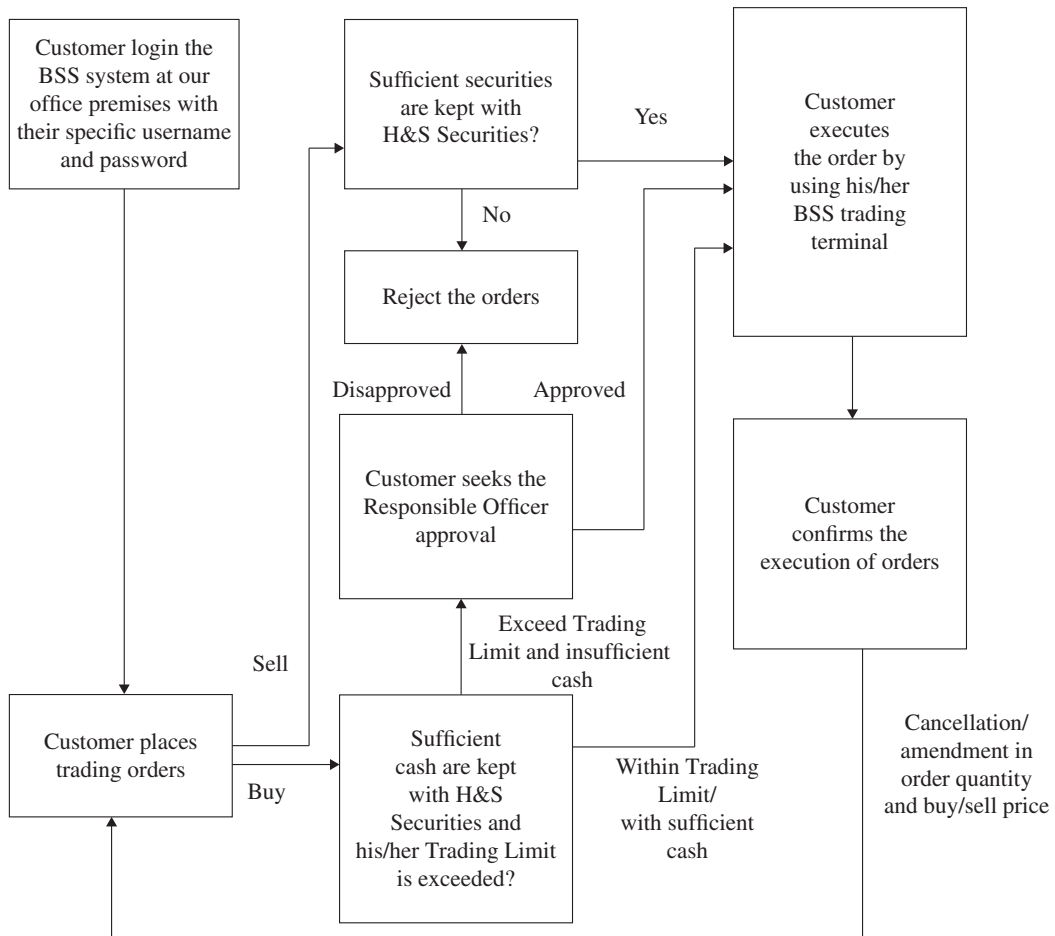
- a. in the case of an individual customer, a copy of Hong Kong identity card or relevant pages of passport, residential or correspondence address proof;
- b. in the case of a corporate customer, copy of its certificate of incorporation, memorandum and articles of association, business registration certificate and company resolutions approving the account opening and/or the person or entity (legal or otherwise) ultimately responsible for originating the instruction in relation to all transactions; or
- c. in the case of a partnership customer, copy of business registration certificate and partnership agreement.

BUSINESS

Order taking process

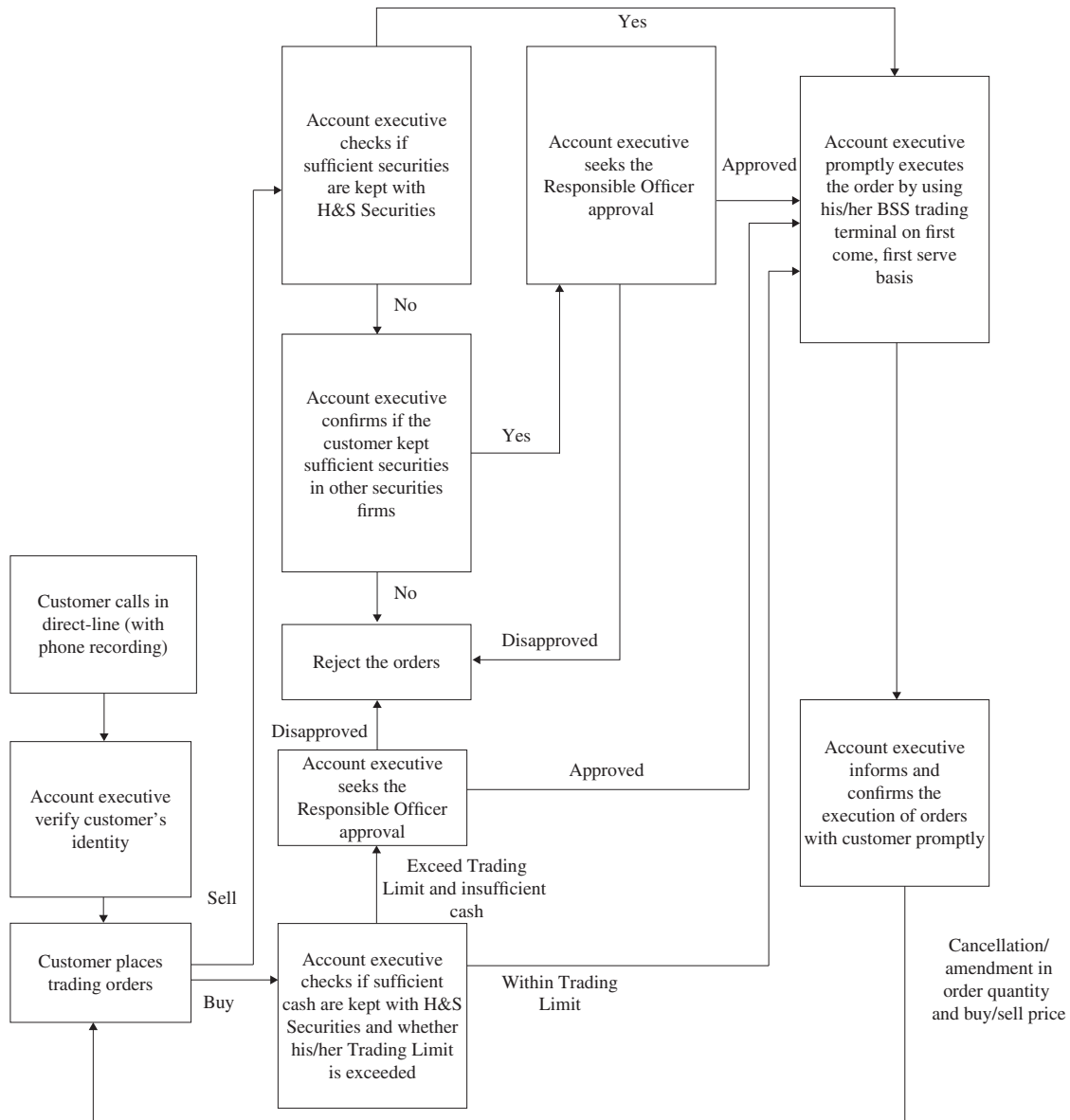
Customers may place orders to our Group for securities trading through telephone or our Group's online trading platform or on-site at our office premises through the BSS directly. Over 99.2% of our Group's total transaction value were placed through BSS directly.

For securities dealing on-site at our office premises via the BSS directly, customers are provided with unique usernames and passwords for logging into their BSS. The following flowchart illustrates our order taking and securities procedures for customers who place orders on-site via the BSS.



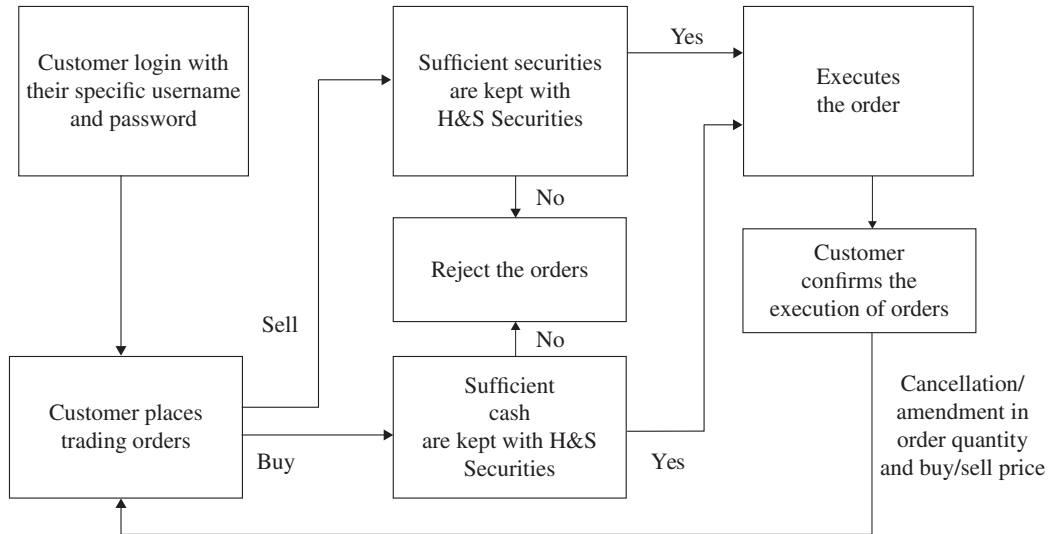
BUSINESS

Our Group has licensed account executives to take telephone orders from our customers. The following flowchart illustrates our order taking and securities dealing procedures for customers who place orders via telephone:



For securities dealing through our online trading platform, customers are provided with unique usernames and passwords for logging into the online trading platform. They can change their passwords through the online trading platform from time to time on their own. When trading orders are input, we will check if the customers have sufficient cash and/or securities in their accounts to cover the transactions. Our customers can trace the transaction status from the online trading platform on real time basis. Orders can only be placed through our online trading platform when the customers have sufficient cash and/or securities in their accounts; otherwise they shall place orders via telephones and follow the procedures for customers who placed orders via telephone as set out in the flowchart above. The following flowchart illustrates our order taking and securities procedures for customers who place orders via our online trading platform.

BUSINESS



Money lending business

Money lending – loan management

Loan application

1. Upon receipt of a loan application from a customer, the staff from H&S Credit will request the customer to submit all supporting documents as required by us.
2. We will then conduct relevant credit checks. This may include checking our system to (i) find out if the customer is an existing customer; (ii) check if there is any adverse/blacklist record associated with the customer; and (iii) check if there is any undrawn loan record or outstanding loan record. *(Note)*
3. If the information is correct, the staff will pass the file to the directors of H&S Credit for approval; otherwise the staff will reject the loan application if necessary and update our loan system.

Note: During the Track Record Period, there were no customers listed on the adverse/blacklist record.

BUSINESS

Loan approval

1. Upon receipt of the loan application from the staff, after checking the required information and documents, the directors of H&S Credit will analyse the customer's financial position and perform credit assessment. Besides, collaterals to be obtained are of primary importance in regard to risk management control.
 - a. For approved case: we will notify the customer of the result usually by telephone; if the customer accepts the terms of the loan, we will proceed with preparation of the loan documents, the loan drawdown and disbursement process.
 - b. For pending case, we will request the customer to submit the required information/document(s) if additional information or document(s) is/are required; if guarantee is required, we will inform the customer to provide guarantor(s), and the guarantor(s) is required to sign the guarantor document(s) and submit the supporting documents as required by us; the information of the guarantor(s) should be verified in the same way that has been applied to the customer.
 - c. For rejected case, we will notify the customer the result and input the reject status and reason(s) in our loan system.

Loan documentation and loan disbursement

1. Before asking the customer to sign the loan agreement, guarantee document(s) (if any) or other types of documents (if any), customer service staff must provide clear explanation to the customer and advise him/her to seek independent legal advice if necessary. The loan agreements are counter-signed by at least one director of H&S Credit.
2. Disbursement of loan proceeds should be made by company cheques or bank telegraphic transfers.
3. Unless with written instruction from the customer, draw down payments must be made to the borrowers' own names.

Loan filing

1. The loan document of the credit facilities are required to be retained for 7 years after the loans have been fully settled and the corresponding credit lines have been cancelled.

BUSINESS

2. Rejected/cancelled applications are destroyed 12 months after notification to customers.

Loan repayment

1. Customers are allowed to make loan repayment through the following channels: (a) cheques; and (b) payment at our office or at designated banks.
2. All repayments by cheques received from customers are deposited to our bank account(s).
3. Any cash repayment exceeding HK\$100,000 should be promptly deposited to bank accounts. For any cash repayment transaction exceeding HK\$100,000, staff should report to manager if any suspicious case is found. (*Note 2*)

Note 2: No suspicious case in respect of cash repayment transaction exceeding HK\$100,000 occurred during the Track Record Period.

Past due collection

1. There is no grace period allowed for default loan repayment.
2. Each default loan repayment is subject to late interest charges as set out in each loan agreement.

Account maintenance

1. Customer information such as address, phone number, residence code, etc. is recorded in our system. The information is updated upon receiving requests from customer via fax, mail or in person to office.
2. Basic account information such as account number, account type, loan amount, etc. cannot be changed under our loan system. To change this type of information, it must obtain the approval from directors of H&S Credit with valid explanation.
3. Unauthorised amendment on the loan account details such as interest differential, repayment amount, loan tenor, maturity date and interest stop date etc. are strictly prohibited.

BUSINESS

NOTIFIABLE TRANSACTIONS

Providing financial assistance to our customers is in our ordinary and usual course of business as a money lender. However, under Rule 19.04(8) of the GEM Listing Rules, the term "ordinary and usual course of business", in the context of financial assistance, only applies to a banking company, and not to a money lending company. In this regard, upon the [REDACTED], the financial assistance provided by us to our money lending customers may (i) constitute notifiable transactions under Chapter 19 of the GEM Listing Rules which will be subject to the relevant notification, announcement and shareholders' approval requirements; and (ii) trigger disclosure requirements under Rule 17.15 of the GEM Listing Rules. As a result, our Group has put in place procedures to ensure that the requirements of the GEM Listing Rules, including those relating to Chapters 17, 19 and 20 of the GEM Listing Rules are complied with.

In the event that the aggregate amount of the principal and interest charged thereon in respect of a loan to be granted by our Group results in one or more of the percentage ratios under Chapter 19 of the GEM Listing Rules exceeding 25% but falling short of 100%, such a loan will constitute a major transaction under the GEM Listing Rules and will be subject to circular, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. As any loans approved by our management which constitute major transactions under the GEM Listing Rules may be approved by way of written resolutions passed by Endless Source, such loans will proceed without the need of convening a Shareholders' meeting to give prior approval, although the notification and announcement requirements under the GEM Listing Rules will still be complied with.

CUSTOMERS

Customers of our Brokerage Services, money lending services and asset management services comprise corporate and individual customers. Customers of our placing and underwriting services are typically listed companies or their shareholders or placing agents.

Our top five customers

For the two years ended 31 December 2014 and 2015, revenue generated from our top five largest customers, in aggregate, accounted for approximately 48.0% and 43.5% of our Group's total revenue, respectively. Among which, our largest customer for the respective year accounted for approximately 11.0% and 10.5% of our Group's total revenue, respectively.

The tables below set out the revenue generated from our top five largest customers, their business background, our services provided and the duration of business relationships with our Group for the two years ended 31 December 2014 and 2015.

BUSINESS

For the year ended 31 December 2014

Rank	Customer	Industry/ Background of customer	Type of services provided by our Group	Revenue contributed to our Group HK\$'000	% of total revenue	Approximate length of relationship with our Group (years)
1	Customer A and his spouse (Note 1)	Individual investors	Securities trading services	3,009	11.0	4
2	Customer B (Note 2)	Merchant	Money lending services	2,805	10.2	4
3	Customer C and a company wholly owned by the customer (Notes 3)	Merchant and investment holdings	Money lending services and securities trading services	2,537	9.2	5
4	Customer D (Note 3)	Investment holdings	Money lending services	2,438	8.9	1
5	Customer E (Note 4)	Investment holdings	Securities trading services	2,381	8.7	4
Revenue from top five customers				13,170	48.0	

For the year ended 31 December 2015

Rank	Customer	Industry/ Background of customer	Type of services provided by our Group	Revenue contributed to our Group	% of total revenue	Approximate length of relationship with our Group (years)
1	Customer D (Note 3)	Investment holdings	Money lending services	5,863	10.5	1
2	H&S (Cayman) AML and H&S Fund	Investment manager and fund	Securities trading services and fund management services	5,520	9.9	4
3	Customer F	Property investments business, trading business and media entertainment business	Placing and underwriting services	4,853	8.7	<1
4	Customer A and his spouse (Note 1)	Individual investors	Securities trading services and money lending services	4,160	7.4	4
5	Customer G	Licensed corporation	Placing and underwriting services	3,895	7.0	<1
Revenue from top five customers				24,291	43.5	

BUSINESS

Notes:

1. Customer A (and his spouse) made trading orders actively on transacting mainly derivative securities listed on the Stock Exchange during the Track Record Period.
2. Customer B is a former controlling shareholder and director of the H&S Securities. He ceased to be a shareholder on 22 August 2013 and a director of H&S Securities on 10 July 2014.
3. The loans granted to customer C and customer D were secured by securities owned by them.
4. Customer E made trading orders actively on transacting mainly derivative securities listed on the Stock Exchange.

Save as disclosed in the section headed "Connected Transactions" in this document and so far as is known to our Directors, none of our Directors, their respective associates or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the top five customers of our Group.

Transactions with connected persons

During the Track Record Period, we conducted various business activities with our connected persons and their respective associates including our Directors and the directors of our subsidiaries, the Controlling Shareholders and their associates.

Revenue generated from our connected persons and their respective associates accounted for approximately 17.5% and 15.6% of our Group's total revenue for the two years ended 31 December 2014 and 2015, respectively.

SUPPLIERS AND VENDORS

Due to the nature of our principal business activities, we have no major suppliers.

SALES AND MARKETING

We generally source our new customers and expand our new customer network through referrals from our existing customers and the personal networks of our management and our marketing department. Our sales and marketing functions comprise liaising with customer and handling customers' enquiries. It is generally performed by our account executives and customer service staff. The opening of customer accounts is processed by account executives and has to be approved by one of our Responsible Officers. Our account executives also regularly contact existing customers in order to maintain business relationships with them. During the Track Record Period, most of our customers were either referred (i) by our senior management; or (ii) by our customers.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity.

BUSINESS

TAXATION

The operating entities of our Group are subject to registration and tax reporting in Hong Kong. On 23 March 2012, the assessor of the IRD's Field Audit and Investigation Unit issued a letter informing that the IRD was reviewing H&S Securities' tax matters. A notice of estimated profits tax assessment to H&S Securities for the year of assessment 2005/06 dated 26 March 2012 was enclosed in the letter. The estimated assessable profits and tax demanded were HK\$1,011,111 and HK\$176,944 respectively. The former tax representative of H&S Securities lodged objection against the assessment on 30 March 2012 on behalf of H&S Securities. The tax demand of HK\$176,944 was held over in full unconditionally on 30 April 2012.

On 1 June 2012, the assessor from the IRD's Field Audit and Investigation Unit issued a letter informing the directors of H&S Securities that an audit on the tax returns filed by H&S Securities for the years of assessment from 2005/06 to 2011/12 was being conducted and requested an interview. Subsequent to the interview, H&S Securities' submitted its accounting records and relevant documents to the IRD in response to its enquiry letter dated 14 September 2012. The IRD then issued notices of additional assessment of H&S Securities for years of assessment of 2006/07, 2007/08 and 2008/09 on 25 March 2013, 31 March 2014 and 23 March 2015, respectively. The estimated additional assessable profits were HK\$1,230,204, HK\$1,000,000 and HK\$1,000,000 respectively, and the relevant taxes demanded were HK\$215,286, HK\$175,000 and HK\$165,000 respectively.

H&S Securities lodged objections against the additional assessments on 8 April 2013, 14 April 2014 and 8 April 2015 respectively, and pending outcome of the objections, the relevant tax demands of HK\$215,286, HK\$175,000 and HK\$165,000 were held over in full unconditionally on 6 May 2013, 7 May 2014 and 5 May 2015 respectively.

On 11 March 2016, the IRD issued a notice of additional assessment to H&S Securities for the year of assessment 2009/10. The IRD demanded an additional tax of HK\$165,000. H&S Securities filed an objection against the additional assessment on 31 March 2016.

No further written or verbal follow-up enquiry was received from the case officer in respect of the information submitted in response to the enquiry letter dated 14 September 2012 up to the Latest Practicable Date. Based on the information submitted to the IRD, our Tax Adviser is of the view that it should not lead to making of any tax adjustments in respect of these income and expense items covered by the enquiry letter.

Moreover, on 23 June 2015, the IRD issued an enquiry letter to H&S Securities regarding the investment funds managed by H&S Securities or its subsidiaries for the years of assessment from 2005/06 to 2013/14. We have engaged our Tax Adviser in respect of this enquiry letter, and a reply to the enquiry letter was submitted to the IRD on 30 October 2015. Based on the advice of our Tax Adviser, it is expected that the IRD may look into the matters in relation to the investment fund, among others, whether the profits of H&S Fund and H&S (Cayman) AML are subject to tax in Hong Kong. As at the Latest Practicable Date, the reply was still under review by the IRD.

We have sought tax advice from our Tax Adviser and in the view of our Tax Adviser, the IRD may seek to assess the profits of H&S (Cayman) AML on H&S Securities and H&S AML as H&S (Cayman) AML did not have any employees and its services were performed on its

BUSINESS

behalf by H&S Securities and H&S AML. In addition, our Tax Adviser is also of the view that, in respect of the matters in relation to the H&S Fund, if the profits of H&S (Cayman) AML are subject to tax in Hong Kong, the additional tax liability of HK\$68,311 may be assessed on H&S Securities and H&S AML. Our Directors consider that the amount of the additional tax liability is insignificant, therefore, we did not make any provision in respect of the possible tax liability.

Prior to [REDACTED], our Controlling Shareholders will execute the Deed of Indemnity in favour of our Company (for itself and as trustee for each of our present subsidiaries) to provide indemnities in respect of, among other matters, any liability which might be incurred by any member of our Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur up to the date on which the [REDACTED] becomes unconditional. As such, our Directors consider that any claims will not have a material impact on our Group's business, operation and financial position. For details of the Deed of Indemnity, please refer to the section headed "Other information – Tax and other indemnities" in Appendix IV to this document.

REGULATORY REQUIREMENTS

SFC licences

The securities market in Hong Kong is highly regulated. The principal regulatory bodies governing our business are the SFC and the Stock Exchange. Our business, and our responsible personnel, are subject to a number of legislations, regulations and the respective rules of the Stock Exchange and, upon the [REDACTED], the GEM Listing Rules.

Our business activities are carried out through our operating subsidiaries, including H&S Securities, H&S AML and H&S Credit. H&S Securities is licensed to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities; while H&S AML is licensed to conduct Type 9 (asset management) regulated activity under the SFO. Set out below is a summary of the licences currently held by us and the number of licensed persons in each regulated activity as at the Latest Practicable Date.

Regulated activities	Number of Responsible Officers <i>(Note)</i>	Number of Licensed Representatives <i>(Note)</i>
Type 1	4	6
Type 4	2	7
Type 9	3	6

Note: Respective persons may hold multiple licences on different regulated activities.

BUSINESS

Other than the licences obtained under the SFO, given we are a Stock Exchange Participant and are holding 2 Stock Exchange Trading Rights, our operation is also governed by rules and regulations introduced and administered by the Stock Exchange from time to time. These licences and trading rights have no expiry date and will remain valid unless they are suspended or revoked by the SFC or the Stock Exchange.

Money Lenders Licence

Hong Kong's money lending industry is regulated and money lenders are required to be licensed under the Money Lenders Ordinance. The primary regulators of the money lending industry in Hong Kong include the Licensing Court, the Registrar of Money Lenders and the Commissioner of Police.

Under our current Money Lenders Licence, H&S Credit is licensed under the Money Lenders Ordinance to carry out money lending activities from our headquarters for a period of 12 months from 7 November 2015.

During the Track Record Period, we had obtained all material licences, permits or certificates necessary to conduct our operations from the relevant governmental and regulatory bodies in Hong Kong and we complied with all applicable laws, regulations, rules, codes and guidelines in Hong Kong which are material to the business and operation of our Group. Details of the regulatory and licensing requirements are disclosed under the section headed "Regulatory Overview" in this document.

COMPETITIVE LANDSCAPE

The financial services sector in Hong Kong is highly competitive due to the vast number of market players in (i) securities trading services, (ii) money lending services and (iii) asset management services.

BUSINESS

Securities trading services

As at 31 March 2016, there were 526 Stock Exchange trading participants and 33 Stock Exchange non-trading participants. These participants are classified into three categories. Below is the distribution of market share of these participants from 2005 to 2015:

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	57.7%	31.8%	10.5%
2013	56.0%	32.5%	11.5%
2014	54.2%	34.2%	11.6%
2015	52.3%	35.3%	12.4%

Source: HKEx fact book 2015

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.

The securities trading 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 commission rates in respect of securities and commodities trading in Hong Kong have been deregulated. Since the deregulation, commissions have generally been subject to market forces and negotiations between brokerage firms and customers which further intensified competition within the securities trading industry.

We were a Stock Exchange Participant under Category B with market share of 0.5729% for the year ended 31 December 2015, and are currently holding 2 Stock Exchange Trading Rights.

BUSINESS

Money lending services

According to the data extracted from the Companies Registry of Hong Kong, as illustrated in the section headed "Industry Overview", the number of licensed money lenders increased from 1,309 in 2014 to 1,605 in 2015, representing an increase of approximately 22.6%.

Asset management services

We have to face keen competition from different asset management firms, including 1,135 licensed corporations and 42 registered institutions for Type 9 (asset management) regulated activity under the SFO as at the end of December 2015 according to the statistics of the SFC.

INTERNAL CONTROL

Pursuant to the Code of Conduct, a licensed corporation should have internal control system in place 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. We have internal control system in place for the purpose of the compliance of the Code of Conduct.

We constantly collect information on the changing regulatory requirement by attending seminars and studying enforcement news of the SFC. We also have policies and procedures such as staff dealing, Chinese Wall, segregation of duties, policies on conflict of interests, policies on accounts opening and dealing practices. Our compliance department periodically reviews the internal policies to cope with the new development of the relevant laws and regulations. Our compliance department and the other departments discuss and evaluate the need for improvement in our internal control system as and when necessary according to the needs of the daily operation.

During the Track Record Period and up to the Latest Practicable Date, the compliance functions for our securities trading services, money lending services and asset management services have been performed by Mr. Lam and Mr. Chan, each of whom is a director of each of H&S Securities, H&S Credit and H&S AML. For details of their experience and qualification, please refer to the section headed "Directors and Senior Management" in this document. Since February 2016, we have employed one additional staff to carry out the compliance control responsibilities and report to our compliance officer directly. In addition to the abovementioned, the Group will further strengthen the overall compliance function of our Group.

All other operational departments are responsible for the implementation of the control measures based on the established policies and procedures. Our Responsible Officers are responsible for overseeing the day-to-day operations of these departments and ensuring that the internal control procedures are being followed. Set out below are some of our major internal control system in regard to our business activities.

BUSINESS

Anti-money laundering and counter-terrorist financing

Anti-money laundering

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

- (i) Customer due diligence – Staff is required to
 - (a) verify the identity of each customer;
 - (b) identify and verify beneficial ownership and control and/or the person on whose behalf a transaction is being conducted; 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, its business and risk profile, taking into account, where necessary, the customer's source of funds;
- (ii) Retention of records – Staff is required to maintain all necessary records on transactions for at least seven years;
- (iii) Handling of cash – For any cash repayment transaction exceeding HK\$100,000, staff should report to manager if any suspicious case is found;
- (iv) The Group provides anti-money laundering and anti-terrorist financing training to staff at regular intervals; and
- (v) Staff are required to report any suspicious transactions directly to the compliance officer or a Responsible Officer for further action.

The Directors confirmed that during the Track Record Period, the Group has not reported any suspected or actual cases of money laundering to the JFIU.

Key controls on our securities trading services

Key controls on our Brokerage Services

We have a set of internal control procedures, which mainly cover the areas of operational risk management, credit risk management, liquidity risk management and staff dealing.

(a) Operational risk management

Our staff members responsible for handling customers' orders must be registered with the SFC as either a Responsible Officer or a Licensed Representative. We have established and implemented a policy for the recruitment, licensing and training of our staff to ensure that they

BUSINESS

are properly recruited, appointed, licensed and trained. In addition, we have developed and implemented our account opening and dealing procedures in compliance with the Code of Conduct. A summary of our key internal control policies and procedures is set out below.

1. Accounts opening

Before entering into a customer's agreement with a new customer, our account executives shall check the list of restricted person (if any) issued by our Group. Any person on the list is restricted from opening account in whatever nature in our Group. Our account executives shall explain the terms of the customer's agreement to the customer. To verify the customer's identities, our account executives shall collect the documents from the customer, such as copy of Hong Kong identity card or relevant pages of passport, proof of residential or correspondence address, copy of its certificate of incorporation, memorandum and articles of association or other relevant documents as appropriate. Our account executives shall ensure that all these documents are properly filled in and collected from the customer. If the required documents are complete, our account executives shall submit them to the Responsible Officer for approval. The Responsible Officer shall review and approve the required documents together with the Trading Limit.

Amendments to the customer master database can only be made by the settlement officer. Other staff are restricted from accessing the customer master database and amending any information in it. The settlement officer have their own confidential passwords which should not be disclosed to any other staff and should be changed periodically.

2. Dealing procedures

All telephone conversations between our account executives and customers should be recorded through the centralised telephone recording system. The records should be kept for at least 6 months as required by the Code of Conduct. The Responsible Officers of H&S Securities shall perform regular check on the telephone conversations. Our account executives shall promptly execute the order by using his/her BSS trading terminal on first-come-first-serve basis by filling in the account number of our customer, name or code of stock, quantity, unit price and nature of transaction (buy/sell). The access to the BSS trading terminal is secured by unique usernames and passwords for signing in. Passwords of our account executives and the Responsible Officers should be kept confidential.

For securities dealing through our online trading platform, our customers are provided with unique usernames and passwords for logging into the online trading platform. They can change their passwords through the online trading platform. When trading orders are input, our system will check if the customers have sufficient cash and/or securities in their accounts to complete the transaction. Our customers would not be able to place their orders if there is insufficient cash and/or securities in their accounts. They can trace the transaction status from the online trading platform on real time basis. Alerts are prompted to our management for any insufficiency of cash or securities in a trading order.

For any order restricted by the BSS due to Trading Limit being exceeded, at the request of the customer, our account executives shall seek the approval of the Responsible Officer for uplifting the Trading Limit. The Responsible Officer may approve the uplifting of the Trading Limit based on the past trading and settlement record of the customer and the overall portfolio of the customer.

BUSINESS

3. Error trades

Our account executives review trading transactions at the end of each trading session. When our account executives become aware of any error trade, he/she must immediately report it to our Responsible Officers, who will then rectify the same as soon as possible. The responsible account executives for the error trades have to fill in "Error Reports" describing the error amounts, process and reasons for the error and the rectification steps taken thereafter. The "Error Reports", along with the supporting documents, are reviewed by our Responsible Officers and submitted to the settlement department. The error trades are then booked into the error trade account. For the two years ended 2014 and 2015, we identified 1 and 2 incidents of error trades, respectively. Our Directors believe that the amount involved in each incident was minimal.

4. Prevention of fraud, misappropriation or misconduct

We have internal control procedures to prevent fraud, misappropriation and misconduct. We prohibit our account executives from handling the delivery of cash or any connection regarding cash with customers. For deposit of funds to our trading accounts, our operations department keeps the pay-in slip or the cheque copy (whichever applicable) as supporting documents for credit entry of such deposit. Withdrawal of fund payable to any third party other than the customer must only be made if original written request is obtained from customer. Any of our Responsible Officer or director of H&S Securities approves withdrawal only when the securities trading account has sufficient funds for the withdrawal.

(b) Credit risk management

Upon reviewing the supporting documents provided by the customer, our account executives may recommend a Trading Limit for that customer to the Responsible Officer and submit the recommendation, together with the supporting documents, to the Responsible Officer for approval. If approved, the settlement officer will record the Trading Limit for that customer in the customers' master database. During the course of our business, when a customer does not have sufficient cash amount in his/her account and utilises his/her Trading Limit to purchase securities, we are exposed to credit risks. To minimise our credit risks exposure, (i) our account executives would remind the customer to deposit sufficient funds for settlement purpose within the T+2 period; and (ii) our account executives would check the account balance in the BSS before placing a buy order for the customer. If the customer exceeds his/her Trading Limit to place a buy order, our account executives would either reject the order placed by the customer, or seek the Responsible Officer's approval to proceed. Our financial controller and/or the Responsible Officer(s) would review the Trading Limit of each customer regularly and if appropriate, adjust the Trading Limit of individual customer from time to time, in order to control our credit risks exposure. In addition, our financial controller would monitor the customers' trading patterns, including their frequency of trading over the Trading Limits, from time to time, and can propose to adjust the Trading Limit for the customers according to their settlement practice, the market value of securities and the cash balance maintained in their accounts and their past trading records. In case of default in settlement by the customer, the Responsible Officer(s) and/or director(s) of H&S Securities may lower the defaulting customer's Trading Limit, suspend the defaulting customer's account and/or refrain the defaulting customer from buying securities.

BUSINESS

(c) *Liquidity risk management*

We are required to maintain at all times the liquid capital as required under the FRR. Our finance department is responsible for the preparation of the financial returns and the computation of liquid capital in accordance with the requirements under the FRR. The monthly financial returns are submitted to our Responsible Officers for review and approval before submission to the SFC no later than three weeks after each calendar month. Our finance department also conducts the liquid capital computation on a daily basis which is reviewed by our Responsible Officers to ensure that H&S Securities is able to comply with the FRR requirement on an ongoing basis.

During the Track Record Period, to the best of our Director's knowledge, our Group did not have any non-compliance with the minimum liquid capital requirement as required under the FRR.

(d) *Staff dealing*

1. Disclosure of investment holdings

Upon joining H&S Securities and H&S AML, all directors, staff members and account executives shall disclose to the Group details of all related accounts, including accounts of the employees' minor children and accounts in which he/she holds beneficial interest. Thereafter, they are required to submit statements regularly to the compliance officer for monitoring purposes.

2. Maintaining investment account

All directors, staff members and account executives are allowed to maintain only one investment account (unless approved by management). If any director, staff member or account executive wishes to open new investment account(s) with a financial institution or brokerage house, approval from the compliance department will be required. If approval is granted, the respective director, staff member or account executive will be required to furnish the Group with a duplicate of the statements pertaining to such an investment account for monitoring by the compliance department from time to time.

3. Maintaining existing investment account

Unless approved by management, all new directors and new staff members are required to maintain only one existing investment account or related account (including account of their minor children and account in which the employees hold beneficial interests). The new director or the new staff member shall arrange to close the non-approved investment accounts within 2 months of receipt of the relevant notice issued by the compliance department.

BUSINESS

4. Dealing in investment transactions

The following would not be accepted if:

- (i) there is any conflict of interests;
- (ii) there is any pending execution of any customer order on the same investment;
- (iii) there is any cross trade between the director or staff member and a customer of the Group;
- (iv) there is a short-selling against the Group's recommendation; or
- (v) there is prejudice to any customer's interest in any IPOs.

With regard to staff members whose duties involve close association with investment functions, the transaction is required to be disclosed to the compliance department or designate the proposed transactions details for checking.

5. Monitoring investment transactions

Compliance department will pay special attention to staff dealings that involve the following transactions:

- a. any dealing in any share or debt securities of the Group upon the [REDACTED];
- b. any disposal of shares acquired under any new initial public offers regardless of whether consent has been required for the acquisition thereof;
- c. any dealing in American Depository Receipts or similar securities;
- d. any dealing in equity derivatives including options, warrants, convertible stocks, convertible bonds, any rights to subscribe for equities and equity derivative;
- e. any dealing for acquisition of any option or warrants that give the right to receive an equity security or cash at the option of either party to the option or warrant contract; and
- f. any dealing in securities and derivatives prohibited from time to time due to various reasons, as stipulated from time to time by the Compliance Department.

Key internal controls on our placing and underwriting services

(a) Limitation of circulation of information

Information in respect of potential dealings which involve any listed companies is restricted only to the directors of H&S Securities, whose offices are separated from the working space of other staff of our Group. This helps to minimise the possibility of trading on price sensitive information by our staff before such information is made available in the public domain.

BUSINESS

(b) Record keeping

We keep proper books and records for the transactions undertaken by us. Filing of documents in relation to the placing and underwriting transactions are reviewed by our Responsible Officers and will be kept for at least seven years.

We also keep copies of documents such as invoices, engagement letters, underwriting agreements and/or placing letters. These documents would be circulated to our finance department to ensure that accounting records are updated properly.

Key controls on our money lending services

(a) Operational risk management

The grant of loans should only be confirmed after it is approved by at least one director of H&S Credit and all necessary documents have been provided or signed by the customer.

In the event if there shall be some loans classified as significant in amounts or being unsecured in the course of assessment and approval of a loan account application, the H&S Credit's credit committee should meet to consider the loan account application and details of which should be recorded.

Segregation of duties should be clearly identified in the following manner:

- a. Credit initiation – This function is typically performed by our customer service staff who handle and liaise with customers. Credit proposal can be prepared by our customer service staff.
- b. Credit approval – All loans should be approved by our directors of H&S Credit.
- c. Loan documents review – Review of loan files to ensure compliance with procedural and documentation requirements should be conducted by our finance manager of H&S Credit.
- d. Loan disbursement – The authorized signatory(ies) should review the loan documents and then sign the disbursement cheque(s).

Direct debit to customer's account or deposit of cheques are the usual repayment requirements.

(b) Credit risk management

As at the Latest Practicable Date, our credit committee comprised of the three directors of H&S Credit, review and oversee the credit policies of H&S Credit.

Our Group adopts a set of strict credit policies with regards to the activities carried out under our Money Lenders Licence. Loan applications are handled by our staff of H&S Credit and are subject to the approval of the credit committee. All new customers have to go through our background checks before a loan account can be opened.

BUSINESS

In addition, we may at our discretion require a guarantee from a third party for individual and corporate customers and/or a guarantee from the shareholder and/or director of our corporate customers. In determining whether a guarantee is required to add further security to a loan, we will, on a case by case basis, consider, among other things, the reason for the borrowing, the credit history of the customer with our Group, if any, the customer's financial background, the collateral on offer, its liquidity, its value and its type, and our credit exposure for granting the loan. As with the credit assessment of the customer, individuals providing a guarantee as security for a loan are also required to meet the same basic eligibility and approval criteria, and will be required to go through the same verification and approval procedures. Once the guarantor is approved by us, the guarantor will be required to execute relevant documents to provide guarantee to us.

Key controls on our asset management services

To evaluate total risks encountered by the Group and establish effective risk policies to minimise the risk exposure to our asset management services, we have a set of the following internal control procedures:

(a) Operational and regulatory risk management

In order to effectively control risks associated with client's investment, our asset management department has established an asset management investment committee, which is responsible for determining significant matters such as investment strategy, risk assessment and review of market condition.

(b) Market risk management

The Responsible Officers of H&S AML should have thorough understanding on the trading products and ensure dealing and operation procedures are complied with relevant ordinances and regulations. The accounts of the customers of H&S AML are reviewed on a daily basis. H&S AML must establish an effective risk management system to quantify the impact of risks on H&S AML. The system should estimate the effect of the (a) adverse stock market movement impact; and (b) change of interest rate, to minimise the market risk.

Compliance with FATCA

H&S Securities and H&S AML, registered with the IRS in accordance with the FATCA requirements as they in the ordinary course of business deal, hold and/or manages customers' money in the provision of securities brokerage and asset management services respectively, thus falling within the definition of FFI under FATCA.

In 2015, our Group conducted reviews of our existing customer accounts in order to identify any accounts held by U.S. taxpayers.

With effect from January 2016, as part of our know-your-clients procedures, we have implemented an additional step in our account opening procedures which consist of a self-certification from new customers who are to declare whether they are U.S. citizens or residents for tax purposes.

BUSINESS

Our Group has, on an on-going basis, adopted the following measures to ensure its continuous compliance with the FATCA requirements:

- (a) to review the structure of our Group and to determine entity(ies)'s classification and whether any of them should be considered as in the same "Expanded Affiliate Group" for FATCA purposes, and where appropriate to register the entity(ies) with the competent authorities; and
- (b) to enhance the current customer account opening as well as due diligence procedures to identify U.S. accounts and customers for compliance with FATCA, and also to provide relevant guidance to the Group's employees.

As at the Latest Practicable Date, none of our existing customer accounts were held by a US taxpayer. Given that (i) our Group has registered with the IRS; (ii) we have implemented account opening procedures to identify US accounts and customers in compliance with FATCA; and (iii) none of our existing securities trading accounts are held by a US taxpayer, our Directors believe that the implementation of FATCA in Hong Kong pursuant to the IGA has no material impact on our business operations, our Shareholders and our existing customers.

INSURANCE

During the Track Record Period, we had medical insurance for employees and insurance covering loss of customer assets due to theft by employees or other fraudulent acts as required under the Securities and Futures (Insurance) Rules (Chapter 571AI of the Laws of Hong Kong). As major aspects of our operations have been covered by insurance, we believe our Group has taken out sufficient insurance coverage over our assets and employees. During the Track Record Period, there were no material insurance claims.

EMPLOYEES

As at the Latest Practicable Date, we had 22 employees. All of our employees are stationed in Hong Kong. The following table sets forth a breakdown of the number of our employees by business functions:

	As at the Latest Practicable Date
Management	4
Compliance	1
Marketing	2
Dealing	1
Credit	1
Fund management	2
Information technology	1
Finance and administration	9
Settlement	1
	<hr/>
	22
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BUSINESS

All of our employees (other than self-employed account executives) are employed under employment contracts which set out fully, among other things, the employees' responsibilities, remuneration and grounds for termination of employment. The remuneration packages of our employee (other than self-employed account executives) include salary and bonus. Generally, employee salaries are determined based on the employees' qualification, experience, position and seniority. We assess our employee remuneration on an annual basis to determine whether any bonus or salary adjustments are required to be made.

As at the Latest Practicable Date, we have 2 self-employed account executives, they have not yet handled any accounts. They are not entitled to any fixed monthly salary or statutory employment benefits. Instead, they are entitled to commission at an agreed sharing ratio from the commission generated from accounts that they may be responsible for.

Overall, we believe that our remuneration package is competitive in the market. Our Group has maintained good working relationships with our employees and does not foresee any difficulties in the recruitment and retention of experienced staff. During the Track Record Period, there was no interruption to our operations as a result of labour disputes.

Training policies

H&S Securities and H&S AML are licensed corporations under the SFO. We have 4 Responsible Officers and 7 Licensed Representatives in H&S Securities; and 3 Responsible Officers and 6 Licensed Representatives in H&S AML. As such, we have to comply with the continuous professional training requirements. All Responsible Officers and Licensed Representatives are required to undertake sufficient number of hours of continuous professional training in order to maintain their SFC licence to carry on regulated activities. From time to time, we provide updates on changes or development in the financial industry including the revisions on rules and regulations to keep our relevant staff updated.

PROPERTIES

As at the Latest Practicable Date, we did not own any property. The table below sets forth a summary of the leased property for our operations as at the Latest Practicable Date:

Address	Landlord	Tenant	Gross floor area	Use of the property	Key terms of the tenancy
2509-2512A., 25/F., COSCO Tower, 183 Queen's Road Central, Hong Kong	China Union Properties Limited	Earnlink Limited	4,328 square feet	Office	Three years commencing from 17 September 2013 and expiring on 16 September 2016 (both days inclusive)

BUSINESS

INTELLECTUAL PROPERTY

(a) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registered owner	Registration date	Expiry date
headandshoulders.com.hk	H&S Securities	13 November 2003	15 November 2017
hns.com.hk	H&S Securities	9 October 2007	12 October 2017
hnsfg.com	H&S Securities	23 August 2013	23 August 2017

(b) Trademark

As at the Latest Practicable Date, our Group did not own any trademark nor had any trademark in the process of applying for registration.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, our Group had not been involved in any litigations, arbitrations or claims of material importance; and no litigations, arbitrations or claims of material importance is known by the Directors to be pending or threatened by or against our Group, which would have a material adverse impact on the operating results or financial position of our Group.

CONNECTED TRANSACTIONS

CONNECTED PERSONS

Each of the persons stated below is a connected person of our Company and had entered into transactions with our Group during the Track Record Period. It is expected that we will continue to enter into similar transactions with the following persons after the [REDACTED], and such transactions will constitute connected transactions for our Company pursuant to the GEM Listing Rules:

Connected person	Relationship with our Group
Dr. Choi and his associates (<i>Notes 1 and 2</i>)	Controlling Shareholder, executive Director, chief executive officer, and chairman of our Board
Mr. Chu	Non-executive Director
Mr. Chan	Director of each of EarnLink, H&S AML, H&S Credit and H&S Securities, and the chief operating officer of our Group
Mr. KK Chan	Director of each of H&S AML and H&S Securities

Notes:

1. H&S (Cayman) AML, a company incorporated in the Cayman Islands with limited liability on 21 June 2010, is indirectly wholly-owned by Dr. Choi and his associate(s). H&S (Cayman) AML is an associate of Dr. Choi.
2. H&S Fund, an exempted company incorporated in the Cayman Islands with limited liability and registered as a segregated portfolio company on 21 June 2010, is wholly-owned by H&S (Cayman) AML. H&S Fund is an associate of Dr. Choi.

A. EXEMPT CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, we entered into the following transactions with the relevant connected persons of our Company. It is expected that we will continue to enter into similar transactions with the said persons after the [REDACTED], and such transactions will constitute exempt continuing connected transactions for our Company and will be exempt from the announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules:

1. Brokerage Services rendered by H&S Securities to each of Mr. Chu, Mr. Chan, Mr. KK Chan and/or their respective associates

Background and principal terms

During the Track Record Period, H&S Securities had provided Brokerage Services to each of Mr. Chu, Mr. Chan and Mr. KK Chan and/or their respective associates. Prior to the [REDACTED], each of Mr. Chu, Mr. Chan and Mr. KK Chan will enter into a service

CONNECTED TRANSACTIONS

agreement with H&S Securities setting out the governing terms and conditions in relation to the Brokerage Services provided by H&S Securities to each of Mr. Chu, Mr. Chan and Mr. KK Chan and/or their respective associates for the term from the [REDACTED] to 31 December 2018. Under the BSAs, fees payable by each of Mr. Chu, Mr. Chan and Mr. KK Chan and/or their respective associates to H&S Securities shall be at rates comparable to rates offered to other customers of H&S Securities who are Independent Third Parties of similar credit standing and trading record and in accordance with the policy of H&S Securities from time to time, and the provision of the Brokerage Services shall be subject to the terms and conditions of the standard client agreement of H&S Securities from time to time.

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 that paragraph, the term "employees" includes directors (other than non-executive directors) of a licensed or registered person. For compliance with the Code of Conduct, our Directors consider it appropriate to permit Mr. Chu, Mr. Chan and Mr. KK Chan and their respective associates to make use of our Brokerage Services to conduct their personal securities dealing activities through H&S Securities after the [REDACTED].

Historical transaction amounts, proposed annual caps and basis of determination

The historical amounts received by our Group during the Track Record Period and the proposed annual caps contemplated under each of the BSAs are set out below:

	Historical figures (HK\$)		Proposed annual caps (HK\$)		
	For the year ended 31 December (approximately)		For the year ending 31 December (approximately)		
	2014	2015	2016	2017	2018
Mr. Chu's BSA	3,000	–	30,000	40,000	50,000
Mr. Chan's BSA	2,000	3,000	50,000	60,000	70,000
Mr. KK Chan's BSA	342,000	53,000	700,000	800,000	900,000

The proposed annual caps with respect to each of the BSAs was determined on an arm's length basis, and based on, among others, (i) the historical amount of the fees paid by each of Mr. Chu, Mr. Chan and Mr. KK Chan and/or their respective associates; and (ii) rates offered to other customers of H&S Securities who are Independent Third Parties of similar credit standing and trading record.

Our Directors (including our independent non-executive Directors) have reviewed each of the BSAs and are of the view that the entering into of each of the BSAs with H&S Securities is in the ordinary and usual course of business of our Group, and each of the BSAs including the annual caps is on normal commercial term, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

GEM Listing Rules implications

The transactions contemplated under each of the BSAs are of continuing nature and will constitute continuing connected transactions of our Company upon the [REDACTED], as the relevant applicable percentage ratios, on an annual basis, is less than 5% and the annual consideration is less than HK\$3,000,000, it is exempt from the announcement, circular and independent shareholders' approval requirements under Rule 20.74 of the GEM Listing Rules.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Brokerage Services rendered by H&S Securities to Dr. Choi and/or his associates

During the Track Record Period, we entered into transactions with the relevant connected persons of our Company. It is expected that we will continue to enter into similar transactions with the aforesaid persons after the [REDACTED], and such transactions will constitute non-exempt continuing connected transactions for our Company and will be subject to the announcement requirement but exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Background and principal terms

During the Track Record Period, H&S Securities had provided Brokerage Services to Dr. Choi and/or his associates. In connection with the [REDACTED], Dr. Choi entered into Dr. Choi's BSA dated 22 March 2016 with H&S Securities setting out the governing terms and conditions in relation to the Brokerage Services provided by H&S Securities to Dr. Choi and/or his associates for the term from the [REDACTED] to 31 December 2018. Under Dr. Choi's BSA, fees payable by Dr. Choi and/or his associates to H&S Securities shall be at rates comparable to rates offered to other customers of H&S Securities who are Independent Third Parties of similar credit standing and trading record and in accordance with the policy of H&S Securities from time to time, and the provision of the Brokerage Services shall be subject to the terms and conditions of the standard client agreement of H&S Securities from time to time.

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 that paragraph, the term "employees" includes directors (other than non-executive directors) of a licensed or registered person. For compliance with the Code of Conduct, our Directors consider it appropriate to permit Dr. Choi and his associates to make use of our Brokerage Services to conduct their personal securities dealing activities through H&S Securities after the [REDACTED].

CONNECTED TRANSACTIONS

Historical transaction amounts, proposed annual caps and basis of determination

The historical amounts received by our Group during the Track Record Period and the proposed annual caps contemplated under Dr. Choi's BSA are set out below:

	Historical figures (HK\$)		Proposed annual caps (HK\$)		
	For the year ended		For the year ending		
	31 December		31 December		
	(approximately)		(approximately)		
	2014	2015	2016	2017	2018
Dr. Choi's BSA	935,000	3,715,000	4,500,000	5,400,000	6,500,000

The proposed annual caps with respect to Dr. Choi's BSA was determined on an arm's length basis, and based on, among others, (i) the historical amount of the fees paid by Dr. Choi and/or his associates; and (ii) rates offered to other customers of H&S Securities who are Independent Third Parties of similar credit standing and trading record.

Our Directors (including our independent non-executive Directors) have reviewed Dr. Choi's BSA and are of the view that the entering into of Dr. Choi's BSA with Dr. Choi is in the ordinary and usual course of business of our Group, and Dr. Choi's BSA including the annual caps is on normal commercial term, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

GEM Listing Rules implications

The transactions contemplated under Dr. Choi's BSA are of continuing nature and will constitute continuing connected transactions of our Company upon the [REDACTED], as the relevant applicable percentage ratios, on an annual basis, is less than 25% and the annual consideration is less than HK\$10,000,000, it is subject to the announcement requirement but exempt from the circular and independent shareholders' approval requirements under Rule 20.74 of the GEM Listing Rules.

2. Management Services rendered by H&S AML to H&S (Cayman) AML

During the Track Record Period, we entered into transactions with the relevant connected persons of our Company. It is expected that we will continue to enter into similar transactions with the aforesaid persons after the [REDACTED], and such transactions will constitute non-exempt continuing connected transactions for our Company and will be subject to the announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Background and principal terms

H&S AML, as portfolio investment manager, entered into a portfolio investment management agreement and a supplement, both dated 24 May 2012 with H&S (Cayman) AML, as investment manager, pursuant to which H&S (Cayman) AML agreed to appoint H&S AML

CONNECTED TRANSACTIONS

to provide the Management Services. As amended by a deed of amendment dated 4 June 2012, another agreement dated 6 February 2013, and subsequently supplemented by two supplements dated 6 February 2013 and 17 November 2014 respectively, pursuant to which the portfolio investment management fee payable by H&S (Cayman) AML to H&S AML shall be an aggregate of (i) a fee payable monthly in arrears and (ii) a fee payable annually in arrears.

In connection with the [REDACTED], H&S AML entered into the PIMA dated 4 February 2016 with H&S (Cayman) AML setting out the governing terms and conditions in relation to the Management Services for the term from 1 January 2016 to 31 December 2018. Under the PIMA, fees payable by H&S (Cayman) AML to H&S AML comprises two components, namely, the fixed rate management fee and the performance fee in respect of the appreciation of the net asset value of HSPASP.

Historical transaction amounts, proposed annual caps and basis of determination

The historical amounts received by our Group during the Track Record Period and the proposed annual caps contemplated under the PIMA are set out below:

	Historical figures (HK\$)		Proposed annual caps (HK\$)		
	For the year ended		For the year ending		
	31 December		31 December		
	(approximately)		(approximately)		
	2014	2015	2016	2017	2018
PIMA	720,000	3,613,000	5,700,000	11,200,000	20,800,000

the proposed annual caps with respect to the PIMA was determined on an arm's length basis, and based on, among others, (i) the historical amount of the fees paid by H&S (Cayman) AML which comprised entirely the management fees and not yet triggered off the payment of performance fees, (ii) the AUM of HSPASP is expected to progressively increase; (iii) HSPASP is expected to be able to generate income at higher growth rate in the coming few years taking into account that HSPASP recorded a growth rate of more than 400% for the year ended 31 December 2015 as compared with that in 2014 and is expected to sustain a robust growth rate of approximately 60%, 100% and 90% in 2016, 2017 and 2018, respectively; (iv) it is also expected that the net asset value of HSPASP will likely appreciate in 2016 and will trigger the payment of performance fee in 2017 and 2018; and (v) the market rate of similar services provided by Independent Third Parties.

Our Directors (including our independent non-executive Directors) have reviewed the PIMA and are of the view that the entering into of the PIMA with H&S (Cayman) AML is in the ordinary and usual course of business of our Group, and the PIMA including the annual caps is on normal commercial term, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

GEM Listing Rules implications

The transactions contemplated under the PIMA are of continuing nature and will constitute continuing connected transactions of our Company upon the [REDACTED], as the relevant applicable percentage ratios, on an annual basis, is more than 25% and the annual consideration is more than HK\$10,000,000, it is subject to the announcement, circular and independent shareholders' approval requirements under Rule 20.03 of the GEM Listing Rules.

REASONS FOR THE WAIVER APPLICATION

Given their recurring nature, our Directors consider that (i) strict compliance with the requirement set out in Rule 20.74 of the GEM Listing Rules in respect of Dr. Choi's BSA; and (ii) strict compliance with the requirements set out in Rule 20.03 of the GEM Listing Rules in respect of the PIMA would be unduly burdensome, impractical and add unnecessary administrative costs to our Company. Accordingly, pursuant to Rule 20.103 of the GEM Listing Rules, the Sponsor, on behalf of our Company, has applied to the Stock Exchange for, [and the Stock Exchange has granted us,] (i) a waiver with respect to the continuing connected transactions contemplated under Dr. Choi's BSA from strict compliance with the announcement requirement; and (ii) a waiver with respect to the continuing connected transactions contemplated under the PIMA from strict compliance with the announcement, circular and independent shareholders' approval requirements, subject to the following conditions:

- (a) the annual aggregate value of the transactions contemplated under each of Dr. Choi's BSA and the PIMA for the years ending 31 December 2016, 2017 and 2018 will not exceed the respective annual caps; and
- (b) our Company will comply with the relevant provisions and requirements under the GEM Listing Rules, including in the event that the terms of each of Dr. Choi's BSA and the PIMA are altered or our Group enters into any new transactions or agreements with any of the connected person of our Company in the future.

If any terms of the transactions under each of Dr. Choi's BSA and the PIMA are altered or if our Company enters into any new agreements with any connected persons in the future, our Company will fully comply with the relevant requirements under Chapter 20 of the GEM Listing Rules, unless we apply for and obtain a separate waiver from the Stock Exchange.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the entering into of each of Mr. Chu's BSA, Mr. Chan's BSA, Mr. KK Chan's BSA, Dr. Choi's BSA and the PIMA is in the ordinary and usual course of the business of our Group, each of Mr. Chu's BSA, Mr. Chan's BSA, Mr. KK Chan's BSA, Dr. Choi's BSA and the PIMA, including the annual caps, is on normal commercial terms, and such transactions are fair and reasonable and in the interests of our Company and Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SPONSOR

The Sponsor has reviewed relevant information, documentation and historical data provided by our Group in relation to the non-exempt continuing connected transactions described above. On such basis, the Sponsor is of the view that the entering into of each of Mr. Chu's BSA, Mr. Chan's BSA, Mr. KK Chan's BSA, Dr. Choi's BSA and the PIMA is in the ordinary and usual course of the business of our Group, each of Mr. Chu's BSA, Mr. Chan's BSA, Mr. KK Chan's BSA, Dr. Choi's BSA and the PIMA, including the annual caps, is on normal commercial terms, and such transactions are fair and reasonable and in the interests of our Company and Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth information in respect of our Directors:

Name	Age	Date of appointment as Director	Date of joining our Group	Present position(s) in our Company	Principal responsibilities
Choi Chiu Fai Stanley (蔡朝暉)	47	Appointed as a Director on 30 October 2015, and re-designated as an executive Director on 8 March 2016	15 October 2003	Executive Director, chief executive officer and chairman of our Board	Responsible for (i) steering our Group's development direction; (ii) formulating strategic business plans and targets; and (iii) supervising all department heads in achieving goals and targets of our Group
Lam Yat Ming (林一鳴)	56	Appointed as an executive Director on 8 March 2016	26 November 2013	Executive Director and compliance officer	Responsible for (i) supervising the day-to-day management and compliance function of our Group's businesses; and (ii) monitoring the overall operation and financial performance of our Group
Chu Stephen Henry (徐英略)	55	Appointed as a non-executive Director on 8 March 2016	20 September 2012	Non-executive Director	Responsible for providing consultative advice and recommendations on the business development of our Group
Law Man Wah (羅文華)	64	Appointed as an independent non-executive Director on [●]	[●]	Independent non-executive Director	Responsible for providing independent advice to our Board regarding the management of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of appointment as Director	Date of joining our Group	Present position(s) in our Company	Principal responsibilities
Lai Kin Keung (黎建強)	65	Appointed as an independent non-executive Director on [●]	[●]	Independent non-executive Director	Responsible for providing independent advice to our Board regarding the management of our Group
Hon Ming Sang (韓銘生)	37	Appointed as an independent non-executive Director on [●]	[●]	Independent non-executive Director	Responsible for providing independent advice to our Board regarding the management of our Group

Executive Directors

Dr. Choi Chiu Fai Stanley (蔡朝暉), aged 47, is our chief executive officer, chairman of our Board, an executive Director and one of our Controlling Shareholders. Dr. Choi was appointed as a Director on 30 October 2015 and re-designated as an executive Director on 8 March 2016. Dr. Choi is responsible for (i) steering our Group's development directions, (ii) formulating strategic business plans and targets and (iii) supervising all department heads in achieving goals and targets of our Group.

Dr. Choi possesses over 10 years of experience in business development, financial services and merger and acquisition projects. Apart from working at senior positions for different financial groups in Hong Kong, Dr. Choi has also served as a member of the senior management of the following companies, all of which are listed on the Stock Exchange, namely, an executive director of Media Asia Group Holdings Limited (stock code: 8075) from October 2011 to September 2015; the deputy chairman and an executive director of HyComm Wireless Limited (currently known as Qingdao Holdings International Limited) (stock code: 499) from April 2010 to September 2010, an executive director of Simsen International Corporation Limited (currently known as Huarong International Financial Holdings Limited) (stock code: 993) from May 2008 to April 2010 and the chief executive officer and an executive director of CASH Retail Management Group Limited (currently known as Carnival Group International Holdings Limited) (stock code: 996) from October 2006 to October 2007. Dr. Choi has been an executive director of Target Insurance (Holdings) Limited (stock code: 6161) since September 2014 and an executive director of Daqing Dairy Holdings Limited (stock code: 1007) since 29 January 2016. Dr. Choi has been further appointed as the chairman and the chief executive officer of Daqing Dairy Holdings Limited (stock code: 1007) on 19 February 2016. Dr. Choi is also a director of ZhongAn Online P&C Insurance Co., Ltd., an online insurance company in the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Choi graduated with Magna Cum Laude in business administration from the Wichita State University in the USA in July 1995 and later obtained a master of science degree in international finance from the University of Illinois at Urbana-Champaign in the USA in May 1996. Dr. Choi also obtained a doctor of business administration degree from City University of Hong Kong in October 2013.

Save as disclosed above, Dr. Choi has not held any other directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this document.

Mr. Lam Yat Ming (林一鳴), aged 56, was appointed as an executive Director on 8 March 2016. Mr. Lam is responsible for (i) supervising the day-to-day management and compliance function of our Group's businesses; and (ii) monitoring the overall operation and financial performance of our Group. Mr. Lam possesses over 20 years of experience in financial services, administrative and management functions, and project investment. Before joining our Group, Mr. Lam was the chief operating officer of Simsen International Corporation Limited (currently known as Huarong International Financial Holdings Limited) (stock code: 993) from September 2009 to June 2010, an executive director of CASH Retail Management Group Limited (currently known as Carnival Group International Holdings Limited) (stock code: 996) from October 2006 to July 2009, and employed by Tung Tai Finance Limited for the period from January 1996 to July 2005 during which he first joined as personal assistant to chairman and later promoted to chief operating officer in March 2000. Mr. Lam obtained a bachelor degree from the University of Newcastle Upon Tyne in the United Kingdom (currently known as Newcastle University) in June 1985.

Save as disclosed above, Mr. Lam has not held any other directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this document.

Non-executive Director

Mr. Chu Stephen Henry (徐英略), aged 55, was appointed as a non-executive Director on 8 March 2016 and is currently a Responsible Officer of H&S AML. Mr. Chu is responsible for providing consultative advice and recommendations on the business development of our Group. He will not participate in day-to-day management of the business operations of our Group. Prior to joining our Group, he was the chief executive officer of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust (stock code: 87001) from April 2011 to June 2012. Before that, Mr. Chu was the chief executive officer of ARA Asset Management (Prosperity) Limited, the manager of Prosperity Real Estate Investment Trust (stock code: 808) from February 2009 to April 2011, and prior to that, he was the chief executive officer of ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited) (stock code: F25U.SI) from January 2008 to January 2009.

Save as disclosed above, Mr. Chu has not held any other directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this document.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Dr. Law Man Wah (羅文華), aged 64, was appointed as an independent non-executive Director on [●] 2016. Dr. Law is responsible for providing independent advice to our Board regarding the management of our Group.

Dr. Law was a director of BOCI-Prudential Trustee Limited from October 1999 to March 2009, a director of Nanyang Commercial Bank Limited from August 1994 to April 2007 and the head of financial management of Bank of China (Hong Kong) Limited from May 2009 to October 2010. Dr. Law is a certified financial management planner, a certified member of Institute of Management Accountants (USA) and an associate of Hong Kong Institute of Bankers. He obtained a bachelor of business administration degree from The Chinese University of Hong Kong in October 1975, and obtained a master of business administration degree from Brunel University (currently known as Brunel University London) in the United Kingdom, through distance learning in 1992, a master of science degree in finance from City University of Hong Kong in November 1995, a master of business (accounting) degree from Monash University in Australia, via distance learning in November 2000 and a doctor of business administration degree from The Hong Kong Polytechnic University in October 2011.

Save as disclosed above, Dr. Law has not held any other directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this document.

Professor Lai Kin Keung (黎建強), aged 65, was appointed as an independent non-executive Director on [●] 2016. Professor Lai is responsible for providing independent advice to our Board regarding the management of our Group. Professor Lai is currently the president of Asia Association of Risk and Crisis Management and chair professor of management science at City University of Hong Kong. Professor Lai has been an independent non-executive director and an independent director of Zoomlion Heavy Industry Science and Technology Co., Ltd. (H Share stock code: 1157; A Share stock code: 000157) since June 2015; and an independent non-executive director of Hanbo Enterprises Holdings Ltd. (stock code 1367) since June 2014. Professor Lai was an independent non-executive director of Kate China Holdings Limited (stock code: 8125) from June 2014 to November 2015 and an independent non-executive director of Climax International Company Limited (currently known as KuangChi Science Limited) (stock code: 439) from September 2004 to March 2008.

Professor Lai is the founding chairman of the Operational Research Society of Hong Kong which was established in Hong Kong in 1979. He is a certified senior enterprise risk manager of Asia Association of Risk and Crisis Management, a fellow of the Hong Kong Institute of Directors and a fellow of the Asia Pacific Industrial Engineering and Management Society. He was the dean of the College of Business Administration at Hunan University from February 2005 to February 2008 and a member of the 10th Hunan Provincial Committee of Chinese People's Political Consultative Conference in 2008. Professor Lai was appointed as a Chang Jiang Scholar Chair Professor by the PRC Ministry of Education Science and Technology Development Center in 2009. Professor Lai received the 2009 Joon S. Moon

DIRECTORS AND SENIOR MANAGEMENT

Distinguished International Alumni Award and the 2014 Civil and Environmental Engineering (CEE) Distinguished Alumni Award from Michigan State University in the USA in February 2009 and January 2014, respectively. He obtained a master of arts degree and a doctor of philosophy degree in civil engineering from Michigan State University in the USA in March 1974 and September 1977, respectively.

Save as disclosed above, Professor Lai has not held any other directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this document.

Mr. Hon Ming Sang (韓銘生), aged 37, was appointed as an independent non-executive Director on [●] 2016. Mr. Hon is responsible for providing independent advice to our Board regarding the management of our Group. He is a Chartered Financial Analyst charterholder, a member of the Hong Kong Society of Financial Analysts, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Mr. Hon has been an executive director of China Smarter Energy Group Holdings Limited (formerly known as Rising Development Holdings Limited) (stock code: 1004) since December 2012 and was an independent non-executive director of that company from August 2012 to December 2012. Mr. Hon was an executive director, financial controller, company secretary and qualified accountant of Oriental Ginza Holdings Limited (currently known as Carnival Group International Holdings Limited) (stock code: 996) from January 2010 to January 2014, July 2008 to January 2014, June 2008 to December 2012 and June 2008 to January 2014, respectively. Mr. Hon obtained a bachelor of business administration degree with Honours from The Chinese University of Hong Kong in May 2000.

Save as disclosed above, Mr. Hon has not held any other directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this document.

SENIOR MANAGEMENT

Our senior management comprises our executive Directors and the following persons:

Name	Age	Date of joining our Group	Position
Chan Wai Sang (陳偉生)	39	16 November 2011	Chief operating officer
Leung Chiu Lun (梁釗麟)	48	23 March 2010	Financial controller
Huang Hongwei (黃鴻偉)	38	19 October 2012	Senior equity strategist
Wong Chun Kit (王震傑)	36	8 March 2016	Company secretary

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Wai Sang (陳偉生), aged 39, is the chief operating officer of our Group who joined our Group in November 2011. He is responsible for overseeing operations of securities brokerage, underwriting and placing activities, asset management, money lending business of our Group.

Mr. Chan initially joined H&S Securities as an operation manager from December 2006 to October 2008. Mr. Chan re-joined our Group in November 2011. He obtained a licence from the SFC to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO as a Responsible Officer of H&S Securities in January 2012 and Type 9 (asset management) regulated activity under the SFO as a Responsible Officer of H&S AML in July 2013. Mr. Chan has over 10 years of experience in the securities industry.

Prior to re-joining our Group, Mr. Chan was an assistant director of Delta Wealth Securities Limited from July 2011 to November 2011. Mr. Chan was employed by Cheung's Securities Brokers Limited (currently known as Huarong International Securities Limited) from October 2008 to November 2010 and last held the position of assistant sale director. He obtained a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in October 2008.

Mr. Chan has not held any other directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this document.

Mr. Leung Chiu Lun (梁釗麟), aged 48, is the financial controller of our Group and is responsible for financial management, budgetary control and accounting of the Company. Mr. Leung joined our Group in March 2010 and he has over 26 years of experience in finance and accounting.

Mr. Leung is a fellow member of the Chartered Institute of Management Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Company Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. He obtained a master of business administration degree from the University of Strathclyde in the United Kingdom in November 2009 via distance learning.

Mr. Leung has not held any directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this document.

Mr. Huang Hongwei (黃鴻偉), aged 38, is the senior equity strategist of our Group. Mr. Huang joined our Group in October 2012 and was and is responsible for performing equity research. Mr. Huang obtained a bachelor of engineering degree in electronic engineering from Xiamen University in the PRC in July 2000 and a master degree in telecommunications from Beijing University of Posts and Telecommunications in the PRC in August 2010. He obtained a licence from the SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO in April 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang has not held any directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this document.

COMPANY SECRETARY

Mr. Wong Chun Kit (王震傑), aged 36, is the company secretary of our Company.

Mr. Wong has been serving as a senior company secretarial officer of Veda Corporate Services Limited since December 2014. Mr. Wong has been an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries since July 2015. Mr. Wong obtained a bachelor of engineering degree in chemical and polymer engineering from The Hong Kong University of Science and Technology in November 2003 and a master of science degree in professional accounting and corporate governance from City University of Hong Kong in July 2012.

Mr. Wong has not held any directorship in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this document.

COMPLIANCE OFFICER

Mr. Lam is the compliance officer of our Company.

AUTHORISED REPRESENTATIVES

Dr. Choi and Mr. Wong are the authorised representatives of our Company.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

During the Track Record Period, the total remuneration (including salaries and allowances, discretionary bonuses and contributions to pension schemes) paid by us to our Directors for the two years ended 31 December 2015 was approximately HK\$401,000 and HK\$3,028,000 respectively. Under the arrangements currently in force, the aggregate remuneration and benefits-in-kind to our Directors paid or payable (excluding any commission or discretionary bonus) in respect of the year ending 31 December 2016 is estimated to be approximately HK\$[3,663,000].

Our Group's principal policies concerning remuneration of Directors and senior management are determined based on the relevant Director or member of senior management's duties, responsibilities, experiences, skills, time commitment, performance of our Group and are made with reference to those paid by comparable companies. Our executive Directors and senior management may receive discretionary bonuses which shall be determined by our Board with regard to the performance of the relevant executive Director or member of senior management and the operating results of our Group as a whole in respect of the financial year. Our independent non-executive Directors receive compensation in the form of director fees.

DIRECTORS AND SENIOR MANAGEMENT

Each of our executive Directors, non-executive Director and independent non-executive Directors has entered into either a service contract or letter of appointment with our Company for an initial term of three years with effect from the [REDACTED], which will continue thereafter until terminated by not less than three months' notice in writing. Further details of the terms of the service contracts or letters of appointment entered into with our Directors are set out in the section headed "Further information about Directors, management, staff and experts – Particulars of service contracts" in Appendix IV to this document.

The staff costs of our Group (including director remuneration, staff salaries, allowances and benefits, and contributions to defined contribution retirement plans) for the two years ended 31 December 2015 amounted to approximately HK\$6.3 million and HK\$9.2 million respectively.

The aggregate amount of salaries and other allowances and benefits in kind paid by us to the five highest paid employees during the two years ended 31 December 2015 were approximately HK\$3.7 million and HK\$5.1 million respectively. During the two years ended 31 December 2015, approximately HK\$33,000 and HK\$135,000 discretionary bonuses were paid to our five highest paid employees respectively. Approximately HK\$186,000 and HK\$232,000 were paid by our Group as contribution to the mandatory provident fund schemes in respect of such employees for each of the two years ended 31 December 2015 respectively.

We participate in the mandatory provident fund scheme prescribed by the Mandatory Provident Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees, and we have made the relevant contributions in accordance with the aforesaid laws and regulations. We also provide medical benefits to them. Our employees are remunerated with monthly salaries and discretionary bonuses based on individual performance, market performance, our Group's profit as a whole and comparable market levels.

BOARD COMMITTEE

Audit committee

We established an audit committee on [●], which, at present, comprises three independent non-executive Directors, namely Dr. Law, Professor Lai and Mr. Hon, with Mr. Hon being the chairman of the audit committee. Written terms of reference in compliance with the GEM Listing Rules have been adopted. The duties of the audit committee include reviewing, in draft form, our annual report and accounts, half-year report and quarterly report and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, our senior management, our reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by our accounting staff, compliance officers or auditors. Members of the audit committee are also responsible for reviewing our Company's financial reporting process, risk management and internal control systems.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration committee

We established a remuneration committee on [●], which, at present, comprises Dr. Law, Professor Lai and Mr. Hon, with Professor Lai being the chairman of the committee. Written terms of reference in compliance with paragraph B.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules have been adopted. Amongst other things, the primary duties of the remuneration committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors.

Nomination and corporate governance committee

We established a nomination and corporate governance committee on [●], which, at present, comprises three independent non-executive Directors, namely Dr. Law, Professor Lai and Mr. Hon, with Dr. Law being the chairman of the nomination and corporate governance committee. Written terms of reference in compliance with paragraph A.5 of the Code on Corporate Governance Practices as set out in Appendix 15 to GEM Listing Rules have been adopted. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors, succession planning for our Directors and policies/practices on corporate governance of our Group.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Messis Capital to be the compliance adviser, who will have access to all relevant records and information relating to us that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, we 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 [REDACTED] and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the [REDACTED], or until the agreement is terminated, whichever is the earlier.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Our Company considers that having Dr. Choi acting as both chief executive officer and chairman of our Board will provide a strong and consistent leadership to us and allow for more effective planning and management for our Group. Pursuant to paragraph A.2.1 of the Code on Corporate Governance Practices, the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

However, in view of Dr. Choi's extensive experience in the industry, personal profile and critical role in our Group and its historical development, our Directors consider that the deviation from paragraph A.2.1 of the Code on Corporate Governance Practices is appropriate in such circumstances and that it is beneficial to the business prospects of our Group that Dr. Choi continues to act as both chief executive officer and chairman of our Board after the [REDACTED]. Notwithstanding the above, our Board is of the view that this management structure is effective for our Group's operations, and there are sufficient checks and balances in place with a strong independent element in the board composition.

Our Directors recognise the importance of good corporate governance in management and internal procedure so as to achieve effective accountability. Save as disclosed above, we will comply with the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED] and any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), [REDACTED]% of the issued share capital of our Company will be owned by Endless Source, which is owned as to 50% by Dr. Choi and as to 50% by Mrs. Choi. In view of the above, Endless Source, Dr. Choi and Mrs. Choi are our Controlling Shareholders under the GEM Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of operating independently of our Controlling Shareholders and their respective associates after the [REDACTED] on the basis of the following information:

Management independence

The day-to-day management and operation of the business of our Group will be the responsibility of all of our executive Directors and senior management personnel of our Company. Our Board has six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Dr. Choi, our executive Director, chief executive officer and chairman of our Board, is also one of our Controlling Shareholders. Save for Dr. Choi, none of the other Directors nor any of the members of our senior management is a Controlling Shareholder.

We consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his fiduciary duties as a Director 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 personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum; and
- (c) all independent non-executive Directors, namely Dr. Law, Professor Lai and Mr. Hon, are sufficiently experienced and capable of monitoring the operations of our Group independently of our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities for daily operations of our Group. Upon the [REDACTED], our Group will not share any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their associates. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

Our suppliers and customers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their associates. We have our independent access to our suppliers and our customers for the provision of services and materials, and we have an independent management team to handle our day-to-day operations.

Financial independence

Dr. Choi has provided shareholder's loans to our Group with an aggregate amount of approximately HK\$[181,605,000], being the sum of the amount due by our Group to Dr. Choi of approximately HK\$71,508,000 as at 31 December 2015 and the Grand Rich's Debt of approximately HK\$[110,097,000] which will be assumed by Trinity Union in full as part of the consideration payable by it under the H&S SPA. Our Group had repaid part of the shareholder's loans in the amount of approximately HK\$21,841,000 by March 2016. The remaining shareholder's loans in the amount of approximately HK\$[159,764,000] provided by Dr. Choi to our Group will be fully capitalised prior to the completion of the Reorganisation. For details of the capitalisation of the shareholder's loans, please refer to the section headed "History, Reorganisation and Corporate Structure – Reorganisation – Capitalisation of the shareholder's loans provided by Dr. Choi" in this document.

Save as disclosed above, our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments, and the ability to operate independently from our Controlling Shareholders from a financial perspective.

In view of our Group's internal resources and the estimated net proceeds from the [REDACTED] of new shares, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors also believe that, upon the [REDACTED], our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

OTHER BUSINESS OF OUR CONTROLLING SHAREHOLDERS

Apart from our Group, during the Track Record Period, our Controlling Shareholders and their respective close associates are currently conducting other businesses or holding interest directly or indirectly in certain companies which are engaged in businesses not in competition with the businesses of our Group. These major other businesses conducted or owned directly

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

or indirectly by our Controlling Shareholders and their respective close associates include (i) investment holding companies; (ii) insurance companies; and (iii) the operation of segregated portfolios through an open-ended investment fund, namely H&S Fund. For further details of H&S Fund, please refer to the section headed "Business – Our business model and services – Asset management services" in this document.

As we are principally engaged in the provision of (i) securities trading services, (ii) money lending services and (iii) asset management services, none of the business owned by our Controlling Shareholders and their respective close associates outside our Group is involved in the above, our Directors are of the view that there are clear delineations between the principal businesses of our Group and those other companies owned by our Controlling Shareholders and their respective close associates.

Save as disclosed above, none of our executive Directors, our Controlling Shareholders and their respective close associates are interested in any business that, competes or is likely to compete, either directly or indirectly with the business of our Group. To minimise the potential competition in the future, our Controlling Shareholders will enter into the Deed of Non-competition with us to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders (each a "Covenantor" and collectively, the "Covenantors") will enter into the Deed of Non-competition in favour of our Company prior to the [REDACTED], under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company (for ourselves and as trustee for each of its subsidiaries) that:

- (a) each of the Covenantors shall not, and shall procure each of his/her/its close associates and/or companies controlled by him/her/it, 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 a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) 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 (including but not limited to the provision of Brokerage Services, underwriting and placing services, money lending services and asset management services and businesses ancillary to any of the foregoing), in Hong Kong and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the "Restricted Business"). Each of the Covenantors has represented and warranted to our Group that neither he/she/it nor any of his/her/its close associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder with 30% interest or more, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) if each of the Covenantors and/or any of his/her/its close 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, in any event not later than 21 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; and (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 close associates; and

- (c) if our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within 30 Business Days (the "**30-day Offering Period**") of receipt of notice from the Covenantors, the Covenantors and/or his/her/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord. The Covenantors also agree to extend the 30 Business Days to a maximum of 60 Business Days if our Company requires so by giving a written notice to the Covenantors within the 30-day Offering Period.

In addition, upon the [REDACTED], each of the Covenantors has also undertaken:

- (i) in favour of our Company to provide our Company and our Directors from time to time (including our independent non-executive Directors) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by our independent non-executive Directors, for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;

- (ii) to provide to our Company, (if necessary) after the end of each financial year of our Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and

- (iii) to our Group to allow our Directors (including our independent non-executive Directors), their respective representatives and the auditors to have sufficient access to the records of the Covenantors and his/her/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Further, each of the Covenantors has undertaken that during the period in which he/she/it and/or his/her/its close 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 unless pursuant to the provisions stipulated in the Deed of Non-competition;
- (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 our Controlling Shareholder for any purposes; and
- (iv) he/she/it will procure his/her/its close 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 Deed of Non-competition.

The above undertakings (i) and (iv) are subject to the exception that any of the Covenantors and their respect associates (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided also 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 opportunity, 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 Restricted Business and provided also that the principal terms on which that the Covenantors and/or his/her/its respective close associates invests, participates or engages in the Restricted Business are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the Covenantors and/or his/her/its respective close associates decides to be involved, engaged, or participated in the relevant Restricted Business, 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.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantors and his/her/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital in our Company directly or indirectly or cease to be deemed as our Controlling Shareholder and do not have power to control our Board or there is at least one other independent Shareholder other than the Covenantors and/or his/her/its respective close associates holding more shares than the Covenantors and his/her/its respective close associates taken together; or (ii) the shares cease to be listed and traded on GEM or other recognised stock exchange.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In order to strengthen the corporate governance and to effectively monitor the observance under the Deed of Non-competition in respect of the potential conflict of interests between our Group and the Covenantors, upon the [REDACTED]:

- (1) our Company will disclose in the annual reports the compliance and enforcement of the undertakings by the Covenantors in respect of the Deed of Non-competition and the appropriate action to be taken by our Company;
- (2) our Company will disclose the details and basis of the decisions on the matters reviewed by our independent non-executive Directors in relation to the compliance and enforcement of arrangement of the New Business Opportunity in the annual reports;
- (3) our independent non-executive Directors will be responsible for deciding, in the absence of any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information, but in no circumstances shall our executive Director(s), who participate in such meeting, be counted towards the quorum or allowed to vote in such meeting), whether or not to take up, or whether or not to allow any Covenantor(s) or his/her/its close associate(s) to participate in, a New Business Opportunity referred to us under the terms of the Deed of Non-competition from time to time and if so, any conditions to be imposed;
- (4) our Board will ensure reporting any event relating to potential conflict of interests to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;
- (5) following the reporting of any event relating to potential conflict of interests, 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, including our independent non-executive Directors, to take any precautions actions; and
- (6) in the event that there is any potential conflict of interest relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the GEM Listing Rules, be required to declare his/her/its interests and, where required, abstain from voting in the relevant board meeting and/or general meeting on the transaction and not count as quorum where required.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders, our Substantial Shareholders and our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

UNDERTAKINGS

Our Company and each of our Controlling Shareholders has given certain undertakings in respect of our Shares, to the [REDACTED] and the Underwriters, details of which are set out under the section headed "Underwriting – Undertakings" in this document.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen our corporate governance practice and to safeguard the interests of our Shareholders:

- (1) the Articles provide that a Director shall not be counted in the quorum or vote on any resolutions of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested unless in certain circumstances as expressly stated in the Articles;
- (2) our audit committee will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;
- (3) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders' compliance with the terms of the Deed of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;
- (4) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (5) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company;
- (6) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/her/its close associates to be involved in or participate in a Restricted Business and if so, specifying any condition to be imposed; and
- (7) our Company has appointed Messis Capital as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED] and any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company 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 any member of our Group:

Long position in our Shares

Name	Capacity/Nature of interest	As at the Latest Practicable Date		Immediately after completion of the [REDACTED] and the Capitalisation Issue	
		Number of Share held	Approximate percentage of shareholding	Number of Shares held	Approximate percentage of shareholding
Endless Source	Beneficial owner <i>(Note)</i>	1	100%	[REDACTED]	[REDACTED]%
Dr. Choi	Interest in controlled corporation <i>(Note)</i>	1	100%	[REDACTED]	[REDACTED]%
Mrs. Choi	Interest in controlled corporation <i>(Note)</i>	1	100%	[REDACTED]	[REDACTED]%

Note: The issued share capital of Endless Source is legally and beneficially owned as to 50% by Dr. Choi and as to 50% by Mrs. Choi. Each of Dr. Choi and Mrs. Choi is deemed to be interested in the Shares in which Endless Source is interested in under Part XV of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the [REDACTED] and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED] and any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company 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 any member of our Group.

SUBSTANTIAL SHAREHOLDERS

UNDERTAKINGS

Our Company and each of our Controlling Shareholders has given certain undertakings in respect of our Shares, to the [REDACTED] and the Underwriters, details of which are set out under the section headed "Underwriting – Undertakings" in this document. Each of our Controlling Shareholders has also given undertakings in respect of our Shares as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

The table as shown below assumes that the [REDACTED] and the Capitalisation Issue has become unconditional and the issue of shares pursuant thereto is made as described herein. It does not take into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme.

The authorised and issued share capital in our Company before and following the completion of the [REDACTED] and the Capitalisation Issue are as follows:

HK\$

Authorised share capital:

[REDACTED] Shares	[REDACTED]
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Shares in issue or to be issued, fully paid or credited as fully paid:

[REDACTED] Shares in issue as at the date of this document	[REDACTED]
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[REDACTED] Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
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[REDACTED] new Shares to be issued pursuant to the [REDACTED]	[REDACTED]
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<u>[REDACTED]</u> Total	<u>[REDACTED]</u>
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Note: If the [REDACTED] is exercised in full, [REDACTED] additional Shares will be issued resulting in a total issued share capital of [REDACTED] Shares with an aggregate nominal value of HK\$[REDACTED].

ASSUMPTIONS

The table as shown above assumes the [REDACTED] becoming unconditional and the allotment and issue of shares pursuant thereto and under the Capitalisation Issue is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or bought back by our Company pursuant to the general mandate given to our Directors to allot and issue or buy back shares referred to in the paragraph headed "General mandate to issue shares" or the paragraph headed "General mandate to buy back shares" in this section, as the case may be.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

[REDACTED]

RANKING

The [REDACTED] will rank pari passu in all respects with all the shares in issue or to be issued as mentioned in this document and will qualify for all dividends and other distributions declared, paid or made on the shares in respect of a record date which falls after the [REDACTED] (except for the entitlement under the Capitalisation Issue).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and Conditions of the [REDACTED] – Conditions of the [REDACTED]" being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue; and
- (b) the aggregate nominal value of the share capital of our Company bought back pursuant to the authority granted to our Directors as referred to in the paragraph headed "General mandate to buy back shares" in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme. This general mandate to issue shares will remain in effect until:

- (a) the conclusion of our Company's next annual general meeting;

SHARE CAPITAL

- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the section headed "Further information about our Group – Written resolutions of our sole Shareholder dated [●]" in Appendix IV to this document.

GENERAL MANDATE TO BUY BACK SHARES

Subject to the conditions set forth in the section headed "Structure and Conditions of the [REDACTED]" in this document being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue.

For further details of this general mandate, please refer to the section headed "Further information about our Group – Buy-back by our Company of its 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 Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share 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 the share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to the section headed "Articles of Association – Alteration of capital" in Appendix III to this document.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares 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 further details, please refer to the section headed "Articles of Association – Variation of rights of existing shares or classes of shares" in Appendix III to this document.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants’ Report set out in Appendix I to this document. Our Group’s combined financial statements have been prepared in accordance with the HKFRSs. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group’s expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section “Risk factors” in this document.

OVERVIEW

We are a Hong Kong-based financial services provider founded in December 1999, and principally engaged in the provision of (i) securities trading services; (ii) money lending services and (iii) asset management services.

Our revenue mainly comprises of (i) commission from provision of Brokerage Services, which was recognised when our customers execute trading orders through us; (ii) placing and underwriting commission, which was principally derived from participating in different kind of fund raising exercises for companies listed on the Stock Exchange; (iii) interest income from provision of money lending services; (iv) management fee and performance fee from the provision of fund management services for the H&S Fund; and (v) commission income and performance fee from provision of wealth management service for customers on a discretionary basis. Details of the breakdown of the revenue by business activities of our Group are set out in Note 5 of the Accountants’ Report contained in Appendix I to this document.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 30 October 2015 as an exempted company with limited liability. Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group, details of which are set out in the section headed “A. Further information about our Group – 4. Reorganisation” in Appendix IV to this document. Financial information of our Group has been prepared as if our Company had been the holding company of our Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Preparation of the financial information of our Group was in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA on the basis set out in Note 2 to the Accountants’ Report contained in Appendix I to this document.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES

Our Group's financial information has been prepared in accordance with the HKFRSs. Significant accounting policies adopted by our Group are set forth in detail in Appendix I to this document. Some of the accounting policies involve subjective judgements, estimates, and assumptions made by our management, all of which are inherently subject to uncertainties. The estimates and the associated underlying assumptions are based on historical data, experience and other factors that we believe to be relevant and reasonable under the circumstances.

The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group's combined financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts 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 following basis.

- Commission income from Brokerage Services is recognised when the sale or purchase of securities has been executed.
- Placing and underwriting commission and commission income from wealth management services are recognised when the relevant works or services have been rendered.
- Management fee and performance fee income from asset management services are recognised in accordance with the terms and conditions of the relevant agreements.
- Handling fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered.
- Service fee and management fee income are recognised when the services have been rendered.
- Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably).
- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

FINANCIAL INFORMATION

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with our Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

FINANCIAL INFORMATION

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including statutory deposits, trade receivables, loan receivables, deposits and other receivables, amount due from Dr. Choi, amount due from a related company, client trust bank accounts and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of 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 period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

FINANCIAL INFORMATION

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

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

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

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

Cash and cash equivalents

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

For details of the significant accounting policies and estimates relating to our Group's financial information, please refer to Notes 3 and 4 to the Accountants' Report as set out in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Due to the business nature of our Group, our financial performance highly relates to the number and size of transactions we secure in each of our business segments from time to time. As our business mainly focuses on capital markets in Hong Kong, our Directors believe that the major factors affecting our Group's results of operations include:

- (a) the performance of Hong Kong stock markets and economic conditions;

FINANCIAL INFORMATION

- (b) the intensity of competition in the financial services industry;
- (c) the changes in the laws and regulations governing the financial services industry in Hong Kong; and
- (d) the changes in the movement of interest rates.

Performance of Hong Kong Stock markets and economic conditions

Our revenue are generated mainly from the provision of securities trading services, money lending services and asset management services in Hong Kong. Our Directors believe that financial performance highly relates to the overall performance of the Hong Kong stock markets, which may be affected by many unpredictable factors, including local and international economic and political conditions, and changes in the macroeconomic conditions.

The trading turnover of the Hong Kong stock market fluctuated during the past few years. The trading turnover in 2012 reached the bottom and amounted to approximately HK\$13,301 billion as a result of the uncertainties arisen from the European debt crisis. With the implementation of the Shanghai-Hong Kong Stock Connect programme and news that Mainland-Hong Kong Mutual Recognition of Fund Initiative, Hang Seng Index hit a seven-year high of 28,588.52. However, under the impact of the Greek debts crisis, the market corrections, and a sudden RMB movement, the stock market suffered from an adjustment in the third quarter of 2015. IPO market also experienced the similar trend that the total fund raised from IPO dropped significantly in 2012 (only approximately HK\$90 billion).

Majority of our revenue was derived from securities trading services and asset management services during the Track Record Period. Our revenue is therefore highly dependent on the activeness of the securities markets in Hong Kong. With the unstable and unpredictable market conditions, our financial performance may be volatile.

The intensity of competition in the financial services industry

Our results of operations are, to some extent, susceptible to the intensity of competition in the financial services industry in Hong Kong. The more intense the competition is, the less likely our Group is able to maintain our market share in the industry.

There is a large number of market participants in the securities trading industry in Hong Kong which makes the industry highly competitive. As at March 2016, there were 575 Stock Exchange Participants including 526 trading participants and 33 non-trading participants on the Stock Exchange. New participants may enter into the industry so long as they obtain the requisite licences and permits. Apart from large multi-national financial institutions, our Group also faces competition from local medium and small-sized financial services firms which offer similar range of services.

For money lending services sector, there were 157 licensed banks, 24 restricted licensed banks, 18 deposit taking companies and 1,605 licensed money lenders in December 2015, which may lead to competitive pricing for services. Such intense competition may affect our market share in the financial services industry in Hong Kong and our results of operations.

FINANCIAL INFORMATION

Changes in the laws and regulations governing the financial services industry in Hong Kong

Our operating subsidiaries, H&S Securities and H&S AML, Responsible Officers and Licensed Representatives are required to obtain relevant licences under the SFO. As a licensed corporation, we are also required at all times to maintain liquid capital which is not less than the required liquid capital as stipulated under the FRR.

Our business is also bounded by a number of laws and regulations, including the Listing Rules, the GEM Listing Rules, the Takeovers Code, the Companies Ordinance and the MLO. Any changes on these laws and regulations may affect our target customers' abilities to implement corporate exercises including IPOs and secondary market equity fund-raising and in turn will affect our revenue.

Changes in interest rates

The fluctuation of interest rates affects our businesses and therefore the results of operations in different ways. In December 2015, the United States Federal Reserve increased its benchmark rate, and such increase may generally lead to an increase in our interest income arising from money lending business as well as an increase in our finance cost on bank borrowings. It would adversely affect our businesses and its financial results if our interest rate spread for the money lending businesses is reduced. Moreover, an increase in interest rate may have an adverse impact on the financial markets, especially the securities market, and the market sentiment, which may indirectly affect our Group's results of operations adversely.

FINANCIAL INFORMATION

RESULTS OF OPERATION OF OUR GROUP

Combined Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth our combined statements of profit or loss and other comprehensive income and other financial information for the two years ended 31 December 2014 and 2015, as extracted from the Accountants' Report of our Group in Appendix I to this document.

	Year ended 31 December	
	2014	2015
	HK\$'000	HK\$'000
Revenue	27,443	55,877
Other income	1,011	2,431
Other gains and losses	(174)	4,305
Commission expenses	(18)	(475)
Employee benefits expense	(6,254)	(9,247)
Depreciation of property, plant and equipment	(402)	(250)
[REDACTED]	[REDACTED]	[REDACTED]
Other operating expenses	(4,955)	(7,041)
Finance costs	(225)	(4,423)
	<hr/>	<hr/>
Profit before tax	16,426	38,204
Income tax expense	(2,694)	(6,535)
	<hr/>	<hr/>
Profit and total comprehensive income for the year attributable to owners of our Company	<u>13,732</u>	<u>31,669</u>

During the Track Record Period, our Group recorded a revenue of approximately HK\$27.4 million and HK\$55.9 million and a profit for the year of approximately HK\$13.7 million and HK\$31.7 million for the two years ended 31 December 2014 and 2015, respectively.

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Our revenue was mainly derived from seven principal sources, namely (i) commission income from Brokerage Services; (ii) interest income from Brokerage Services; (iii) commission income from placing and underwriting; (iv) interest income from money lending services; (v) management fee income from fund management services; (vi) commission income from wealth management services; and (vii) performance fee income from wealth management services. The following table sets forth a breakdown of our revenue by business segments during the Track Record Period:

	Year ended 31 December			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Securities trading services:				
– Commission income from placing and underwriting services	3,048	11.1	11,191	20.0
– Commission income from Brokerage Services	13,414	48.9	21,293	38.1
– Interest income from Brokerage Services	249	0.9	240	0.4
Subtotal	<u>16,711</u>	<u>60.9</u>	<u>32,724</u>	<u>58.5</u>
Money lending services:				
– Interest income from money lending services	7,776	28.3	17,415	31.2
Asset management services:				
– Commission income from wealth management services	2,032	7.4	950	1.7
– Management fee income from fund management services	720	2.6	3,613	6.5
– Performance fee income from wealth management services	204	0.8	1,175	2.1
Subtotal	<u>2,956</u>	<u>10.8</u>	<u>5,738</u>	<u>10.3</u>
Total	<u><u>27,443</u></u>	<u><u>100.0</u></u>	<u><u>55,877</u></u>	<u><u>100.0</u></u>

FINANCIAL INFORMATION

Our commission income from Brokerage Services was derived from our securities trading services principally for equity and debt securities listed on the Stock Exchange. We generally charge commission at a rate ranging from 0.0019% to 0.25% of the transaction values. For the two years ended 31 December 2014 and 2015, commission income from Brokerage Services accounted for approximately 48.9% and 38.1% of our total revenue, respectively. Interest income from Brokerage Services was derived from the interests charged on overdue amounts from customers for settlement of trade executed for more than two days after the trade date, by way of the granting of the trade limits. For the two years ended 31 December 2014 and 2015, interest income from Brokerage Services accounted for approximately 0.9% and 0.4% of our total revenue, respectively.

Our placing and underwriting commission was derived from participating in different kinds of fund raising exercises for companies listed on the Stock Exchange by acting as the underwriter, placing agent or sub-placing agent. During the Track Record Period, the placing and underwriting commission rates charged by us ranged from 1.0% to 2.5% depending on the fund raising size raised by us and our negotiation with the issuers or financial intermediaries. Our revenue from placing and underwriting services accounted for approximately 11.1% and 20.0% of our total revenue for the two years ended 31 December 2014 and 2015, respectively.

Our interest income from money lending services was derived from interest charged on the loan advanced to our customers. During the Track Record Period, the interest rates charged by our Group on the outstanding principal amount due from our customers ranged from 5.0% to 48.0% per annum. For the two years ended 31 December 2014 and 2015, our interest income from money lending business accounted for approximately 28.3% and 31.2% of our total revenue, respectively.

Our management fee income was derived from our fund management services provided to the H&S Fund, which accounted for approximately 2.6% and 6.5% of our total revenue for the two years ended 31 December 2014 and 2015, respectively. Our wealth management service commission charged on managing the discretionary accounts accounted for approximately 7.4% and 1.7% of our total revenue for the two years ended 31 December 2014 and 2015, respectively. Our performance fee income derived from our wealth management services, based on our investment performance on the discretionary accounts, accounted for approximately 0.8% and 2.1% of our total revenue for the two years ended 31 December 2014 and 2015, respectively.

Other income

Other income mainly included (i) dividend income derived from listed securities; (ii) handling fee income such as CCASS charges and scrip fees received from our customers in relation to our Brokerage Services; (iii) interest income from authorised financial institutions; (iv) interest income received from our debt securities investments; (v) management fee income received from a related party in relation to the sub-lease of our office; (vi) service fee income received from an independent financial institution; and (vii) sundry income.

FINANCIAL INFORMATION

Other gains and losses

Other gains and losses mainly included (i) impairment losses recognised on trade receivables; (ii) loss on disposal of property, plant and equipment; (iii) net loss or gain arising on change in fair value of held-for-trading investments; and (iv) net foreign exchange losses.

Commission expenses

Our commission expenses mainly included the sub-placing commission. During the course of the provision of placing services, we may engage other parties as the sub-placing agents for the fund raising exercises. The sub-placing commission was paid for their services based on the value of securities allocated to them.

Employee benefits expense

Our employee benefit expense mainly comprised of (i) staff salaries, bonus and allowances, (ii) commission rebate paid to the account executives employed by us; (iii) directors' remuneration; and (iv) mandatory provident fund contributions.

Depreciation of property, plant and equipment

Depreciation expenses represented depreciation charges on our property, plant and equipment which included (i) office equipment; (ii) furniture and fixtures; and (iii) computers.

[REDACTED]

[REDACTED] represent the fees and costs incurred for the process of [REDACTED] the existing Shares on the GEM Board.

Other operating expenses

Our other operating expenses comprised of professional fees, office rent, rates and utilities, stock information subscription fee, entertainment and travelling expenses, auditors' remuneration, charitable donation and other miscellaneous expenses.

FINANCIAL INFORMATION

The following is a breakdown of the other operating expenses during the Track Record Period:

	Year ended 31 December			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Professional fees	18	0.4	713	10.1
Office rent, rates and utilities	2,540	51.2	2,543	36.1
Stock information				
subscription fee	1,246	25.1	1,246	17.7
Entertainment and				
travelling expenses	372	7.5	523	7.4
Auditors' remuneration	132	2.7	132	1.9
Charitable donation	10	0.2	813	11.6
Miscellaneous	637	12.9	1,071	15.2
Total	4,955	100.0	7,041	100.0

Professional fees mainly represented secretarial fees, legal and tax advisory fees and expenses charged mainly for the provision of consultancy services in relation to loan marketing services. For the two years ended 31 December 2014 and 2015, our professional fees accounted for approximately 0.4% and 10.1% of our other operating expenses, respectively.

Office rent, rates and utilities mainly represented the leasing of our office premises located in Central and the relevant utilities expenses such as electricity and telephone expenses. The office rent, rates and utilities accounted for approximately 51.2% and 36.1% of our other operating expenses for the two years ended 31 December 2014 and 2015, respectively.

Stock information subscription fee mainly represented fees paid for the rental of securities trading system. It accounted for approximately 25.1% and 17.7% of our other operating expenses for the two years ended 31 December 2014 and 2015, respectively.

Entertainment and travelling expenses accounted for approximately 7.5% and 7.4% of our other operating expenses for the two years ended 31 December 2014 and 2015, respectively.

The charitable donation accounted for approximately 0.2% and 11.6% of our other operating expenses for the two years ended 31 December 2014 and 2015 respectively.

Our miscellaneous expenses mainly comprised of trading tariff, introduce fee, CCASS charges, business registration, license and registration fee, repair and maintenance, insurance and office consumables. Our miscellaneous expenses accounted for approximately 12.9% and 15.2% of our other operating expenses for the two years ended 31 December 2014 and 2015, respectively.

FINANCIAL INFORMATION

Finance costs

For the year ended 31 December 2014, the finance costs represented interests paid for the loan advanced for the purpose of the ordinary course of our business, which was fully settled during the year ended 31 December 2014. For the year ended 31 December 2015, the finance costs represented interests paid for the loan advanced from an independent financial institution.

Income tax expense

Since our operation is based in Hong Kong, we are only liable to Hong Kong profits tax which is charged at a tax rate of 16.5%. For the two years ended 31 December 2014 and 2015, our Hong Kong profits tax expenses amounted to approximately HK\$2.7 million and HK\$6.5 million were charged respectively.

During the period from 23 March 2012 and up to the Latest Practicable Date, a tax audit on H&S Securities was conducted by the Field Audit and Investigation Unit of the IRD. Details of the tax audit are set out in the section headed "Business – Taxation" in this document. The IRD issued notices of additional assessments of H&S Securities for the years of assessment of 2005/06, 2006/07, 2007/08 and 2008/09 on 26 March 2012, 25 March 2013, 31 March 2014 and 23 March 2015, respectively. Objections were lodged against the additional assessments on 30 March 2012, 8 April 2013, 14 April 2014 and 8 April 2015 respectively, and pending outcome of the objections, tax demands of HK\$176,944, HK\$215,286, HK\$175,000 and HK\$165,000 were held over in full unconditionally on 30 April 2012, 6 May 2013, 7 May 2014 and 5 May 2015 respectively. On 11 March 2016, the IRD issued a notice of additional assessment to H&S Securities for the year of assessment 2009/10. The IRD demanded an additional tax of HK\$165,000. H&S Securities filed an objection against the additional assessment on 31 March 2016. No further written or verbal follow-up enquiry was received from the case officer in respect of the information submitted in response to the enquiry letter dated 14 September 2012 up to the Latest Practicable Date. Based on the information submitted to the IRD, our Tax Adviser is of the view that it should not lead to making of any tax adjustments in respect of these income and expense items covered. Based on the above, our Directors considered no provision should be made in this regards.

Moreover, on 23 June 2015, the IRD issued an enquiry letter to H&S Securities regarding the investment funds managed by H&S Securities or its subsidiaries for the years of assessment from 2005/06 to 2013/14. We have sought tax advice from our Tax Adviser and in the view of our Tax Adviser, the IRD may seek to assess the profits of H&S (Cayman) AML on H&S Securities and H&S AML as H&S (Cayman) AML did not have any employees and its services were performed on its behalf by H&S Securities and H&S AML. In addition, our Tax Adviser is also of the view that, in respect of the matters in relation to the H&S Fund, if the profits of H&S (Cayman) AML are subject to tax in Hong Kong, the additional tax liability of HK\$68,311 may be assessed on H&S Securities and H&S AML. Our Directors consider that the amount of the additional tax liability is insignificant, therefore, we did not make any provision in respect of the possible tax liability.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2015 as compared to the year ended 31 December 2014

Revenue

Our total revenue for the year ended 31 December 2014 was approximately HK\$27.4 million as compared to approximately HK\$55.9 million for the year ended 31 December 2015, representing an increase of approximately 103.6%. The increase of our total revenue was mainly attributable to the increase in revenue recognised in our Brokerage Services, placing and underwriting services, money lending services and fund management services, but was slightly offset by the decrease in commission income from our wealth management services and the interest income from our Brokerage Services.

Commission from Brokerage Services increased from approximately HK\$13.4 million for the year ended 31 December 2014 to approximately HK\$21.3 million for the year ended 31 December 2015, representing an increase of approximately 58.7%. Such increase was mainly due to the robust securities market in Hong Kong during the year ended 31 December 2015. The average daily trading turnover of Hong Kong Stock Market for the year ended 31 December 2015 increased substantially from the year ended 31 December 2014 as mentioned under the paragraph headed "Securities Trading in Hong Kong" under the section headed "Industry Overview" of this document. It led to the increase in the securities trading transaction amount and frequency of our customers. During the two years ended 31 December 2014 and 2015, the transaction amounts of our customers were approximately HK\$118.0 billion and HK\$285.5 billion respectively. Interest income from Brokerage Services decreased slightly from approximately HK\$249,000 to HK\$240,000 mainly because the overdue amounts for the year ended 31 December 2015 from customers decreased from those for the year ended 31 December 2014.

Our revenue derived from placing and underwriting services increased from approximately HK\$3.0 million for the year ended 31 December 2014 to approximately HK\$11.2 million for the year ended 31 December 2015, representing an increase of approximately 267.2%. The increase was mainly due to (i) the increase in the number of placing and underwriting transactions from 3 for the year ended 31 December 2014 to 6 for the year ended 31 December 2015; and (ii) the increase in the total fund raising size amount procured by us through placing or underwritten by us from approximately HK\$36.6 million for the year ended 31 December 2014 to HK\$468.0 million for the year ended 31 December 2015.

Our interest income from money lending services increased from approximately HK\$7.8 million for the year ended 31 December 2014 to approximately HK\$17.4 million for the year ended 31 December 2015, representing an increase of approximately 124.0%. Such increase was mainly due to (i) the increase in aggregate principal amount of the new loans advanced to our customers from approximately HK\$55.3 million to approximately HK\$177.7 million; and (ii) the increase in number of borrowers from approximately 3 for the year ended 31 December 2014 to approximately 22 for the year ended 31 December 2015.

FINANCIAL INFORMATION

Our management fee income from fund management services increased from approximately HK\$0.7 million for the year ended 31 December 2014 to approximately HK\$3.6 million for the year ended 31 December 2015, representing an increase of approximately 401.8%. Such increase was mainly attributable to the increase in AUM of HSPASP from approximately US\$2.3 million for the year ended 31 December 2014 to approximately US\$57.7 million for the year ended 31 December 2015.

Our commission income from wealth management services decreased from approximately HK\$2.0 million for the year ended 31 December 2014 to approximately HK\$1.0 million for the year ended 31 December 2015, representing a decrease of approximately 53.2%. As most of our customers of wealth management services first started using our services in 2014, where their capital were subsequently invested in the same period, it boosted the transaction amount in 2014 and led to a higher commission arising from trading of securities. In contrast, for the year ended 31 December 2015, we recorded a lower transaction amount compared to that of 2014; hence a lower commission arising from trading of securities. Our performance fee income from wealth management services increased from approximately HK\$0.2 million for the year ended 31 December 2014 to approximately HK\$1.2 million for the year ended 31 December 2015, representing an increase of approximately 476.0%. It was mainly due to the appreciation of net asset value of some of the discretionary accounts managed by us during the year ended 31 December 2015.

Other income

Other income increased from approximately HK\$1.0 million for the year ended 31 December 2014 to approximately HK\$2.4 million for the year ended 31 December 2015, representing an increase of approximately 140.5%. Such increase was mainly due to (i) the service fee income from an independent financial institution of approximately HK\$0.9 million for the year ended 31 December 2015 and (ii) the increase in interest income from our debt securities investments from approximately HK\$0.1 million to approximately HK\$0.7 million.

Other gains and losses

Our other gains and losses turned around from net losses of approximately HK\$0.2 million for the year ended 31 December 2014 to net gains of approximately HK\$4.3 million for the year ended 31 December 2015. For the year ended 31 December 2014, we recognised net loss arising on change in fair value of held-for-trading investments of approximately HK\$0.2 million as a result of the decline in the market prices of the securities held by us. During the year ended 31 December 2015, all of the investment in securities was disposed of, and net gain arising on increase in fair value of held-for-trading investments of approximately HK\$4.4 million was realised for the year ended 31 December 2015, representing the difference between the fair values of the securities at the time of disposal and as at 31 December 2014.

FINANCIAL INFORMATION

Commission expenses

The commission expenses increased from approximately HK\$18,000 to approximately HK\$475,000 for the two years ended 31 December 2014 and 2015 respectively, representing an increase of approximately HK\$457,000. The increase was mainly due to the increase in sub-placing fee paid by us to a sub-placing agent of approximately nil and HK\$471,000 for the two years ended 31 December 2014 and 2015, respectively as a result of a placing exercise completed in 2015.

Employee benefits expense

The increase in employees benefits expense from approximately HK\$6.3 million for the year ended 31 December 2014 to approximately HK\$9.2 million for the year ended 31 December 2015 was primarily attributable to (i) the increase in salaries paid to two of our Directors of approximately HK\$2.6 million; (ii) the increment of basic salaries paid to our employees; and (iii) the increase in commission paid to the account executives from approximately HK\$0.8 million for the year ended 31 December 2014 to approximately HK\$1.5 million for the year ended 31 December 2015 as a result of the increase in transaction volume of the securities accounts amid a robust securities market during the year ended 31 December 2015.

Depreciation of property, plant and equipment

The depreciation of property, plant and equipment decreased from approximately HK\$402,000 for the year ended 31 December 2014 to approximately HK\$250,000 for the year ended 31 December 2015, as the fixed assets was fully depreciated during the year ended 31 December 2015.

Other operating expenses

Other operating expenses increased from approximately HK\$5.0 million for the year ended 31 December 2014 to approximately HK\$7.0 million for the year ended 31 December 2015, representing an increase of approximately 42.1%. The increase in other operating expenses was mainly due to (i) the increase in professional fees of approximately HK\$695,000 for the year ended 31 December 2015; and (ii) the increase in charitable donation of approximately HK\$803,000 for the year ended 31 December 2015.

Finance costs

The increase in the finance costs from approximately HK\$0.2 million for the year ended 31 December 2014 to approximately HK\$4.4 million for the year ended 31 December 2015 was mainly due to the interest paid for a loan advanced from an independent financial institution for the purpose of ordinary course of our business in money lending services.

FINANCIAL INFORMATION

Income tax expense

The increase in the income tax expense from approximately HK\$2.7 million for the year ended 31 December 2014 to approximately HK\$6.5 million for the year ended 31 December 2015 was mainly due to the increase in assessable profit for the year ended 31 December 2015.

Profit for the year

As the result of the foregoing, our profit for the year from continuing operations increased by approximately HK\$17.9 million, or approximately 130.6% from approximately HK\$13.7 million for the year ended 31 December 2014 to approximately HK\$31.7 million for the year ended 31 December 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Our working capital and other capital requirements were principally satisfied by cash generated from its operations.

The following table summarises the movement of our cash for the period indicated:

	Year ended 31 December	
	2014	2015
	HK\$'000	HK\$'000
Cash and cash equivalents at the beginning of year	28,929	87,272
Net cash generated from/(used in) operating activities	17,170	(55,297)
Net cash generated from financing activities	41,173	129,142
Net increase in cash and cash equivalents	58,343	73,845
Cash and cash equivalents at the end of the year	<u>87,272</u>	<u>161,117</u>

Cash flow from operating activities

Our operating cash inflows were primarily derived from the provision of financial services, whereas our operating cash outflows mainly comprised of payment for staff salaries, commission expenses, system support and maintenance, as well as other working capital needs. Our net cash used in or generated from operating activities primarily reflected our profit before tax, as adjusted for non-operating items, such as depreciation of property, plant and equipment, interest expense, loss on disposal of property, plant and equipment, net loss or gain arising on

FINANCIAL INFORMATION

change in fair value of held-for-trading investments and the effects of changes in working capital such as increase or decrease in statutory deposits, trade receivables, loan receivables, held-for-trading investments, deposits, prepayments and other receivables, client trust bank accounts, trade payables, accruals and other payables.

Cash flows from operating activities were mainly affected by the timing of settlement of trades from customers during our ordinary course of business, which also accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period.

For the year ended 31 December 2014, we had net cash generated from operating activities of approximately HK\$17.2 million, primarily as a result of profit before tax of approximately HK\$16.4 million, adjusted for (i) the increase in loan receivables of approximately HK\$15.5 million resulted from the loans advanced to our customers; (ii) net changes in the held-for-trading investments of approximately HK\$14.1 million; (iii) the increase in trade payables of approximately HK\$10.7 million; and (iv) the increase in client trust bank accounts of approximately HK\$8.5 million.

For the year ended 31 December 2015, we had net cash used in operating activities of approximately HK\$55.3 million, primarily as a result of profit before tax of approximately HK\$38.2 million, adjusted for (i) the increase in loan receivables of approximately HK\$105.9 million resulted from the loans advanced to our customers; (ii) net changes in the held-for-trading investments of approximately HK\$4.9 million; (iii) the increase in client trust bank accounts of approximately HK\$45.4 million; and (iv) the increase in trade payables of approximately HK\$54.2 million.

Cash flow from financing activities

Our cash inflows from financing activities mainly included proceeds from (i) the issue of new shares; (ii) corporate restructuring; and (iii) borrowing from an independent financial institution and advance from Dr. Choi and a related company, while our cash outflows from financing activities primarily represented repayment of borrowing from an independent financial institution and repayment to Dr. Choi.

For the year ended 31 December 2014, we had net cash generated from financing activities of approximately HK\$41.2 million, which was mainly attributable to (i) the proceeds from issue of shares of approximately HK\$49.0 million; (ii) the proceeds received from corporate restructuring of approximately HK\$10.0 million; (iii) advance from a related company of approximately HK\$50.0 million; and (iv) repayment to Dr. Choi of approximately HK\$67.6 million.

For the year ended 31 December 2015, we had net cash generated from financing activities of approximately HK\$129.1 million, which was mainly attributable to the proceeds from borrowing of approximately HK\$50.0 million and advance from Dr. Choi of approximately HK\$82.9 million, adjusted for the interest paid of approximately HK\$3.8 million.

FINANCIAL INFORMATION

WORKING CAPITAL

Prior to the completion of the [REDACTED], our Group's operations are financed principally by revenue generated from business operations, borrowing and advance from Dr. Choi. Our Group intends to finance its future operations, capital expenditure and other capital requirements with revenue generated from its business operations, existing bank balances available and the net proceeds from the [REDACTED]. As at 29 February 2016, our Group had bank balances and cash of approximately HK\$ 128.6 million.

Our Directors are of the opinion that, taking into consideration our internal resources, the estimated net proceeds from the [REDACTED] and the banking facilities, we have sufficient working capital and financial resources to meet our present requirements for at least 12 months from the date of this document.

STATEMENT OF NET CURRENT ASSETS

	As at 31 December 2014	2015	As at 29 February 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current assets			
Trade receivables	10,621	10,699	5,704
Loan receivables	25,500	131,040	142,340
Held-for-trading investments	552	–	–
Deposits, prepayments and other receivables	853	2,488	2,304
Amount due from Dr. Choi	11,376	–	–
Amount due from a related company	52	52	104
Client trust bank accounts	19,605	65,024	76,587
Bank balances and cash	87,272	161,117	128,564
	155,831	370,420	355,603
Current liabilities			
Trade payables	25,754	79,945	77,269
Accruals and other payables	1,924	4,186	4,452
Amount due to Dr. Choi	–	71,508	72,537
Amount due to a related company	50,070	50,078	50,078
Current income tax liabilities	2,885	7,338	3,817
Borrowing	–	50,673	36,900
	80,633	263,728	245,053
Net current assets	75,198	106,692	110,550

FINANCIAL INFORMATION

The key components of our current assets included trade receivables, loan receivables, deposits, prepayments and other receivables, amount due from Dr. Choi, client trust bank accounts and bank balances and cash. The key components of our current liabilities included trade payables, accruals and other payables, amount due to Dr. Choi, amount due to a related company, current income tax liabilities and borrowing.

As at 31 December 2015, we had net current assets of approximately HK\$106.7 million, representing an increase of approximately HK\$31.5 million from approximately HK\$75.2 million as at 31 December 2014. The increase in our net current assets was principally due to the increase in interest receivables and loan receivables from money lending services.

As at 29 February 2016, we had net current assets of approximately HK\$110.5 million, representing an increase of approximately HK\$3.8 million from approximately HK\$106.7 million as at 31 December 2015.

ANALYSIS OF VARIOUS ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

Trade receivables

Trade receivables mainly included (i) receivables from cash clients and clearing house which were arising from the Brokerage Services, (ii) receivables from commission, management and performance fees from asset management services; and (iii) interest receivables from money lending services. The following table sets forth a breakdown of trade receivables as at 31 December 2014 and 2015:

	As at 31 December	
	2014	2015
	HK\$'000	HK\$'000
Trade receivables arising from the ordinary course of business of:		
Brokerage Services:		
– Cash clients	8,299	8,389
– Clearing house	882	–
	<u>9,181</u>	<u>8,389</u>
Asset management services	1,355	1,294
Money lending services	85	1,016
	<u>10,621</u>	<u>10,699</u>

FINANCIAL INFORMATION

Trade receivables from cash clients as at the year end date mainly represented the amount of securities purchased by our customers but not yet settled in cash. The settlement terms of our trade receivables from cash client were two days after the trade date. The increase in trade receivables from the cash clients as at 31 December 2015 was mainly due to the amount of purchased securities pending for settlement as at 31 December 2015 was higher than that as at 31 December 2014.

Trade receivables from clearing house mainly represented the net amount of sold and purchased securities of our customers and pending for T+2 settlement from other securities houses. The outstanding balances were to be settled two days after the trade date. The decrease in trade receivables from CCASS as at 31 December 2015 was mainly due to the net amount to be received from CCASS as at 31 December 2015 was lower than that as at 31 December 2014.

Trade receivables arising from our asset management services represented the amount due from the H&S Fund and the discretionary accounts of approximately HK\$1.3 million in relation to the commission, performance and management fees, of which HK\$0.9 million was neither past due nor impaired and HK\$0.4 million was past due but not impaired as at 31 December 2015. The credit term of trade receivables arising from our asset management services is 30 days.

Trade receivables arising from our money lending services represented the interest receivables. The increase in our interest receivables was mainly in line with the increase in our outstanding loans, which was supported by our enlarged capital base and the amount was neither past due nor impaired.

As at the Latest Practicable Date, approximately HK\$9.5 million out of the trade receivables arising from our ordinary course of business of approximately HK\$10.7 million as at 31 December 2015 has been settled.

Loan receivables

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Loan receivables from money lending:		
– secured	20,500	102,040
– unsecured	5,000	29,400
	<u>25,500</u>	<u>131,440</u>

FINANCIAL INFORMATION

During the year ended 31 December 2014, our Group granted five loans under our Money Lenders Licence to 3 customers with principal loan amounts aggregating to approximately HK\$55.3 million, of which HK\$38.8 million had been partially settled during the year ended 31 December 2015. All of the remaining balances of the five loans were settled as at the Latest Practicable Date. Our loan receivables increased from approximately HK\$25.5 million as at 31 December 2014 to approximately HK\$131.4 million as at 31 December 2015 which was supported by our enlarged capital base.

As at the Latest Practicable Date, approximately HK\$22.9 million out of the loan receivables arising from our money lending services of approximately HK\$131.4 million as at 31 December 2015 has been settled.

Approximately HK\$102.0 million of all the loans were secured by collaterals (including listed and unlisted equity securities and convertible notes), whilst the other loans were unsecured. During the Track Record Period, the actual loan-to-value ratio of the secured loans during the loan period ranged from 6.2% to 83.9% and was within the loan-to-value ratio which our credit committee, subject to their credit assessment, had granted.

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables as at 31 December 2014 mainly represented rental deposits of approximately HK\$598,000 for the office premises which our Group is situated. As at 31 December 2015, aside from the abovementioned rental deposits of approximately HK\$598,000, our Group also recorded a deposit for the application of participantship of the SEHK Options Clearing House Limited of approximately HK\$1.5 million.

Amount due from/to Dr. Choi/a related company

The amount due from Dr. Choi and/or a related company represented advanced payments to Dr. Choi and/or a related company. Such amounts due from Dr. Choi and/or a related company are non-trade nature, unsecured, interest-free and repayable on demand.

The amount due from Dr. Choi were fully settled during the year ended 31 December 2015. The amount due from a related company remained almost the same at approximately HK\$52,000 as at 31 December 2014 and 2015.

Our Directors confirm that the amount due from a related company will be settled prior to the [REDACTED].

The amounts due to Dr. Choi and/or a related company represent the outstanding amount of payments that had been made by Dr. Choi and/or a related company, on behalf of our Group, for our operating expenses. Such amounts due to Dr. Choi and/or a related company were unsecured, interest-free and repayable on demand.

The amount due to the Dr. Choi increased from nil as at 31 December 2014 to approximately HK\$71.5 million as at 31 December 2015. The amount due to a related company remained stable at approximately HK\$50.1 million as at 31 December 2014 and 2015.

FINANCIAL INFORMATION

Our Directors confirm that all amounts due to Dr. Choi and a related company will be settled and capitalised prior to the [REDACTED].

Trade payables

Trade payables included payables arising from the Brokerage Services. The following table sets forth a breakdown of trade payables as at 31 December 2014 and 2015:

	As at 31 December	
	2014	2015
	HK\$'000	HK\$'000
Trade payables arising from the ordinary course of business of Brokerage Services:		
– Cash clients	23,636	75,995
– Clearing house	2,118	3,950
	<u>25,754</u>	<u>79,945</u>

Trade payables to cash clients represented the bank balances under our client trust bank accounts as a result of receipt of cash from clients and the amounts of securities sold by clients but not yet settled. However, we did not have an enforceable right to offset these payables with the deposits placed in the trust bank accounts. The increase in trade payables to cash clients was mainly due to (i) the increase in bank balances held on behalf of clients in trust bank accounts; and (ii) the increase in the amount of securities sold by our cash clients but not yet settled. Trade payables to our clients were repayable on demand subsequent to settlement date.

Trade payables outstanding to the clearing house represented net fees payable to CCASS for the amounts of securities transactions executed by clients but not yet settled. The outstanding balances were to be settled two days after trade date.

INDEBTEDNESS

As at 29 February 2016, being the latest practicable date for the purpose of this statement of indebtedness, our Group had outstanding indebtedness of (i) amount due to Dr. Choi and a related company, Grand Rich, of approximately HK\$72.5 million and HK\$50.1 million, respectively, which were non-trade nature, unsecured, interest-free and repayable on demand, will be settled/capitalised before [REDACTED]; and (ii) borrowing from an independent financial institution of approximately HK\$36.9 million.

As at the Latest Practicable Date, our Group had outstanding indebtedness of (i) amount due to Dr. Choi and Grand Rich of approximately HK\$49.6 million and HK\$50.1 million, respectively; and (ii) a borrowing of approximately HK\$37.4 million from an independent financial institution.

FINANCIAL INFORMATION

Our Directors have confirmed that there have been no material defaults in payment during the Track Record Period.

Contractual commitments

Operating lease commitments

As at 29 February 2016, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	As at 29 February 2016 HK\$'000
Within one year	<u><u>1,131</u></u>

As at 29 February 2016, our Group did not have any significant capital commitments and loans commitments, and had no underwriting or sub-underwriting commitment.

Contingent liabilities

As at 29 February 2016, being the latest practicable date for the purpose of this statement of indebtedness, our Group did not have any guarantees or other material contingent liabilities.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, our Group did not have any banking facilities, mortgages, charges, debt securities, term loans, other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances or acceptances credits, hire purchase commitments, or any guarantees or other material contingent liabilities outstanding at the close of business on 29 February 2016.

Save as disclosed above, our Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of our Group since 29 February 2016 and up to the date of this document.

FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENT AND COMMITMENTS

Save as disclosed in the paragraph headed "Indebtedness" in this section, as at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

KEY FINANCIAL RATIOS

	Year ended/As at 31 December	
	2014	2015
Net profit margin ¹	50.0%	56.7%
Current ratio ²	1.9	1.4
Gearing ratio ³	–	47.1%
Net debt to equity ratio ⁴	Net cash position	Net cash position
Interest coverage ⁵	74.0	9.6
Return on assets ⁶	8.8%	8.5%
Return on equity ⁷	18.1%	29.4%

Notes:

1. Net profit margin is calculated by the total comprehensive income for the year or period divided by the turnover for the respective year or period and multiplied by 100%.
2. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.
3. Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the end of each reporting period.
4. Net debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting period.
5. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year or period.
6. Return on assets is calculated by the total comprehensive income for the year or period divided by the total assets as at the end of each reporting period and multiplied by 100%.
7. Return on equity is calculated by the total comprehensive income for the year or period divided by the total equity as at the respective year or period end and multiplied by 100%.

Net profit margin

Net profit margin was approximately 50.0% for the year ended 31 December 2014 and increased to approximately 56.7% for the year ended 31 December 2015. The increase was mainly due to (i) the increase in revenue recognised, which was in line with the increase in trading activities of customers and the increase in aggregate principal amount of the loans advanced to our customers; (ii) the increase in other income as a result of the service fee income from an independent financial institution for the year ended 31 December 2015; and (iii) the other gains recognised in 2015, while the effect of the increase in the employee benefits expenses, commission expenses, depreciation of property, plant and equipment, and other operating expenses was relatively mild to the net profit of 2015. The increase in net profit outweighed the increase in revenue for the year ended 31 December 2015, which resulted in the increase in net profit margin.

FINANCIAL INFORMATION

Current ratio

Current ratio was approximately 1.9 as at 31 December 2014 and approximately 1.4 as at 31 December 2015. Such decrease was mainly due to the increase of amount due to Dr. Choi from nil as at 31 December 2014 to approximately HK\$71.5 million as at 31 December 2015.

Gearing ratio

Gearing ratio was zero as at 31 December 2014 as we did not have any debts as at 31 December 2014. Gearing ratio was approximately 47.1% as at 31 December 2015 as a loan of approximately HK\$50.0 million and its interest payable of HK\$673,000 was advanced from an independent financial institution in 2015.

Net debt to equity ratio

Net debt to equity ratio is not calculated since we were in net cash position as at 31 December 2014 and 2015.

Interest coverage

Interest coverage was approximately 74.0 times as at 31 December 2014 and approximately 9.6 times as at 31 December 2015. Such decrease was mainly due to, as disclosed in the paragraph headed "Finance costs" in this section, the interest paid for the loan advanced from an independent financial institution of approximately HK\$4.4 million for the year ended 31 December 2015.

Return on assets

Return on assets was approximately 8.8% for the year ended 31 December 2014 and approximately 8.5% for the year ended 31 December 2015. Such slight decrease was mainly due to the increase in the total assets as a result of the rise in the cash level and the loan receivables, which outweighed the effect of the increase in the profit for the year ended 31 December 2015.

Return on equity

Return on equity was approximately 18.1% for the year ended 31 December 2014 and approximately 29.4% for the year ended 31 December 2015. Such increase was mainly due to the effect of the increase in the profit for the year attributable to owners of our Company was larger than the effect of the increase in total equity for the year ended 31 December 2015.

FINANCIAL INFORMATION

RELATED PARTIES TRANSACTIONS

During the Track Record Period, our Group entered into the following significant transactions with the related parties:

Nature of transaction	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
<i>Commission income from Brokerage Services:</i>		
<u>Accounts of Directors and their close family members</u>		
– Dr. Choi and his close family members	935	1,783
– Mr. Chu	3	–
<u>Accounts of key management personnel and their close family members</u>		
– Mr. Huang	3	5
– Mr. Chan and his close family member	2	3
– Mr. KK Chan and his close family members	316	45
– Mr. Chan Ching Fan, Oscar and his close family members	2	1
<u>Accounts of related companies</u>		
– H&S Fund – HSPASP	–	1,896
– Sino Wealth	–	1
– Unitone Group Limited	–	9
– Target Insurance Company Limited	–	15
	1,261	3,758
	1,261	3,758
 <i>Commission income from placing and underwriting</i>		
<u>Account of a related company</u>		
– H&S Fund – HSPASP	–	3
	–	3
	–	3

FINANCIAL INFORMATION

Nature of transaction	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
<i>Interest income from Brokerage Services:</i>		
<u>Accounts of key management personnel and their close family members</u>		
– Mr. KK Chan and his close family members	26	8
– Close family members of Mr. Chan Ching Fan, Oscar	1	1
<u>Account of a related company</u>		
– H&S Fund – HSPASP	–	8
	27	17
	27	17
 <i>Management fee income from fund management services:</i>		
<u>Account of a related company</u>		
– H&S (Cayman) AML	720	3,613
	720	3,613
	720	3,613
 <i>Interest income from money lending services:</i>		
<u>Account of a close family member of a Director</u>		
– A close family member of Dr. Choi	–	256
	–	256
	–	256
 <i>Management fee income:</i>		
<u>Account of a related company</u>		
– Lynch Oasis	619	621
	619	621
	619	621

For further details of the related party transactions, please refer to Note 32 headed "Related party disclosures" in the Accountants' Report as set out in Appendix I to this document. Our Directors confirm that the above related party transactions were conducted on normal commercial terms and on arm's length basis.

FINANCIAL INFORMATION

FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risk management

Our business activities exposed us to a variety of financial risks including interest rate risk, credit risk and liquidity risk. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing financial assets. Interest-bearing financial assets are mainly trade receivables from cash clients, loan receivables and deposits with banks. Interests on trade receivables from cash clients and loan receivables carrying interest at fixed rates expose us to fair value interest rate risk while deposits with banks carrying interest at variable rate expose us to cash flow interest rate risk.

All of our loan receivables are based on fixed interest rates and majority of the loans are short in duration with original maturities within one year. The management considers the fixed rate instruments of our Group are insensitive to any change in market interest rates.

As we have no significant variable-rate interest-bearing financial assets, except for short-term bank deposits, our income and operating cash flows are substantially independent of changes in market interest rates. The management does not anticipate significant impact on interest-bearing financial assets resulted from the changes in interest rates because the interest rates of bank deposits are relatively low and are not expected to change significantly.

We currently do not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk

We are exposed to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties.

In order to minimise the credit risk, our Directors are responsible for determination of trading limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual receivable at the end of each of the Track Record Period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that our credit risk is significantly reduced.

In respect of loan receivables, individual credit evaluations are performed on all clients requiring such credit. These evaluations focus on the customer's background information, financial position, past history of making payments when due and current ability to pay, value

FINANCIAL INFORMATION

of collateral held (if any) and take into account information specific to the customer and the guarantor (in case provided). Monitoring of credit risk on loan and interest receivables is performed on an on-going basis. In this regard, we consider the credit risk on these receivables is effectively controlled and significantly reduced.

Our credit risk exposure is spread over a number of clients, accordingly, we have no significant concentration of credit risk on a single client in this respect.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, we do not have any other significant concentration of credit risk.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with our Directors, which has built an appropriate liquidity risk management framework to meet our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves.

Capital risk management

We manage its capital to ensure that we will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Our Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of our Group consists of net debt, which includes borrowings, net of bank balances and cash and equity attributable to owners of our Company, comprising issued share capital and retained profits.

Certain subsidiaries of our Group are licensed with SFC for the business they operate in. Our licensed subsidiaries are subject to liquid capital requirements under FRR adopted by the SFC. Under the FRR, each of the licensed subsidiaries must maintain a liquid capital (assets and liabilities adjusted as determined by the FRR in excess of HK\$3 million or 5% of its total adjusted liabilities, whichever is higher. Management closely monitors, on a daily basis, the liquid capital level of the licensed subsidiaries to ensure compliance with the requirements under the FRR.

Our Directors review the capital structure on a regular basis by considering the cost of capital and the risks associated with the capital. In view of this, we manage its overall capital structure through the payment of dividends and the issue of new shares. For the licensed subsidiaries, we ensure they will maintain a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increases in the level of business activities. Our licensed subsidiaries have complied to maintain the required amount of liquid capital throughout the Track Record Period.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules are set out below to illustrate the effect of the [REDACTED] on the combined net tangible assets of our Group attributable to owners of our Company as of 31 December 2015 as if the [REDACTED] had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not give a true picture of the combined net tangible assets of our Group had the [REDACTED] been completed on 31 December 2015 or of any future dates. The unaudited pro forma adjusted combined net tangible assets are prepared based on the audited combined net tangible assets of our Group attributable to owners of our Company as of 31 December 2015 as set out in the Accountants' Report of our Company, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2015 HK\$'000 (Note 1)	Add: Estimated net proceeds from the [REDACTED] HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share HK\$ (Note 3)
Based on the [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on the [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Notes:

1. The audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2015 are based on audited combined net assets of our Group attributable to owners of our Company as at 31 December 2015 of approximately HK\$[REDACTED] with adjustment for intangible assets of approximately HK\$[REDACTED] as at 31 December 2015 as shown in the financial information section of the Accountants' Report set out in Appendix I to this document.
2. The estimated net proceeds from the [REDACTED] are based on the lowest and highest [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share, respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses to be incurred by our Group subsequent to 31 December 2015.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of [REDACTED], the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or buy back by our Company pursuant to the general mandate given to our Directors to allot and issue or buy back Shares referred to in the paragraph headed "General mandate to issue shares" in this document or the paragraph headed "General mandate to buy back shares" in this document.

FINANCIAL INFORMATION

3. The unaudited pro forma adjusted combined net tangible assets per Share is determined after the adjustments as described in Notes 1 and 2 above and on the basis that [REDACTED] Shares in issued immediately following the completion of the [REDACTED] and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of [REDACTED], the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or buy back by our Company pursuant to the general mandate given to our Directors to allot and issue or buy back Share referred to in the paragraph headed “General mandate to issue shares” in this document or the paragraph headed “General mandate to buy back shares” in this document.

4. The unaudited pro forma financial information presented above does not take account of any trading results or other transactions subsequent to 31 December 2015. In particular, the unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company on the table above have not been adjusted to show the effect of:
 - (i) The dividend of approximately HK\$[REDACTED] declared on [●] which will be fully settled before [REDACTED] (“Dividend Distribution”);

 - (ii) Grand Rich Limited transferred (a) all obligations, liabilities and debts owing or incurred by Master Gold Limited and its subsidiary to Grand Rich Limited of approximately HK\$[50,087,000] to Trinity Union Limited and (ii) Trinity Union Limited assumed all the payment obligations and liabilities under the Grand Rich’s Debt, represent the sum of approximately [HK\$110,097,000] advanced by Dr. Choi to Grand Rich Limited prior to the Reorganisation, upon completion of the sale and purchase agreement dated [●] (“Assignments”) as part of the Reorganisation and as stated in the section headed “History, Reorganisation and Corporate Structure” of this document; and

 - (iii) Capitalisation of the amount due to Dr. Choi amounted to approximately HK\$[159,764,000] (“Settlement”) as part of the Reorganisation and as stated in the section headed “History, Reorganisation and Corporate Structure” of this document.

Had the Dividend Distribution, Assignments and Settlement been completed on 31 December 2015, the unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of the Company would increase from approximately HK\$[REDACTED] to HK\$[REDACTED] based on the [REDACTED] of HK\$[REDACTED] per share, or from approximately HK\$[REDACTED] to HK\$[REDACTED] based on the [REDACTED] of HK\$[REDACTED] per share. The following table illustrates the impact of [REDACTED], after taking into account of Dividend Distribution, Assignments and Settlement on the unaudited pro forma financial information.

	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company after taking into account of the [REDACTED], Dividend Distribution, Assignments and Settlement <i>HK\$’000</i>	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per share after taking into account of the [REDACTED], Dividend Distribution, Assignments and Settlement <i>HK\$</i>
Based on the [REDACTED] of HK\$[REDACTED] per share	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on the [REDACTED] of HK\$[REDACTED] per share	<u>[REDACTED]</u>	<u>[REDACTED]</u>

FINANCIAL INFORMATION

[REDACTED]

Assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative range of the [REDACTED] stated in this document, the [REDACTED] are estimated to be approximately HK\$[REDACTED] million. Of such amount to be borne by us, approximately HK\$[REDACTED] million is directly attributable to the issue of the [REDACTED] and is expected to be accounted for as a deduction from equity upon the [REDACTED]. The remaining amount of approximately HK\$[REDACTED] million, which cannot be so deducted, will be charged to profit or loss. Of the approximately HK\$[REDACTED] million that will be charged to profit or loss, and approximately HK\$[REDACTED] million have been charged for the year ended 31 December 2015, respectively, and approximately HK\$[REDACTED] million is expected to be incurred for year ending 31 December 2016. Expenses in relation to the [REDACTED] are non-recurring in nature.

DIVIDEND POLICY

For the two years ended 31 December 2014 and 2015, we did not declare any dividends to our then shareholder. Our Company proposes to declare a dividend of HK\$[REDACTED] million, which is expected to be fully settled before the [REDACTED]. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

As at 31 December 2015, our Company had no reserves available for distribution to our Shareholders.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had they been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

TAXATION

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and, accordingly, are exempted from the payment of the Cayman Islands income tax. For our subsidiaries incorporated in the BVI, they are incorporated as BVI business companies under the BVI Business Companies Act 2004 and are exempted from payment of income tax of BVI.

For our subsidiaries incorporated in Hong Kong, our profits arising in or derived from Hong Kong are subject to Hong Kong profits tax. Provision for Hong Kong profits tax has been calculated at the applicable rate of 16.5% for the years ended 31 December 2014 and 2015, on the estimated assessable profits of our subsidiaries operating in Hong Kong.

FINANCIAL INFORMATION

For the income tax expense recognised by our Group during the Track Record Period, please refer to Note 11 in Section II of Appendix I to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save as the non-recurring [**REDACTED**] as disclosed above, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since 31 December 2015, and there is no event since 31 December 2015 which would materially affect the information shown in our combined financial information included in the accountants' report set forth in Appendix I to this document.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed "Business – Business strategies" in this document for our business objectives and strategies.

USE OF PROCEEDS

Net proceeds

We estimate that the aggregate net proceeds to us from the [REDACTED], assuming that the [REDACTED] is not exercised at all and a [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], after deducting the related expenses, will be approximately HK\$[REDACTED] million.

Given our money lending services has become the second largest source of income and the fastest growing business segment of our Group during the Track Record Period, we intend to apply a higher portion of the net proceeds approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the net proceeds to expand our loan portfolio.

For the remaining amount of approximately HK\$[REDACTED] million, representing approximately [REDACTED]%, of the net proceeds, will be used for our working capital and other general corporate purposes.

In the event that the [REDACTED] is exercised in full and assuming a [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], after deducting the related expenses, the net proceeds from the [REDACTED] will be approximately HK\$[REDACTED] million.

If the final [REDACTED] is set at the high end or low end point of the indicative [REDACTED] range, the net proceeds of the [REDACTED] will increase or decrease by (i) approximately HK\$[REDACTED] million, respectively, if the [REDACTED] is not exercised; and (ii) approximately HK\$[REDACTED] million, respectively, if the [REDACTED] is exercised in full. The net proceeds will be used in the same proportions as disclosed above irrespective of whether the [REDACTED] is determined at the highest or lowest point of indicative [REDACTED] range.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Company will issue an announcement in accordance with the GEM Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

Commission and expenses

The Underwriters will receive a commission of [REDACTED]% on the aggregate [REDACTED] of all the [REDACTED] (including any additional Shares that may be issued pursuant to the exercise of the [REDACTED]), out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. Assuming the [REDACTED] is HK\$[REDACTED], being the mid-point of the indicative [REDACTED], the total underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the [REDACTED] are estimated to be approximately HK\$[REDACTED] million.

Implementation plans

Set out below the expected timeline from the Latest Practicable Date to 31 December 2018 for our Group to deploy the abovementioned net proceeds to be raised from the [REDACTED], in accordance with the implementation of our future plans. Investors should note that the implementation plan is drawn up based on the current economic status and the assumptions as set out in 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 business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

	From the Latest Practicable Date to		For the six months ending			Total
	31 December 2016	30 June 2017	31 December 2017	30 June 2018	31 December 2018	
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Money lending services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 December 2018.

- (a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, and any other places in which any member of our Group carries on or will carry on business;
- (b) there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate or is incorporated;
- (c) the [REDACTED] will be completed in accordance with and as described in the section headed "Structure and Conditions of the [REDACTED]" in this document;
- (d) our Group will be able to maintain our clients;
- (e) our Group will be able to retain key staff in the management and the main operational departments;
- (f) our Group will not be adversely affected by any risk factors set out in the section headed "Risk Factors" in this document; and
- (g) our Group will be able to continue our operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out our implementation plans without disruptions.

UNDERWRITING

UNDERWRITERS

Underwriters

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting agreement

[REDACTED]

Grounds for termination

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

Undertakings

[REDACTED]

UNDERWRITING

[REDACTED]

Commission and expenses

The Underwriters will receive a commission of [REDACTED]% on the aggregate [REDACTED] of all the [REDACTED] (including any additional Shares that may be issued pursuant to the exercise of the [REDACTED]), out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. Assuming the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED], the total underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the [REDACTED] are estimated to be approximately HK\$[REDACTED] million.

Underwriters' interests in our Company

Save for its interests and obligations under the Underwriting Agreement and save as disclosed in this document, none of the Underwriters or any of its close associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

Compliance Adviser's Agreement

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Messis Capital as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a fee from the [REDACTED] and ending 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 [REDACTED], i.e. 31 December [2018], or until the Compliance Adviser's Agreement is terminated, whichever is earlier. Such appointment shall be subject to extension by mutual agreement.

UNDERWRITING

Sponsor's interest in our Company

Messis Capital, being the Sponsor, satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules. Save for the advisory and documentation fees to be paid to MESSIS CAPITAL as the Sponsor to the [REDACTED], its obligations under the Underwriting Agreement and any interests in securities that may be subscribed by it pursuant to the [REDACTED], neither MESSIS CAPITAL nor any of its close associates has or may, as a result of the [REDACTED], have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of MESSIS CAPITAL who is involved in providing advice to our Company has or may, as a result of the [REDACTED], have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the [REDACTED]).

No director or employee of MESSIS CAPITAL has a directorship in our Company or any other company in our Group.

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS' REPORT

The following is the text of a report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

[date]

The Directors
Head & Shoulders Financial Group Limited
Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Head & Shoulders Financial Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the years ended 31 December 2014 and 2015 (the "Track Record Period"), for inclusion in the [REDACTED] of the Company dated [●] (the "[REDACTED]") in connection with the proposed listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 30 October 2015. Through a corporate reorganisation as more fully explained in the paragraph headed "Reorganisation" in Appendix IV "Statutory and General Information" to the [REDACTED] (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on [●].

APPENDIX I

ACCOUNTANTS' REPORT

As at the date of this report, the Company has the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion interest held by the Company	Principal activities
Trinity Union Limited ("Trinity Union")	Limited liability company incorporated on 21 December 2015, the British Virgin Islands (the "BVI")	US\$2	100% (direct)	Investment holding
Master Gold Limited ("Master Gold")	Limited liability company incorporated on 8 January 2013, the BVI	US\$1	100% (indirect)	Investment holding
Spread Fame Investments Limited ("Spread Fame")	Limited liability company incorporated on 12 September 2011, the BVI	US\$1,289,107	100% (indirect)	Investment holding
Head & Shoulders Securities Limited ("H&S Securities")	Limited liability company incorporated on 15 December 1999, Hong Kong	HK\$100,000,000	100% (indirect)	Provision of brokerage, underwriting and placing services
Head & Shoulders Asset Management Limited ("H&S AML")	Limited liability company incorporated on 19 January 2012, Hong Kong	HK\$10,000,000	100% (indirect)	Provision of asset management services
Head & Shoulders Credit Limited ("H&S Credit")	Limited liability company incorporated on 23 July 2013, Hong Kong	HK\$50,000,000	100% (indirect)	Provision of money lending services
Earnlink Limited ("EarnLink")	Limited liability company incorporated on 18 March 2013, Hong Kong	HK\$10,000	100% (indirect)	Provision of management services to the group companies

All companies now comprising the Group have adopted 31 December as their financial year end date.

APPENDIX I

ACCOUNTANTS' REPORT

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement, and the Company has not carried out any significant business transactions other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for the Trinity Union, Master Gold and Spread Fame since their respective dates of incorporation as they were incorporated in a country where there is no statutory audit requirement.

The statutory financial statements of H&S Securities, H&S AML, H&S Credit and EarnLink for the year ended 31 December 2014 which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") were audited by Tam, Hui, Tse & Ho CPA Limited, Certified Public Accountants, Hong Kong. The statutory financial statements of H&S Securities, H&S AML, H&S Credit and EarnLink for the year ended 31 December 2015 which were prepared in accordance with the HKFRSs issued by the HKICPA were audited by us.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 1 of Section A below, and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the [REDACTED].

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

In our opinion, on the basis of presentation set out in Note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2014 and 2015 and of the Company as at 31 December 2015, and of the combined financial performance and cash flows of the Group for the Track Record Period.

APPENDIX I

ACCOUNTANTS' REPORT

A. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Revenue	5	27,443	55,877
Other income	6	1,011	2,431
Other gains and losses	7	(174)	4,305
Commission expenses		(18)	(475)
Employee benefits expense	8	(6,254)	(9,247)
Depreciation of property, plant and equipment		(402)	(250)
[REDACTED]		[REDACTED]	[REDACTED]
Other operating expenses		(4,955)	(7,041)
Finance costs	9	(225)	(4,423)
Profit before tax	10	16,426	38,204
Income tax expense	11	(2,694)	(6,535)
Profit and total comprehensive income for the year attributable to owners of the Company		13,732	31,669
Earnings per share		HK cents	HK cents
– Basic and diluted	13	[9.15]	[21.11]

APPENDIX I

ACCOUNTANTS' REPORT

Combined Statements of Financial Position

	<i>Notes</i>	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Non-current assets			
Property, plant and equipment	14	250	–
Intangible assets	15	350	350
Statutory deposits	16	205	230
Loan receivables	18	–	400
		<u>805</u>	<u>980</u>
Current assets			
Trade receivables	17	10,621	10,699
Loan receivables	18	25,500	131,040
Held-for-trading investments	19	552	–
Deposits, prepayments and other receivables	20	853	2,488
Amount due from Dr. Choi	21	11,376	–
Amount due from a related company	22	52	52
Client trust bank accounts	23	19,605	65,024
Bank balances and cash	23	87,272	161,117
		<u>155,831</u>	<u>370,420</u>
Total assets		<u>156,636</u>	<u>371,400</u>
Current liabilities			
Trade payables	24	25,754	79,945
Accruals and other payables	25	1,924	4,186
Amount due to Dr. Choi	21	–	71,508
Amount due to a related company	22	50,070	50,078
Current income tax liabilities		2,885	7,338
Borrowing	26	–	50,673
		<u>80,633</u>	<u>263,728</u>
Net current assets		<u>75,198</u>	<u>106,692</u>
Total assets less current liabilities		<u>76,003</u>	<u>107,672</u>
Non-current liabilities			
Deferred tax liabilities	27	–	–
Net assets		<u>76,003</u>	<u>107,672</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	28	60,010	60,010
Retained profits		15,993	47,662
Total equity		<u>76,003</u>	<u>107,672</u>

APPENDIX I

ACCOUNTANTS' REPORT

Statement of Financial Position

	<i>Notes</i>	As at 31 December 2015 HK\$'000
Current liabilities		
Amount due to H&S Securities	21	2,973
Amount due to Dr. Choi	21	<u>81</u>
		<u>3,054</u>
Net liabilities		<u><u>(3,054)</u></u>
Capital and reserve		
Equity attributable to owners of the Company		
Share capital	28	–
Reserve	35	<u>(3,054)</u>
Total equity		<u><u>(3,054)</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

Combined Statements of Changes in Equity

	Share capital <i>HK\$'000</i> <i>(Note 28)</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2014	1,010	2,261	3,271
Profit and total comprehensive income for the year	–	13,732	13,732
Arising from corporate restructuring	10,000	–	10,000
Issue of shares of subsidiaries	49,000	–	49,000
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	60,010	15,993	76,003
Profit and total comprehensive income for the year	–	31,669	31,669
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	<u>60,010</u>	<u>47,662</u>	<u>107,672</u>

APPENDIX I

ACCOUNTANTS' REPORT

Combined Statements of Cash Flows

	<i>Notes</i>	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Cash flows from operating activities			
Profit before tax		16,426	38,204
Adjustments for:			
– Depreciation of property, plant and equipment		402	250
– Impairment losses recognised on trade receivables		–	5
– Interest expense		225	4,423
– Loss on disposal of property, plant and equipment		12	–
– Net loss/(gain) arising on change in fair value of held-for-trading investments		154	(4,350)
		<u>17,219</u>	<u>38,532</u>
Operating cash flows before movements in working capital		17,219	38,532
Decrease/(increase) in statutory deposits		25	(25)
Increase in trade receivables		(1,416)	(83)
Increase in loan receivables		(15,500)	(105,940)
Decrease in held-for-trading investments		14,133	4,902
Increase in deposits, prepayments and other receivables		–	(1,635)
Decrease in amount due from a related company		1	–
Increase in client trust bank accounts		(8,469)	(45,419)
Increase in trade payables		10,718	54,191
Increase in accruals and other payables		459	2,262
		<u>17,170</u>	<u>(53,215)</u>
Cash generated from/(used in) operations		17,170	(53,215)
Hong Kong Profits Tax paid		–	(2,082)
		<u>17,170</u>	<u>(55,297)</u>
Net cash generated from/(used in) operating activities			
Cash flows from financing activities			
Proceeds from borrowing		8,000	50,000
Proceeds from issue of shares	28	49,000	–
Proceeds received from Grand Rich Limited in respect of corporate restructuring	28	10,000	–
Repayment from borrowing		(8,000)	–
(Repayments to)/advancements from Dr. Choi		(67,607)	82,884
Advancements from a related company		50,005	8
Interest paid		(225)	(3,750)
		<u>41,173</u>	<u>129,142</u>
Net cash generated from financing activities			
Net increase in cash and cash equivalents			
		58,343	73,845
Cash and cash equivalents at the beginning of year		<u>28,929</u>	<u>87,272</u>
		<u>87,272</u>	<u>161,117</u>
Cash and cash equivalents at the end of year	23	<u>87,272</u>	<u>161,117</u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 30 October 2015 as an exempted company with limited liability. Its parent and ultimate holding company is Endless Source Limited (“Endless Source”), a company incorporated in the BVI and owned as to 50% by Dr. Choi Chiu Fai Stanley (“Dr. Choi”) and as to 50% by Ms. Cheung Fung Kuen Maggie (“Mrs. Choi”), spouse of Dr. Choi (collectively referred to as the “Controlling Shareholders”).

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the [REDACTED]. The Company is an investment holding company. The Group is principally engaged in the provision of securities trading services, money lending services and asset management services.

Throughout the Track Record Period, the group entities were under the control of the Controlling Shareholders. Through the Reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure” to the [REDACTED], the Company became the holding company of the companies now comprising the Group on [●]. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of the Controlling Shareholders prior to and after the Reorganisation.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates 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.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretations (“HK(IFRIC)-Int”) issued by the HKICPA which are effective for the Group’s annual accounting period beginning on 1 January 2015 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and revised standards and amendments that are not yet effective. The Group has not early adopted these standards and amendments.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements ¹

APPENDIX I

ACCOUNTANTS' REPORT

- ¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- ² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
- ³ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- ⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of these new and revised standards and amendments will have no material impact on the Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules") and by the Hong Kong Companies Ordinance.

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

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

APPENDIX I

ACCOUNTANTS' REPORT

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

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

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

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

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts 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 following basis.

Commission income from brokerage services is recognised when the sale or purchase of securities has been executed.

Placing and underwriting commission and commission income from wealth management services are recognised when the relevant works or services have been rendered.

Management fee and performance fee income from asset management services are recognised in accordance with the terms and conditions of the relevant agreements.

Handling fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

Service fee and management fee income are recognised when the services have been rendered.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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

APPENDIX I

ACCOUNTANTS' REPORT

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

Taxation

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

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

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

APPENDIX I

ACCOUNTANTS' REPORT

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

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

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

Intangible assets

Trading rights

Intangible assets represent eligibility rights to trade through a recognised stock exchange in Hong Kong. The trading rights of the Group are considered by the directors of the Company as having an indefinite useful life because they are expected to contribute net cash inflows indefinitely.

Trading rights are carried at cost less any impairment losses and are tested for impairment annually by comparing their recoverable amounts with their carrying amounts. Useful lives are also examined on an annual basis and adjustments are made where applicable.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

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

APPENDIX I

ACCOUNTANTS' REPORT

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

APPENDIX I

ACCOUNTANTS' REPORT

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including statutory deposits, trade receivables, loan receivables, deposits and other receivables, amount due from Dr. Choi, amount due from a related company, client trust bank accounts and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

APPENDIX I

ACCOUNTANTS' REPORT

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Financial liabilities

Financial liabilities (including trade payables, accruals and other payables, amount due to Dr. Choi, amount due to a related company and borrowing) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and

APPENDIX I

ACCOUNTANTS' REPORT

continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

APPENDIX I

ACCOUNTANTS' REPORT

Cash and cash equivalents

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Allowance for trade and loan receivables

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade and loan receivables. Provisions are applied to trade and loan receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgements and estimates based on the credit history of the clients and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed.

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of securities trading services, money lending services and asset management services. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

Revenue from major services

The Group's revenue from its major services were as follows:

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Securities trading services:		
– Commission income from brokerage services	13,414	21,293
– Interest income from brokerage services	249	240
– Commission income from placing and underwriting	3,048	11,191
Money lending services:		
– Interest income from money lending services	7,776	17,415
Asset management services:		
– Commission income from wealth management services	2,032	950
– Management fee income from fund management services	720	3,613
– Performance fee income from wealth management services	204	1,175
	27,443	55,877
	27,443	55,877

APPENDIX I

ACCOUNTANTS' REPORT

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external clients during the Track Record Period are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major clients

Revenue from clients contributing over 10% of the Group's total revenue during the Track Record Period are as follows:

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Client A	3,009	N/A ¹
Client B	2,805	N/A ¹
Client C	N/A ¹	5,863
	<u> </u>	<u> </u>

¹ The corresponding revenue did not contribute over 10% of the Group's total revenue.

6. OTHER INCOME

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Dividend income from listed securities	22	–
Handling fee income	45	150
Interest income from authorised financial institutions	9	18
Interest income from debt securities	123	744
Management fee income	619	621
Service fee income	–	885
Sundry income	193	13
	<u> </u>	<u> </u>
	1,011	2,431
	<u> </u>	<u> </u>

7. OTHER GAINS AND LOSSES

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Impairment losses recognised on trade receivables	–	(5)
Loss on disposal of property, plant and equipment	(12)	–
Net (loss)/gain arising on change in fair value of held-for-trading investments	(154)	4,350
Net foreign exchange losses	(8)	(40)
	<u> </u>	<u> </u>
	(174)	4,305
	<u> </u>	<u> </u>

8. EMPLOYEE BENEFITS EXPENSE

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Salaries, bonuses, commission and allowances	6,069	9,015
Contributions to retirement benefit scheme	185	232
	<u> </u>	<u> </u>
Total employee benefits expense, including directors' emoluments (Note 12)	6,254	9,247
	<u> </u>	<u> </u>

APPENDIX I

ACCOUNTANTS' REPORT

9. FINANCE COSTS

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Interest on borrowings wholly repayable within five years	225	4,423

10. PROFIT BEFORE TAX

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Profit before tax has been arrived at after charging:		
Auditors' remuneration	132	132
Interest paid to securities clients	11	23
Operating lease payments in respect of rented premises	2,077	2,077

11. INCOME TAX EXPENSE

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Current income tax:		
– Hong Kong Profits Tax	2,722	6,537
Overprovision in prior year:	–	(2)
	2,722	6,535
Deferred tax (<i>Note 27</i>):		
– Current year	(28)	–
Total income tax recognised in profit or loss	2,694	6,535

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Profit before tax	16,426	38,204
Tax at Hong Kong Profits Tax rate of 16.5%	2,710	6,304
Tax effect of temporary differences not recognised	24	29
Tax effect of income not taxable for tax purpose	(45)	(3)
Tax effect of expenses not deductible for tax purpose	41	547
Tax effect of tax losses not recognised	2	3
Utilisation of tax losses previously not recognised	(38)	(343)
Overprovision in prior year	–	(2)
Income tax expense for the year	2,694	6,535

APPENDIX I

ACCOUNTANTS' REPORT

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid or payable to directors of the Company during the Track Record Period are as follows:

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2014					
Executive directors					
Dr. Choi (<i>Note (i)</i>)	–	–	–	–	–
Mr. Lam Yat Ming ("Mr. Lam") (<i>Note (ii)</i>)	–	384	–	17	401
	–	384	–	17	401
For the year ended 31 December 2015					
Executive directors					
Dr. Choi (<i>Note (i)</i>)	2,000	–	–	18	2,018
Mr. Lam (<i>Note (ii)</i>)	–	888	104	18	1,010
	2,000	888	104	36	3,028

Notes:

- (i) Dr. Choi was appointed as a director of the Company on 30 October 2015 and re-designated as an executive director on 8 March 2016. He was also a director of certain subsidiaries of the Company and the Group paid emoluments to him in his capacity as a director of these subsidiaries during the year ended 31 December 2015.
- (ii) Mr. Lam was appointed as an executive director of the Company on 8 March 2016. He was also a director of certain subsidiaries of the Company and the Group paid emoluments to him in his capacity as a director of these subsidiaries during the years ended 31 December 2014 and 2015.
- (iii) Mr. Chu Stephen Henry was appointed as a non-executive director of the Company on 8 March 2016. Dr. Law Man Wah, Professor Lai Kin Keung and Mr. Hon Ming Sang were appointed as independent non-executive directors of the Company on [●]. During the Track Record Period, the aforesaid non-executive directors have not yet been appointed and received no directors' remuneration in their capacity as directors.

APPENDIX I

ACCOUNTANTS' REPORT

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none and two of them were directors of the Company for the years ended 31 December 2014 and 2015, respectively whose emoluments are disclosed above. The emoluments in respect of the remaining highest five and three individuals for the years ended 31 December 2014 and 2015, respectively were as follows:

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Salaries, commission and allowances	3,608	2,071
Discretionary bonuses	119	90
Contributions to retirement benefit scheme	81	51
	<u>3,808</u>	<u>2,212</u>

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

	Number of individuals	
	Year ended 31 December 2014	Year ended 31 December 2015
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	1	–
	<u>5</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the Track Record Period.

13. EARNINGS PER SHARE

For the purpose of this report, the calculation of basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of [REDACTED] shares (comprising [REDACTED] shares in issue and [REDACTED] shares to be issued under the capitalisation issue as described in the section headed "Further information about our Group – Written resolutions of our sole Shareholder dated [●]" in Appendix IV "Statutory and General Information" to the [REDACTED]) as if these [REDACTED] shares were outstanding throughout the Track Record Period.

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the Track Record Period.

APPENDIX I

ACCOUNTANTS' REPORT

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computers <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
Balance at 1 January 2014	72	1,724	490	2,286
Disposals	(34)	–	(10)	(44)
Balance at 31 December 2014 and 2015	38	1,724	480	2,242
Accumulated depreciation				
Balance at 1 January 2014	47	1,132	443	1,622
Depreciation expense	11	345	46	402
Eliminated on disposals	(23)	–	(9)	(32)
Balance at 31 December 2014	35	1,477	480	1,992
Depreciation expense	3	247	–	250
Balance at 31 December 2015	38	1,724	480	2,242
Carrying amounts				
Balance at 31 December 2014	3	247	–	250
Balance at 31 December 2015	–	–	–	–

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

Furniture and fixtures	20%
Office equipment	20%
Computers	33 1/3%

15. INTANGIBLE ASSETS

	Trading rights <i>HK\$'000</i>
Cost	
Balance at 1 January 2014, 31 December 2014 and 31 December 2015	350
Accumulated impairment losses	
Balance at 1 January 2014, 31 December 2014 and 31 December 2015	–
Carrying amount	
Balance at 31 December 2014 and 31 December 2015	350

APPENDIX I

ACCOUNTANTS' REPORT

16. STATUTORY DEPOSITS

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Deposits with the Stock Exchange		
– Compensation fund	50	50
– Fidelity fund	50	50
– Stamp duty deposit	5	30
Contribution of guarantee fund paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	50	50
Admission fee paid to HKSCC	50	50
	205	230
	205	230

17. TRADE RECEIVABLES

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Trade receivables arising from the ordinary course of business of brokerage services:		
– Cash clients	8,299	8,389
– Clearing house	882	–
	9,181	8,389
Trade receivables arising from the ordinary course of business of asset management services		
– Commission, management and performance fee receivables	1,355	1,294
Trade receivables arising from money lending services		
– Interest receivables	85	1,016
	10,621	10,699
Less: Allowance for doubtful debts for trade receivables arising from brokerage services	–	–
	10,621	10,699
	10,621	10,699

Trade receivables arising from brokerage services

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

The ageing analysis of trade receivables from cash clients and clearing house arising from the ordinary course of business of brokerage services, net of allowance for doubtful debts, presented based on the trade date, at the end of each of the Track Record Period, are as follows:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Neither past due nor impaired	6,383	7,247
Past due but not impaired		
– Less than 1 month	1,400	429
– 1 to 3 months	1,130	572
– Over 3 months	268	141
	9,181	8,389
	9,181	8,389

Receivables that were neither past due nor impaired represent unsettled trades transacted on the last two days prior to the end of each reporting period and these receivables also relate to a wide range of independent clients for whom there was no recent history of default.

APPENDIX I

ACCOUNTANTS' REPORT

Receivables that were past due but not impaired relate to a number of independent clients that have a good track record with the Group. When cash clients fail to settle on the settlement date, the Group has the right to sell such custodian securities held for such clients to offset the outstanding amount. Based on past experience, the management of the Group believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered recoverable.

Movement in the allowance for doubtful debts

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Balance at beginning of the year	931	–
Impairment losses recognised during the year	–	5
Amounts written off during the year as uncollectible	(931)	(5)
	<u> </u>	<u> </u>
Balance at end of the year	<u> </u> –	<u> </u> –

As at 31 December 2014 and 2015, the allowance for doubtful debts included a provision for individually impaired trade receivables of approximately nil and HK\$5,000, respectively. The individually impaired trade receivables relate to clients that were in default in payments and the receivables are not expected to be recovered.

Trade receivables arising from asset management and money lending services

The credit terms of trade receivables arising from asset management services are generally 30 days.

The ageing analysis of trade receivables arising from asset management services, presented based on the contract terms, at the end of each of the Track Record Period, are as follows:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Neither past due nor impaired	695	923
Past due but not impaired		
Less than 3 months	180	371
3 to 6 months	180	–
Over 6 months	300	–
	<u> </u>	<u> </u>
	<u> </u> 1,355	<u> </u> 1,294

As at 31 December 2014 and 2015, the interest receivables arising from money lending services are due within 3 months based on the remaining contractual maturity date and are neither past due nor impaired.

Trade receivables arising from asset management and money lending services are considered not to be impaired as there has not been a significant change in credit quality and the balances still considered fully recoverable.

APPENDIX I

ACCOUNTANTS' REPORT

18. LOAN RECEIVABLES

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Loan receivables from money lending:		
– secured	20,500	102,040
– unsecured	5,000	29,400
	<u>25,500</u>	<u>131,440</u>
Analysed as:		
Current	25,500	131,040
Non-current	–	400
	<u>25,500</u>	<u>131,440</u>

The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

As at 31 December 2014 and 2015, the loan receivables bear interest at rates ranging from 18% to 48% per annum and 10% to 30% per annum, respectively and are repayable with fixed terms agreed with the clients. The loan receivables were denominated in Hong Kong dollars.

As at 31 December 2014 and 2015, all of the loan receivables were neither past due nor impaired. Management believes that no impairment allowance is necessary having considered there was no recent history of default and there has not been a significant change in credit quality.

A maturity profile of the loan receivables, presented based on the remaining contractual maturity date, at the end of each of the Track Record Period, are as follows:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Due within 3 months	20,500	49,130
Due after 3 months but within 6 months	–	69,910
Due after 6 months but within 12 months	5,000	12,000
Due after 12 months but within 18 months	–	400
	<u>25,500</u>	<u>131,440</u>

Secured loan receivables are secured by collaterals including listed and unlisted equity securities and convertible notes.

19. HELD-FOR-TRADING INVESTMENTS

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Listed securities		
– Equity securities listed in Hong Kong	552	–
	<u>552</u>	<u>–</u>

The fair values of the equity securities held for trading were determined based on the quoted market prices in an active market.

APPENDIX I

ACCOUNTANTS' REPORT

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Deposits	727	2,116
Prepayments	123	238
Other receivables	3	134
	<u>853</u>	<u>2,488</u>

21. AMOUNT DUE FROM/(TO) DR. CHOI/H&S SECURITIES

The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

22. AMOUNT DUE FROM/(TO) A RELATED COMPANY

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Amount due from a related company		
– Lynch Oasis Inc. (<i>Note (i)</i>)	<u>52</u>	<u>52</u>
Maximum amount outstanding during the respective year:		
– Lynch Oasis Inc.	<u>52</u>	<u>52</u>
Amount due to a related company		
– Grand Rich Limited (<i>Note (i)</i>)	<u>(50,070)</u>	<u>(50,078)</u>

Note:

- (i) The company is owned as to 50% and 50% by Dr. Choi and Mrs. Choi respectively. Also, Dr. Choi is the sole director of the company.

The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

23. CLIENT TRUST BANK ACCOUNTS/BANK BALANCES AND CASH

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Bank balances and cash:		
– General accounts and cash	<u>87,272</u>	<u>161,117</u>
Client trust bank accounts	<u>19,605</u>	<u>65,024</u>
Cash and cash equivalents in the combined statements of cash flows	<u>87,272</u>	<u>161,117</u>

The general accounts and cash comprise cash held by the Group and bank balances carry interest at prevailing market rate with an original maturity of three months or less.

APPENDIX I

ACCOUNTANTS' REPORT

The Group maintains client trust bank accounts with authorised financial institutions to receive and hold money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts and bear interest at prevailing market rate. The Group has recognised the corresponding trade payables to respective clients. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

24. TRADE PAYABLES

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Trade payables arising from the ordinary course of business of brokerage services:		
– Cash clients	23,636	75,995
– Clearing house	2,118	3,950
	<u>25,754</u>	<u>79,945</u>

The settlement terms of trade payables arising from the ordinary course of business of brokerage services are two days after trade date. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business.

As at 31 December 2014 and 2015, the trade payables amounting to approximately HK\$19,605,000 and HK\$65,024,000 respectively were payable to clients in respect of the trust and segregated bank balances received which are held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

25. ACCRUALS AND OTHER PAYABLES

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Accruals	1,284	3,439
Other payables	640	747
	<u>1,924</u>	<u>4,186</u>

26. BORROWING

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Unsecured loan	–	50,673

Borrowing represents outstanding loan principal and interest amounting to approximately HK\$50,000,000 and HK\$673,000 respectively.

The loan is from an independent third party, bears interest at 15% per annum and is repayable within one year.

APPENDIX I

ACCOUNTANTS' REPORT

27. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the Track Record Periods:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 January 2014	28
Credit to profit or loss	<u>(28)</u>
At 31 December 2014 and 2015	<u><u>–</u></u>

No deferred tax assets and liabilities are recognised in the Financial Information as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2015.

As at 31 December 2014 and 2015, the Group has estimated unused tax losses of approximately HK\$2,669,000 and HK\$610,000, respectively, subject to agreement by the Inland Revenue Department, that are available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the estimated tax losses due to unpredictability of future profit streams.

28. SHARE CAPITAL

For the purpose of the preparation of the combined statements of financial position, the balance of share capital:

- at 1 January 2014 represents the aggregate of the paid up share capital of Master Gold, H&S Credit and EarnLink ultimately held by the Controlling Shareholders, prior to the Reorganisation. On 17 February 2014, as part of the corporate restructuring, H&S Securities transferred 1,289,107 shares, representing the entire issued share capital in Spread Fame to Grand Rich Limited, at the consideration of HK\$10,000,000, representing the nominal value of the shares in H&S AML, and the share transfer was completed on 17 February 2014. During the year ended 31 December 2014, the share capital of H&S Credit was increased from HK\$1,000,000 to HK\$50,000,000 by allotting 49,000,000 ordinary shares of HK\$1 each for cash; and
- at 31 December 2014 represents the aggregate of the paid up share capital of Master Gold, Spread Fame, H&S Credit and EarnLink ultimately held by the Controlling Shareholders, prior to the Reorganisation.
- at 31 December 2015 represents the aggregate of the paid up share capital of the Company, Master Gold, Spread Fame, H&S Credit and EarnLink ultimately held by the Controlling Shareholders, prior to the Reorganisation.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 30 October 2015 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and one share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred to Endless Source Limited on the same date.

29. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of an independent trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,250 per month (increased to HK\$1,500 per month effective from 1 June 2014) or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the combined statements of profit or loss and other comprehensive income amounted to approximately HK\$185,000 and HK\$232,000 for the years ended 31 December 2014 and 2015 respectively and represent contributions paid or payable to the MPF Scheme by the Group in respect of the Track Record Period.

APPENDIX I

ACCOUNTANTS' REPORT

30. BANKING FACILITY

During the Track Record Period, the overdraft banking facility to the extent of HK\$50,000,000 of the Group were secured by the followings:

- (i) pledge over listed securities owned by a subsidiary of the Group. No listed securities were pledged as at 31 December 2014; and
- (ii) a personal guarantee given by Dr. Choi, a director of the Company, amounting to HK\$50,000,000.

During the Track Record Period, the Group did not utilise the banking facility. The banking facility was cancelled in August 2015.

31. COMMITMENTS

(i) Operating lease commitments as lessee

At the end of each of the Track Record Period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Within one year	2,077	1,477
In the second to fifth years inclusive	1,477	–
	<u>3,554</u>	<u>1,477</u>

Operating lease relates to office premises with lease term of 3 years and the rentals are fixed throughout the lease period.

(ii) Loans commitments

The Group had the following undrawn loans commitments at the end of each of the Track Record Period:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Within one year	–	46,100
	<u>–</u>	<u>46,100</u>

(iii) Other commitments

As at 31 December 2015, the Group entered into a sub-underwriting agreement with an independent third party in relation to an initial public offer of shares to be listed in Hong Kong and had a gross commitment of approximately HK\$14,175,000.

As at 31 December 2014, the Group has not entered into any underwriting commitments.

APPENDIX I

ACCOUNTANTS' REPORT

32. RELATED PARTY DISCLOSURES

(i) Significant transactions with related parties

During the Track Record Period, the Group entered into the following significant transactions with the related parties:

Nature of transaction	Notes	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
<i>Commission income from brokerage services:</i>			
<i>Accounts of directors and their close family members</i>			
– Dr. Choi and his close family members		935	1,783
– Mr. Chu Stephen Henry ("Mr. Chu")		3	–
<i>Accounts of key management personnel and their close family members</i>			
– Mr. Huang Hongwei		3	5
– Mr. Chan Wai Sang and his close family member		2	3
– Mr. Chan Kam Kwan and his close family members		316	45
– Mr. Chan Ching Fan, Oscar and his close family members	(b)	2	1
<i>Accounts of related companies</i>			
– Head and Shoulders Global Investment Fund SPC ("H&S Fund") – HS Powered Alpha Segregated Portfolio ("HSPASP")	(c)	–	1,896
– Sino Wealth Limited	(d)	–	1
– Unitone Group Limited	(e)	–	9
– Target Insurance Company Limited	(f)	–	15
		1,261	3,758
<i>Commission income from placing and underwriting:</i>			
<i>Account of a related company</i>			
– H&S Fund – HSPASP	(c)	–	3
<i>Interest income from brokerage services:</i>			
<i>Accounts of key management personnel and their close family members</i>			
– Mr. Chan Kam Kwan and his close family members		26	8
– Close family members of Mr. Chan Ching Fan, Oscar		1	1
<i>Account of a related company</i>			
– H&S Fund – HSPASP	(c)	–	8
		27	17
<i>Management fee income from fund management services:</i>			
<i>Account of a related company</i>			
– Head and Shoulders (Cayman) Asset Management Limited	(h)	720	3,613
<i>Interest income from money lending services:</i>			
<i>Account of a close family member of a director</i>			
– A close family member of Dr. Choi		–	256
<i>Management fee income:</i>			
<i>Account of a related company</i>			
– Lynch Oasis Inc.	(k)	619	621

APPENDIX I

ACCOUNTANTS' REPORT

Notes:

- (a) The commission income and interest income from brokerage services and commission income from placing and underwriting were based on the rates mutually agreed between the parties involved.
- (b) Mr. Chan Ching Fan, Oscar was a key management personnel and resigned as director of H&S AML and H&S Securities on 1 May 2015.
- (c) The management shares of H&S Fund are held by Head and Shoulders (Cayman) Asset Management Limited. Head and Shoulders (Cayman) Asset Management Limited is indirectly wholly-owned by Dr. Choi and his close family member. HSPASP as a segregated portfolio of Head and Shoulders Global Investment Fund SPC.
- (d) Sino Wealth Limited is indirectly owned as to 50% and 50% by Dr. Choi and Mrs. Choi, respectively. Also, Dr. Choi is the sole director of the company.
- (e) Unitone Group Limited is indirectly wholly-owned by Dr. Choi and has significant influence over the company.
- (f) Dr. Choi is a director of Target Insurance Company Limited and has significant influence over the company.
- (g) The management fee income from fund management services was based on the terms stipulated on the agreement entered between the contracting parties.
- (h) Head and Shoulders (Cayman) Asset Management Limited is indirectly wholly-owned by Dr. Choi and his close family member.
- (i) The interest income from money lending services was based on the rates stipulated on the agreements entered between the contracting parties.
- (j) Management fee income was based on the terms stipulated on the agreements entered between the contracting parties.
- (k) Lynch Oasis Inc. is owned as to 50% and 50% by Dr. Choi and Mrs. Choi, respectively. Also, Dr. Choi is the sole director of the company.

(ii) Outstanding balances with related parties

Included in trade receivables and loan receivables are amounts due from and (to) certain related parties, the details of which are as follows:

Related party	Nature of balances	As at	As at
		31 December 2014 HK\$'000	31 December 2015 HK\$'000
Close family members of Dr. Choi	Trading account	(2,885)	(933)
	Trade receivables from money lending services	–	10
	Loan receivables	–	2,500
Mr. Chu	Trading account	(407)	(223)
Mr. Chan Wai Sang, a member of key management personnel	Trading account	(669)	(610)
Close family members of Mr. Chan Wai Sang	Trading account	(7)	(4)
Mr. Huang Hongwei, a member of key management personnel	Trading account	(10)	(132)
Mr. Chan Kam Kwan, a key management personnel (<i>Note (a)</i>)	Trading account	45	–
Close family members of Mr. Chan Kam Kwan (<i>Note (b)</i>)	Trading account	65	–

APPENDIX I

ACCOUNTANTS' REPORT

Related party	Nature of balances	As at	As at
		31 December 2014 HK\$'000	31 December 2015 HK\$'000
Mr. Chan Ching Fan, Oscar and his close family members	Trading account	(9)	–
H&S Fund – HSPASP	Trading account	–	(25,805)
Target Insurance Company Limited	Trading account	–	(116)
Head and Shoulders (Cayman) Asset Management Limited	Trade receivables from asset management services	720	744
		720	744

The outstanding balances of above securities trading accounts represent the net balance of each trading account at the end of the reporting period.

The above trade receivables from asset management services represent fund management fee due from Head and Shoulders (Cayman) Asset Management Limited. The balances are unsecured, interest-free and receivable monthly in arrears.

Notes:

- (a) The maximum outstanding balance during the year ended 31 December 2014 is approximately HK\$352,000.
- (b) The aggregate maximum outstanding balance during the year ended 31 December 2014 is approximately HK\$850,000.

(iii) Guarantees provided by related parties

Details of personal guarantees provided by Dr. Choi in connection with the banking facility granted to the Group at the end of each of the Track Record Period are set out in Note 30 above.

(iv) Facility provided to a related company

During the year ended 31 December 2015, the Group has granted a facility of up to HK\$40,100,000 to Global Courage Limited, a company indirectly wholly owned by Dr. Choi. As at 31 December 2015, Global Courage Limited has not utilised the facility.

(v) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the Track Record Period was as follows:

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000
Short-term employee benefits	2,657	5,636
Post-employment benefits	100	114
	2,757	5,750

APPENDIX I

ACCOUNTANTS' REPORT

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and retained profits.

Certain subsidiaries of the Group are licensed with Securities and Futures Commission (the "SFC") for the business they operate in. The Group's licensed subsidiaries are subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules (the "SF(FR)R") adopted by the SFC. Under the SF(FR)R, each of the licensed subsidiaries must maintain a liquid capital (assets and liabilities adjusted as determined by the SF(FR)R) in excess of HK\$3 million or 5% of its total adjusted liabilities, whichever is higher. Management closely monitors, on a daily basis, the liquid capital level of the licensed subsidiaries to ensure compliance with the requirements under the SF(FR)R.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associated with the capital. In view of this, the Group manages its overall capital structure through the payment of dividends and the issue of new shares. For the licensed subsidiaries, the Group ensures they will maintain a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increases in the level of business activities. The Group's licensed subsidiaries have complied to maintain the required amount of liquid capital throughout the Track Record Period.

The net debt to equity ratio at the end of each of the Track Record Period are as follows:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Debt (<i>Note (i)</i>)	–	50,673
Less: Cash and cash equivalents (<i>Note (ii)</i>)	(87,272)	(161,117)
Net debt	(87,272)	(110,444)
Equity (<i>Note (iii)</i>)	76,003	107,672
Net debt-to-equity ratio	N/A	N/A

Notes:

- (i) Debt represents borrowing as detailed in Note 26.
- (ii) Cash and cash equivalents represent bank balances and cash as detailed in Note 23.
- (iii) Equity includes all capital and retained profits attributable to owners of the Company.

APPENDIX I

ACCOUNTANTS' REPORT

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Financial assets		
<i>Loans and receivables</i>	155,361	370,812
<i>Fair value through profit or loss (held-for-trading)</i>	552	–
	<u>155,913</u>	<u>370,812</u>

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000
Financial liabilities		
<i>Financial liabilities at amortised cost</i>	77,748	256,390
	<u>77,748</u>	<u>256,390</u>

The Company

	As at 31 December 2015 HK\$'000
Financial liabilities	
<i>Financial liabilities at amortised cost</i>	3,054
	<u>3,054</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include statutory deposits, trade receivables, loan receivables, held-for-trading investments, deposits and other receivables, amount due from Dr. Choi, amount due from a related company, client trust bank accounts, bank balances and cash, trade payables, accruals and other payables, amount due to Dr. Choi, amount due to a related company and borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Foreign currency risk management

During the Track Record Period, the majority of the Group's transactions and balances as at and for the Track Record Period were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

No sensitivity analysis has been presented as the directors consider that the foreign currency risk exposure of the Group is minimal.

APPENDIX I

ACCOUNTANTS' REPORT

(ii) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets. Interest-bearing financial assets are mainly trade receivables from cash clients, loan receivables and deposits with banks. Interests on trade receivables from cash clients and loan receivables carrying interest at fixed rates expose the Group to fair value interest rate risk while deposits with banks carrying interest at variable rate expose the Group to cash flow interest rate risk.

All of the Group's loan receivables are based on fixed interest rates and majority of the loans are short in duration with original maturities within one year. The management considers the fixed rate instruments of the Group are insensitive to any change in market interest rates.

As the Group has no significant variable-rate interest-bearing financial assets, except for short-term bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing financial assets resulted from the changes in interest rates because the interest rates of bank deposits are relatively low and not expected to change significantly.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(iii) Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. A 10% change represents management's assessment of the reasonably possible change in equity price.

If equity prices had been 10% higher/lower, the Group's pre-tax profit would increase/decrease by approximately HK\$55,000 and nil for the years ended 31 December 2014 and 2015, respectively. This is mainly due to the changes in fair value of held-for-trading investments.

Credit risk management

At the end of each of the Track Record Period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the directors of the Company are responsible for determination of trading limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each of the Track Record Period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

In respect of loan receivables, individual credit evaluations are performed on all clients requiring such credit. These evaluations focus on the client's background information, financial position, past history of making payments when due and current ability to pay, value of collateral held (if any) and take into account information specific to the client and the guarantor (in case provided). Monitoring of credit risk on loan and interest receivables is performed on an on-going basis. In this regard, the management considers the credit risk on these receivables is effectively controlled and significantly reduced.

As at 31 December 2014 and 2015, the Group's maximum exposures to credit risk relating to loans commitments unrecorded in the combined statements of financial position are approximately nil and HK\$46,100,000, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

The Group's credit risk exposure is spread over a number of clients, accordingly, the Group has no significant concentration of credit risk on a single client in this respect.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

At 31 December 2014 and 2015, the Group has available unutilised banking facilities of approximately HK\$50,000,000 and nil respectively.

Liquidity tables

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

The Group

	On demand or within one year HK\$'000	Over one year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities				
As at 31 December 2014				
Trade payables	25,754	–	25,754	25,754
Accruals and other payables	1,924	–	1,924	1,924
Amount due to a related company	50,070	–	50,070	50,070
	<u>77,748</u>	<u>–</u>	<u>77,748</u>	<u>77,748</u>
As at 31 December 2015				
Trade payables	79,945	–	79,945	79,945
Accruals and other payables	4,186	–	4,186	4,186
Amount due to Dr. Choi	71,508	–	71,508	71,508
Amount due to a related company	50,078	–	50,078	50,078
Borrowing	53,750	–	53,750	50,673
	<u>259,467</u>	<u>–</u>	<u>259,467</u>	<u>256,390</u>
Loans commitments	<u>46,100</u>	<u>–</u>	<u>46,100</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS' REPORT

The Company

	On demand or within one year HK\$'000	Over one year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Non-derivative financial liabilities				
As at 31 December 2015				
Amount due to H&S Securities	2,973	–	2,973	2,973
Amount due to Dr. Choi	81	–	81	81
	<u>3,054</u>	<u>–</u>	<u>3,054</u>	<u>3,054</u>

(c) Fair value measurements of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the quoted market bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use-of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2014.

	As at 31 December 2014			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets				
Financial assets held for trading – listed equity securities	<u>552</u>	<u>–</u>	<u>–</u>	<u>552</u>

There were no investments classified under Level 2 and 3 and there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the years ended 31 December 2014 and 2015.

As at 31 December 2015, the Group did not have any assets and liabilities that were measured at the fair value measurements hierarchy.

35. RESERVE OF THE COMPANY

	Accumulated loss HK\$'000
Balance at 30 October 2015 (date of incorporation)	–
Loss and total comprehensive expense for the period	<u>(3,054)</u>
Balance at 31 December 2015	<u>(3,054)</u>

APPENDIX I

ACCOUNTANTS' REPORT

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2016 is expected to be approximately HK\$[3,663,000].

C. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2015:

- (i) The Reorganisation as set out in Note 1 of Section A was completed on [●].
- (ii) The Company adopted a share option scheme on [●], a summary of the terms and conditions of which are set out in the section headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the [REDACTED].
- (iii) The dividend of approximately HK\$[REDACTED] declared on [●] which will be fully settled before listing.
- (iv) On [●], the authorised share capital of the Company was increased from HK\$380,000 to HK\$[REDACTED] by the creation of an additional [REDACTED] shares of HK\$0.01 each.

D. 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 2015.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants

[●]
Practising Certificate Number: [●]
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report on the financial information of the Group for the Track Record Period prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this document, and is included in this document 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 Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with paragraph 7.31 of the GEM Listing Rules are set out below to illustrate the effect of the [REDACTED] on the combined net tangible assets of the Group attributable to owners of the Company as of 31 December 2015 as if the [REDACTED] had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not give a true picture of the combined net tangible assets of the Group had the [REDACTED] been completed on 31 December 2015 or of any future dates. The unaudited pro forma adjusted combined net tangible assets are prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as of 31 December 2015 as set out in the Accountants' Report of the Company, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 HK\$'000 (Note 1)	Add: Estimated net proceeds from the [REDACTED] HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share HK\$ (Note 3)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share HK\$ (Note 3)
Based on the [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on the [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 are based on audited combined net assets of the Group attributable to owners of the Company as at 31 December 2015 of approximately HK\$[REDACTED] with adjustment for intangible assets of approximately HK\$[REDACTED] as at 31 December 2015 as shown in the financial information section of the Accountants' Report set out in Appendix I to this document.
2. The estimated net proceeds from the [REDACTED] are based on the lowest and highest [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share, respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses to be incurred by the Group subsequent to 31 December 2015.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of [REDACTED], the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or buy back by the Company pursuant to the general mandate given to the Directors to allot and issue or buy back Shares referred to in the paragraph headed "General mandate to issue shares" in this document or the paragraph headed "General mandate to buy back shares" in this document.

3. The unaudited pro forma adjusted combined net tangible assets per Share is determined after the adjustments as described in Notes 1 and 2 above and on the basis that [REDACTED] Shares in issued immediately following the completion of the [REDACTED] and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of [REDACTED], the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or buy back by the Company pursuant to the general mandate given to the Directors to allot and issue or buy back Share referred to in the paragraph headed "General mandate to issue shares" in this document or the paragraph headed "General mandate to buy back shares" in this document.
4. The unaudited pro forma financial information presented above does not take account of any trading results or other transactions subsequent to 31 December 2015. In particular, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company on the table above have not been adjusted to show the effect of:
 - (i) The dividend of approximately HK\$[REDACTED] declared on [●] which will be fully settled before [REDACTED] ("Dividend Distribution");
 - (ii) Grand Rich Limited transferred (a) all obligations, liabilities and debts owing or incurred by Master Gold Limited and its subsidiary to Grand Rich Limited of approximately HK\$[50,087,000] to Trinity Union Limited and (ii) Trinity Union Limited assumed all the payment obligations and liabilities under the Grand Rich's Debt, represent the sum of approximately HK\$[110,097,000] advanced by Dr. Choi to Grand Rich Limited prior to the Reorganisation, upon completion of the sale and purchase agreement dated [●] ("Assignments") as part of the Reorganisation and as stated in the section headed "History, Reorganisation and Corporate Structure" of this document; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (iii) Capitalisation of the amount due to Dr. Choi amounted to approximately HK\$[159,764,000] ("Settlement") as part of the Reorganisation and as stated in the section headed "History, Reorganisation and Corporate Structure" of this document.

Had the Dividend Distribution, Assignments and Settlement been completed on 31 December 2015, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company would increase from approximately HK\$[REDACTED] to HK\$[REDACTED] based on the [REDACTED] of HK\$[REDACTED] per share, or from approximately HK\$[REDACTED] to HK\$[REDACTED] based on the [REDACTED] of HK\$[REDACTED] per share. The following table illustrates the impact of the [REDACTED], after taking into account of Dividend Distribution, Assignments and Settlement on the unaudited pro forma financial information.

	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company after taking into account of the [REDACTED], Dividend Distribution, Assignments and Settlement <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per share after taking into account of the [REDACTED], Dividend Distribution, Assignments and Settlement <i>HK\$</i>
Based on the [REDACTED] of HK\$[REDACTED] per share	<u><u>[REDACTED]</u></u>	<u><u>[REDACTED]</u></u>
Based on the [REDACTED] of HK\$[REDACTED] per share	<u><u>[REDACTED]</u></u>	<u><u>[REDACTED]</u></u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this document.

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

[●]

Practising Certificate Number: [●]

Hong Kong, [●]

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 October, 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its memorandum of association (the "Memorandum") and its articles of association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the 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 the Company is established are unrestricted (including acting as an investment company), and that the 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 the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The 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 [●] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

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.

Any 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.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the 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; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) 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 Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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. 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 that share.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

The board may, in its absolute discretion, at any 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.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it 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 any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The 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 the Company subject to any applicable requirements imposed from time to time by Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

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 the 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.

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 the Company all monies which, at the date of forfeiture, were payable by him to the 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.

(b) Directors

(i) *Appointment, retirement 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power 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 the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the 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 the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the 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 if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) 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 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 the 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 must, 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

(ii) 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 (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the 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), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

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 the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange 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 the Company are 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 the Company nor the board is 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.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the 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 the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

APPENDIX III **SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the 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 are also 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 the 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 the 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 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 and such other benefits 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 the Company or companies with which it is associated in business) in establishing and making contributions out of the 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 the Company or any of its subsidiaries) and ex-employees of the 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

(vi) 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 the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the 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. The board may also cause the voting power conferred by the shares in any other company held or owned by the 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.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the 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 the 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 the Company must 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 THE COMPANY
AND THE CAYMAN ISLANDS COMPANY 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 is materially interested, but this prohibition does 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 close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the 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 the 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 the Company or any other company which the 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 the Company by virtue only of his/their interest in shares or debentures or other securities of the 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 the 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.

(c) 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 have an additional or casting vote.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the 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 the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the 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 has been duly given in accordance with the Articles.

Under the Companies Law, 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 the 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 of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the 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 the 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 the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year 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 the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and 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, must be given to all members of the 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 the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each the following business is deemed an 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;
 - (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 the 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 the Company.
- (v) *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.

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.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the 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 the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

as such member could exercise. In addition, a proxy is 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.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must 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 the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must 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 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 the 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 the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which be those of a country or jurisdiction other than the Cayman Islands.. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

(g) Dividends and other methods of distribution

The 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 the 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.

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 the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the 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 the 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 the 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

Whenever the board or the 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 the Company until claimed and the 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 the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

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 office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of 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 the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the 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 the Company is wound up and the assets available for distribution amongst the members of the 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

- (ii) if the Company is 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 the Company is 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 the 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.

(k) 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 the Company and the 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 COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands 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) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

(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 the 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.

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.

(c) Financial assistance to purchase shares of a company or its holding company

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

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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

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 the company. At no time may a company redeem or purchase its shares unless they are fully 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 is to 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, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must 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 must not be voted, directly or indirectly, at any meeting of the company and must 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.

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

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. With the exception of the foregoing, there are 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.

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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

(f) Protection of minorities and shareholders' suits

The 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 the 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) Disposal of assets

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.

(h) Accounting and auditing requirements

A company must 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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

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.

An exempted company must 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 of the Cayman Islands.

(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, the 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 the 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 the Company.

The undertaking for the Company is for a period of twenty years from 8 December, 2015.

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 the Company levied by the Government of the Cayman Islands save for 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.

(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.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

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 must 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 of the Cayman Islands.

(o) Register of Directors and Officers

The 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 sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) 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.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act 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.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how 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. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) 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.

(r) Take-overs

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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

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.

(s) 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, the Company's special legal counsel on Cayman Islands law, have sent to the 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 GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 30 October 2015. Our Company's registered office is at the offices of Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established a principal place of business in Hong Kong at Room 2509-12A, 25/F, COSCO Tower, 183 Queen's Road Central, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 24 November 2015. Dr. Choi has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the laws of the Cayman Islands and its constitutive documents comprising the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

- (a) on 30 October 2015, the Incorporation Share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred to Endless Source on the same date;
- (b) on [●], Dr. Choi and Mrs. Choi transferred the entire issued share capital in Trinity Union to our Company, in consideration of our Company allotting and issuing [REDACTED] Shares, all credited as fully paid, to Endless Source at the directions of Dr. Choi and Mrs. Choi;
- (c) pursuant to the written resolutions of our sole Shareholder dated [●], our Company increased its authorised share capital from HK\$380,000 to HK\$[REDACTED] by the creation of an additional [REDACTED] Shares; and
- (d) immediately following completion of the [REDACTED] and the Capitalisation Issue (not taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED], (ii) any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (iii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), the authorised share capital of our Company will be

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

HK\$[REDACTED] divided into [REDACTED] Shares and the issued share capital will be HK\$[REDACTED] divided into [REDACTED] Shares, all fully paid or credited as fully paid and [REDACTED] Shares will remain unissued. Other than the allotment and issue of Shares pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in its general meeting, no issue of shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the sections headed "Share Capital" and "History, Reorganisation and Corporate Structure – Reorganisation" in this document, there has been no other alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our sole Shareholder dated [●]

Pursuant to the written resolutions of our sole Shareholder dated [●]:

- (a) our Company approved and adopted the Memorandum and, with effect from the [REDACTED], the Articles of Association;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$[REDACTED] by the creation of an additional [REDACTED] Shares to rank pari passu with the existing Shares in all respects; and
- (c) conditional on the same conditions as stated in the section headed "Structure and Conditions of the [REDACTED] – Conditions of the [REDACTED]" in this document:
 - (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED] subject to the terms and conditions stated in this document;
 - (ii) the [REDACTED] was approved and our Directors were authorised to effect the same and to allot and issue the Shares upon the exercise of the [REDACTED];
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" in this appendix, were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for shares thereunder and to allot, issue and deal with shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme including without limitation: (1) administering the Share Option Scheme; (2) modifying and/or amending the Share Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Share Option Scheme relating to modifications and/or amendments and the requirements of the GEM Listing Rules; (3) granting

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

options under the Share Option Scheme and issuing and allotting from time to time any Shares pursuant to the exercise of the options that may be granted under the Share Option Scheme with an aggregate nominal value not exceeding 10% of the total nominal value of the share capital of our Company in issue on the [REDACTED]; and (4) making application at the appropriate time or times to the Stock Exchange for the [REDACTED] of, and permission to deal in, any shares or any part thereof that may thereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme;

- (iv) conditional on the share premium account of our Company being credited as a result of the [REDACTED], an amount of HK\$[REDACTED] which will then be standing to the credit of the share premium account of our Company be capitalised and applied to pay up in full at par a total of [REDACTED] Shares for allotment and issue to holders of shares whose names appear on the register of members of our Company at the close of business on [●] (or as they may direct) in proportion (as nearly as possible without involving fractions) to their respective then existing shareholdings in our Company, and our Directors were authorised to give effect to the Capitalisation Issue and such distribution and the shares to be allotted and issued shall, save for the entitlements to the Capitalisation Issue, rank pari passu in all respects with all the then existing shares;
- (v) 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 providing for allotment of shares in lieu of the whole or in part of any dividend on shares in accordance with the Articles of Association, 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) unissued shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue and as enlarged immediately following completion of the [REDACTED] and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the exercise of the [REDACTED] and any Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) 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 of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest;
- (vi) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to buy back shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

of the [REDACTED] and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the exercise of the [REDACTED] and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), 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 of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest; and

- (vii) conditional on the passing of the resolutions referred to in sub-paragraphs (v) and (vi) above, the general unconditional mandate mentioned in sub-paragraph (v) above was extended by the addition of the aggregate nominal value of the share capital of our Company which may be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company bought back by our Company pursuant to the mandate to buy back shares referred to in sub-paragraph (vi) above.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

- (a) on 30 October 2015, our Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which the Incorporation Share was allotted and issued to the initial subscriber, which was transferred to Endless Source on the same date;
- (b) on 14 December 2015, Dr. Choi transferred the legal title of one share in H&S Securities (held on trust for the benefit of Master Gold) to Master Gold, at nil consideration. Upon completion of the share transfer, H&S Securities was legally and beneficially wholly-owned by Master Gold;
- (c) on 21 December 2015, Trinity Union was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On 27 January 2016, one share and one share in Trinity Union, all credited as fully paid, were allotted and issued to Dr. Choi and Mrs. Choi, respectively;
- (d) on [●] 2016, Grand Rich transferred (i) one share, representing the entire issued share capital in Master Gold, and all the indebtedness in the sum of approximately HK\$[50,087,000] owed by Master Gold to Grand Rich; (ii) 1,289,107 shares, representing the entire issued share capital in Spread Fame; and (iii) 50,000,000 shares, representing the entire issued share capital in H&S Credit, to Trinity Union,

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

in consideration of Trinity Union (i) allotting and issuing in aggregate three shares and three shares, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Grand Rich; and (ii) assuming all the payment obligations and liabilities under the Grand Rich's Debt in place and stead of Grand Rich to pay the Grand Rich's Debt upon completion of the H&S SPA. Upon completion of the share transfers, (i) Master Gold, (ii) Spread Fame and (iii) H&S Credit became direct wholly-owned subsidiaries of Trinity Union; and on [●] 2016, Sino Wealth transferred 10,000 shares, representing the entire issued share capital in EarnLink to Trinity Union, in consideration of Trinity Union allotting and issuing one share and one share, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Sino Wealth. Upon completion of the share transfer, EarnLink became a direct wholly-owned subsidiary of Trinity Union;

- (e) on [●] 2016, to capitalise the shareholder's loan in the the amount of approximately HK\$[159,764,000] provided to our Group by Dr. Choi, Trinity Union allotted and issued one share and one share, all credited as fully paid, to Dr. Choi and Mrs. Choi at the direction of Dr. Choi, respectively; and
- (f) on [●], Dr. Choi and Mrs. Choi transferred the entire issued share capital in Trinity Union to our Company, in consideration of our Company allotting and issuing [REDACTED] Shares, all credited as fully paid, to Endless Source at the directions of Dr. Choi and Mrs. Choi. Upon completion of the share transfers, Trinity Union became the direct wholly-owned subsidiary of our Company.

5. Changes in share capital of subsidiaries in our Company

The subsidiaries of our Company are listed in the paragraph headed "Further information about the business of our Group – Further information about the subsidiaries of our Company" in this appendix.

The following alterations in the share capital or the registered capital of the subsidiaries of our Company have taken place within two years preceding the date of this document:

- (a) on 10 June 2014, H&S Credit increased its issued share capital to HK\$40,000,000 divided into 40,000,000 shares, which was fully paid or credited as fully paid; and
- (b) on 22 October 2014, H&S Securities increased its issued share capital to HK\$100,000,000 divided into 100,000,000 shares, which was fully paid or credited as fully paid;
- (c) on 23 December 2014, H&S Credit further increased its issued share capital to HK\$50,000,000 divided into 50,000,000 shares, which was fully paid or credited as fully paid;
- (d) on 21 December 2015, Trinity Union was incorporated in the BVI with limited liability; on 27 January 2016, its issued share capital was two shares of a single class of par value of US\$1 each, which was fully paid or credited as fully paid;
- (e) on [●] 2016, Trinity Union increased its issued share capital to 10 shares of a single class of par value of US\$1 each, which was fully paid or credited as fully paid; and

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (f) on [●] 2016, Trinity Union increased its issued share capital to 12 shares of a single class of par value of US\$1 each, which was fully paid or credited as fully paid.

Save as disclosed in the paragraph headed "Reorganisation" above, there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

6. Buy-Back by our Company of its own securities

This section includes information relating to the buy-back of the shares, including information required by the Stock Exchange to be included in this document concerning such buy-back.

(a) Relevant legal and regulatory requirements

The GEM Listing Rules permit our Shareholders to grant our Directors a general mandate to buy back the shares that are listed on the Stock Exchange.

(b) Shareholders' approval

All proposed buy-backs of shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

The Buy-Back Mandate was granted to our Directors by our sole Shareholder pursuant to a written resolution dated [●] authorising them to exercise all powers of our Company to buy back shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue (excluding Shares which may fall to be issued pursuant to the exercise of the [REDACTED] and the exercise of any options which may be granted under the Share Option Scheme) 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 of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest.

(c) Source of funds

Buy-backs must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not buy back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the GEM Listing Rules. Under the Cayman Islands law, any buy-backs of shares by our Company may be made out of profits or share premium

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

of our Company or out of the proceeds of a fresh issue of shares made for the purpose of the buy-backs or, subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be bought back must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the provisions of the Companies Law, out of capital.

(d) Trading restrictions

Our Company may buy back up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue (excluding Shares which may fall to be issued pursuant to the exercise of the [REDACTED] and the exercise of any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the shares for a period of 30 days immediately following a buy-back of shares without the prior approval of the Stock Exchange. Our Company is also prohibited from buying back the shares on the Stock Exchange if the buy-back would result in the number of listed shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a buy-back of the shares is required to disclose to the Stock Exchange any information with respect to a share buy-back as the Stock Exchange may require.

(e) Status of bought back shares

All Shares bought back (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, a company's shares bought back may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the shares bought back accordingly although the authorised share capital of the company will not be reduced.

(f) Suspension of buy-back

Buy-backs of shares are prohibited after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not reported under the GEM Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), our Company may not buy back its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit buy-backs of shares on the Stock Exchange if our Company has breached the GEM Listing Rules.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(g) Reporting requirements

Certain information relating to buy-back of securities on GEM or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, our Company's annual report and accounts are required to disclose details regarding buy-backs of shares made during the financial year under review, including the number of shares bought back each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest prices paid for all such buy-backs, where relevant, and the aggregate prices paid. The directors' report is also required to contain reference to the buy-backs made during the year and the directors' reasons for making such buy-backs.

(h) Connected persons

According to the GEM Listing Rules, a company is prohibited from knowingly buying back securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

(i) Reasons for buy-backs

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 buy back shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per share and will only be made when our Directors believe that such buy-backs will benefit our Company and our Shareholders.

(j) Funding of buy-backs

In buying back shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, 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 Group, our Directors consider that, if the Buy-Back Mandate were 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 with the position disclosed in this document. Our Directors do not propose to exercise the Buy-Back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(k) General

The exercise in full of the Buy-Back Mandate, on the basis of [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the Capitalisation Issue (not taking into account (i) any shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED]; (ii) any shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme; and (iii) any shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), would result in up to [REDACTED] Shares being bought back by our Company during the period in which the Buy-Back Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable inquiries, any of their associates currently intends to sell any shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-Back Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a buy-back of shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any buy-backs pursuant to the Buy-Back Mandate immediately after the [REDACTED] of the shares on the Stock Exchange.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/she/it has a present intention to sell shares to our Company, or has undertaken not to do so if the Buy-Back Mandate is exercised.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following material 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:

- (a) the sale and purchase agreement dated [●] 2016 and entered into between Grand Rich, as vendor, and Trinity Union, as purchaser, pursuant to which Grand Rich agreed to transfer (i) one share in Master Gold and the indebtedness in the sum of approximately HK\$[50,087,000] owed by Master Gold to Grand Rich; (ii) 1,289,107 shares in Spread Fame; and (iii) 50,000,000 shares in H&S Credit, to Trinity Union, in consideration of Trinity Union (i) allotting and issuing in aggregate three shares and three shares, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Grand Rich; and (ii) assuming all the payment obligations and liabilities under the Grand Rich's Debt in place and stead of Grand Rich to pay the Grand Rich's Debt upon completion of the H&S SPA;
- (b) the sale and purchase agreement dated [●] 2016 and entered into between Sino Wealth, as vendor, and Trinity Union, as purchaser, pursuant to which Sino Wealth agreed to transfer 10,000 shares in EarnLink to Trinity Union, in consideration of Trinity Union allotting and issuing one share and one share, all credited as fully paid, to Dr. Choi and Mrs. Choi, respectively, at the direction of Sino Wealth;
- (c) the loan capitalisation agreement dated [●] 2016 and entered into between Dr. Choi and Trinity Union, pursuant to which the indebtedness of approximately HK\$[159,764,000] owed by Trinity Union to Dr. Choi was capitalised in consideration of Trinity Union allotting and issuing a total of two shares, all credited as fully paid, of which one share to Dr. Choi and one share to Mrs. Choi at the direction of Dr. Choi;
- (d) the share purchase agreement dated [●] and entered into between Dr. Choi and Mrs. Choi, as vendors, and our Company, as purchaser, pursuant to which Dr. Choi and Mrs. Choi agreed to transfer the entire issued share capital in Trinity Union to our Company, in consideration of our Company allotting and issuing [REDACTED] Shares, all credited as fully paid, to Endless Source at the directions of Dr. Choi and Mrs. Choi;
- (e) the Deed of Indemnity;
- (f) the Deed of Non-competition; and
- (g) the Underwriting Agreement.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

2. Intellectual property rights

(a) Domain names

As at the Latest Practicable Date, our Group registered the following domain names:

Domain name	Registered owner	Registration date	Expiry date
headandshoulders.com.hk	H&S Securities	13 November 2003	15 November 2017
hns.com.hk	H&S Securities	9 October 2007	12 October 2017
hnsfg.com	H&S Securities	23 August 2013	23 August 2017

(b) Trademark

As at the Latest Practicable Date, our Group did not own any trademark nor had any trademark in the process of applying for registration.

3. Further information about the subsidiaries of our Company

(i) Trinity Union

Place of incorporation	:	BVI
Date of incorporation	:	21 December 2015
Registered office	:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Authorised share capital	:	50,000 shares of a single class of par value of US\$1 each
Issued share capital	:	12 shares of a single class of par value of US\$1 each
Shareholder(s)	:	our Company (100%)
Director(s)	:	Dr. Choi
General nature of business	:	Investment holding

APPENDIX IV **STATUTORY AND GENERAL INFORMATION**

(ii) Master Gold

Place of incorporation : BVI

Date of incorporation : 8 January 2013

Registered office : 263 Main Street, Road Town, Tortola, British Virgin Islands

Authorised share capital : 50,000 shares of a single class of par value of US\$1 each

Issued share capital : one share of a single class of par value of US\$1 each

Shareholder(s) : Trinity Union (100%)

Director(s) : Dr. Choi

General nature of business : Investment holding

(iii) Spread Fame

Place of incorporation : BVI

Date of incorporation : 12 September 2011

Registered office : P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

Authorised share capital : 10,000,000 shares of a single class of par value of US\$1 each

Issued share capital : 1,289,107 shares of a single class of par value of US\$1 each

Shareholder(s) : Trinity Union (100%)

Director(s) : Dr. Choi

General nature of business : Investment holding

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(iv) *EarnLink*

Place of incorporation : Hong Kong

Date of incorporation : 18 March 2013

Registered office : Room 2512, 25/F, COSCO Tower, 183 Queen's Road Central, Hong Kong

Issued share capital : HK\$10,000 divided into 10,000 shares

Shareholder(s) : Trinity Union (100%)

Director(s) : Dr. Choi and Mr. Chan

General nature of business : Provision of management services

(v) *H&S AML*

Place of incorporation : Hong Kong

Date of incorporation : 19 January 2012

Registered office : Room 2511, 25/F, COSCO Tower, 183 Queen's Road Central, Hong Kong

Issued share capital : HK\$10,000,000 divided into 10,000,000 shares

Shareholder(s) : Spread Fame (100%)

Director(s) : Dr. Choi, Mr. Lam, Mr. Chan and Mr. KK Chan

General nature of business : Provision of asset management services

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(vi) H&S Credit

Place of incorporation	:	Hong Kong
Date of incorporation	:	23 July 2013
Registered office	:	Room 2509-11A, 25/F, COSCO Tower, 183 Queen's Road Central, Hong Kong
Issued share capital	:	HK\$50,000,000 divided into 50,000,000 shares
Shareholder(s)	:	Trinity Union (100%)
Director(s)	:	Dr. Choi, Mr. Lam and Mr. Chan
General nature of business	:	Provision of money lending services

(vii) H&S Securities

Place of incorporation	:	Hong Kong
Date of incorporation	:	15 December 1999
Registered office	:	Room 2511, 25/F, COSCO Tower, 183 Queen's Road Central, Hong Kong
Issued share capital	:	HK\$100,000,000 divided into 100,000,000 shares
Shareholder(s)	:	Master Gold (100%)
Director(s)	:	Dr. Choi, Mr. Lam, Mr. Chan and Mr. KK Chan
General nature of business	:	Provision of brokerage, underwriting and placing services

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1. Interests and short positions of Directors and the chief executives of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations

Immediately following completion of the [REDACTED] and the Capitalisation Issue (not taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED], (ii) any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme, and (iii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations (within the meaning 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 in 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 referred to therein, or which will be required to notify to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

(a) Long position in our Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held	Position	Approximate percentage of issued share capital
Dr. Choi	Interest in controlled corporation	[REDACTED] (Note)	Long	[REDACTED]%

Note: These Shares are held by Endless Source. The issued share capital of Endless Source is legally and beneficially owned as to 50% by Dr. Choi and as to 50% by Mrs. Choi. Dr. Choi is deemed to be interested in the Shares in which Endless Source is interested in under Part XV of the SFO.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(b) Long position in Endless Sources, an associated corporation of our Company

Name of Director	Capacity/ Nature of interest	Number of Shares held in the associated corporation	Position	Approximate percentage of issued share capital
Dr. Choi	Beneficial owner	[REDACTED]	Long	[REDACTED]%

2. Interests and/or short positions of substantial shareholders in the Shares, and underlying Shares of our Company and its associated corporations

So far as is known to our Directors, immediately following completion of the [REDACTED] and the Capitalisation Issue (not taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED], (ii) any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme, and (iii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position 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 who will be, 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 our Company or any other members of our Group:

Long position in our Shares

Name	Capacity/ Nature of interest	Number of Shares held	Position	Approximate percentage of issued share capital
Endless Source	Beneficial owner <i>(Note)</i>	[REDACTED]	Long	[REDACTED]%
Mrs. Choi	Interest in controlled corporation <i>(Note)</i>	[REDACTED]	Long	[REDACTED]%

Note: The issued share capital of Endless Source is legally and beneficially owned as to 50% by Dr. Choi and as to 50% by Mrs. Choi. Each of Mrs. Choi and Dr. Choi is deemed to be interested in the Shares in which Endless Source is interested in under Part XV of the SFO.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. Particulars of service contracts

Each of Dr. Choi and Mr. Lam, all being our executive Directors, will enter into a service agreement with our Company for an initial term of three years commencing from the [REDACTED], and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salary set out below (subject to an annual increment, which will be made one year after the commencement date of the service agreement at the discretion of our Directors, of not more than 10% of the annual salary immediately prior to such increase).

Each of our non-executive Director and our independent non-executive Directors will enter 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 our non-executive Director and our independent non-executive Directors is appointed with an initial term of three years commencing from the [REDACTED] subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Each of the above remunerations is determined by our Company with reference to duties and level of responsibilities of each Director and the remuneration policy of our Company and the prevailing market conditions.

The appointments of our executive Directors, our non-executive Director and our independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

4. Directors' emoluments

- (i) For the two years ended 31 December 2014 and 31 December 2015, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK\$401,000 and HK\$3,028,000, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 December 2016 is expected to be approximately HK\$[3,663,000].
- (iii) 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 two years ended 31 December 2014 and 2015, (1) as an inducement to join or upon joining our Company or (2) 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.

APPENDIX IV **STATUTORY AND GENERAL INFORMATION**

- (iv) Save as disclosed in the sections headed "Directors and Senior Management" and "Financial Information" in this document, there has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31 December 2014 and 2015.
- (v) Under the arrangements currently proposed, conditional upon the [REDACTED], the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	<i>HK\$</i>
Dr. Choi	2,000,000
Mr. Lam	1,326,624
Non-executive Director	<i>HK\$</i>
Mr. Chu	75,000
Independent non-executive Directors	<i>HK\$</i>
Dr. Law	75,000
Professor Lai	75,000
Mr. Hon	75,000

- (vi) Each of our executive Directors, non-executive Director 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 duties to our Group under his service contract.

5. Agency fees or commissions received

Save as disclosed in the section headed "Underwriting – Underwriting arrangements and expenses – Commission and expenses" in this document, within the two years immediately 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 our subsidiaries.

6. Related party transactions

Save as disclosed in note 32 to the Accountants' Report set out in Appendix I to this document, during the two years immediately preceding the date of this document, our Group has not engaged in any other material related party transactions.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

7. Disclaimers

Save as disclosed in this document:

- (i) without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED], (ii) any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme, and (iii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate, our Directors are not aware of any person who immediately following the completion of the [REDACTED] will 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 our Company or any other member of our Group;
- (ii) none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the Shares, underlying Shares, and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO 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 once the Shares are listed on the Stock Exchange;
- (iii) none of our Directors or the experts named in the paragraph headed "Other information – Qualifications of experts" in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this document, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the [REDACTED] either in his own name or in the name of a nominee;
- (iv) none of our Directors 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; and
- (v) none of the experts named in the paragraph headed "Other information – 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 company in our Group.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

D. SHARE OPTION SCHEME

1. Summary of the terms of the Share Option Scheme

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the company and its subsidiaries and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("**Invested Entity**").

(ii) Who may join

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time and from time to time within the period of ten (10) years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons ("**Eligible Participant(s)**"):

- (1) any employee (whether full-time or part-time) of the company, any of its subsidiaries and any Invested Entity;
- (2) any director (including executive, non-executive and independent non-executive directors) of the company, any of its subsidiaries or any Invested Entity;
- (3) any supplier of goods or services to any member of the Group or any Invested Entity;
- (4) any customer of the Group or any Invested Entity;
- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; or
- (6) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity eligible for options under the Share Option Scheme.

(iii) Maximum number of shares

- (1) Notwithstanding anything to the contrary herein, the maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the company must not, in aggregate, exceed 30% of the total number of shares in issue from time to time.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (2) The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the company shall not exceed [REDACTED] shares, being 10% of the total number of shares (assuming the [REDACTED] is not exercised) in issue as at the [REDACTED] unless the company obtains the approval of the shareholders in general meeting for renewing the 10% limit (“**Scheme Mandate Limit**”) under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the company will not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
- (3) The company may seek approval of the shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the company as “renewed” shall not exceed 10% (“**Renewal Limit**”) of the total number of shares (assuming the [REDACTED] is not exercised) in issue as at the date of the approval of the shareholders on the renewal of the Scheme Mandate Limit, provided that options previously granted under the Share Option Scheme or any other share option schemes of the company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the company or exercised) will not be counted for the purpose of calculating the Renewal Limit.

For the purpose of seeking the approval of the shareholders for the Renewal Limit, a circular containing the information and the disclaimer as required under the GEM Listing Rules must be sent to the shareholders.

- (4) The company may seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by the company before such approval is sought. For the purpose of seeking the approval of the shareholders, the company must send a circular to the shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information as required under the GEM Listing Rules.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(iv) Maximum entitlement of each Eligible Participant

No option shall be granted to any Eligible Participant if any further grant of options 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 such further grant exceeding 1% of the total number of shares in issue, unless:

- (1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 23 of the GEM Listing Rules, by resolution of the shareholders in general meeting at which the Eligible Participant and his associates shall abstain from voting;
- (2) a circular regarding the further grant has been despatched to the shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including the identity of the Eligible Participant, the number and terms of the options to be granted and options previously granted to such Eligible Participant); and
- (3) the number and terms (including the subscription price) of such option are fixed before the general meeting of the company at which the same are approved.

(v) Grant of options to connected persons

- (1) The grant of options to a director, chief executive or substantial shareholder of the company or any of their respective associates (including discretionary trust in which any connected persons are beneficiary) requires the approval of all the independent non-executive directors (excluding any independent non-executive director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 23 of the GEM Listing Rules.
- (2) Where an option is to be granted to a substantial shareholder or an independent non-executive director (or any of their respective associates), and such grant will 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:
 - (a) exceeding 0.1% of the total number of shares in issue at the relevant time of grant; and
 - (b) exceeding an aggregate value (based on the closing price of the shares on the Stock Exchange on the date of each grant) of HK\$5.0 million, such grant shall not be valid unless:

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- I. a circular containing the details of the grant has been despatched to the shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules, including, in particular, (i) details of the number and terms (including subscription price) of the options to be granted to each connected person of the company, which must be fixed before the shareholders' meeting and the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purposes of calculating the subscription price, and (ii) a recommendation from the independent non-executive directors (excluding the independent non-executive director who is the prospective grantee of the option) to the independent shareholders as to voting; and
- II. the grant has been approved by the shareholders in general meeting (taken on a poll) at which all connected persons of the company shall abstain from voting in favour of the grant.

(vi) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Participant within the date as specified in the offer letter issued by the company, being a date not later than 21 business days from the date upon which it is made, by which the Eligible Participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years after the date of adoption of the Share Option Scheme.

A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his personal representative(s)) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten (10) years commencing on the date of the offer letter and expiring on the last day of such ten (10)-year period subject to the provisions for early termination as contained in the Share Option Scheme.

(vii) Performance targets

There is no performance target that has to be achieved before the exercise of any option.

(viii) Subscription price for shares

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an Eligible Participant, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date (as defined below), (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the Offer Date, and (3) the nominal value of a share on the Offer Date.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Where an option is to be granted to an Eligible Participant, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option, which must be a Business Day ("**Offer Date**"). For the purpose of calculating the subscription price, where an option is to be granted fewer than five Business Days after the [REDACTED] of the shares on the Stock Exchange, the [REDACTED] shall be used as the closing price for any Business Day falling within the period before the [REDACTED].

(ix) Ranking of shares

The shares to be issued and allotted upon the exercise of an option shall be subject to the Memorandum and Articles of Association of the company for the time being in force and shall rank pari passu in all respects with the fully-paid shares in issue of the company as at the date of allotment and issue ("**Exercise Date**"), and will entitle the holders 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.

(x) Restrictions on the time of grant of options

No option shall be granted after a price-sensitive development concerning the company or any subsidiary has occurred or a price-sensitive matter concerning the company or any subsidiary has been the subject of a decision of the Group until such price-sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
- (2) the deadline for the company to publish an announcement of its results for any year or half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement, no option shall be granted.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(xi) Period of the Share Option Scheme

Subject to any prior termination by the company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption of the Share Option Scheme ("**Option Period**"), after which period no further option shall be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

(xii) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an employee of the Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xxi)(e), the option shall lapse on the date of cessation (to the extent not already exercised) and not be exercisable unless the Board otherwise determines to grant an extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be an employee of the Group.

(xiii) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, and none of the events specified in (xxi)(e) which would be a ground for termination of his employment or engagement arises, the option may be exercised in full or in part (to the extent not already exercised) by his personal representative(s) within 12 months following the date of his death or such longer period as the Board may at its absolute discretion determine from the date of death to exercise the option up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised).

(xiv) Rights on a general offer

In the event of a general or partial offer (whether by way of take-over offer, share buy-back offer or scheme of arrangement or otherwise in like manner) being 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, and if such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the company in exercise of his option within one month after the date on which the offer becomes or is declared unconditional.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

(xv) Rights on winding-up

In the event that a notice is given by the company to its shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the company, the company shall, on the same date as or soon after it despatches such notice to each shareholder, give notice thereof to all grantees (together with a notice of existence of this provision) and thereupon, each grantee (or his personal representative(s)) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of his options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of the company, by giving notice in writing to the company, accompanied by a remittance for the full amount of the aggregate exercise price for the shares in respect of which the notice is given, whereupon the 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, which shares shall rank pari passu with all other shares in issue on the date prior to the passing of the resolution to wind-up the company to participate in the distribution of assets of the company available in liquidation.

(xvi) Rights on scheme of arrangement

In the event of a general or partial offer by way of scheme of arrangement is made to all the holders of shares and has been approved by the necessary number of holders of shares at the requisite meetings, the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in the grantee's notice to the company at any time thereafter and the record date for entitlements under the scheme of arrangement.

(xvii) Rights on compromise or arrangement between the company and its creditors

In the event of a compromise or arrangement between the company and its creditors (or any class of them) or between the company and the shareholders (or any class of them) in connection with a scheme for the reconstruction or amalgamation of the company, the company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to the shareholders or creditors to consider such a compromise or arrangement, and thereupon any grantee (or his personal representative(s)) may by notice in writing to the company accompanied by the remittance of the subscription price in respect of the relevant option (such notice to be received by the company not later than two Business Days before the proposed meeting) exercise any of his options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. The company shall as soon as possible and in any event no later than the Business Day

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

immediately prior to the date of the proposed meeting referred to above, allot and issue such number of shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The company may require the grantee (or his personal representative(s)) to transfer or otherwise deal with the shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such shares been subject to such compromise or arrangement.

(xviii) Reorganisation of capital structure

In the event of any alteration in the capital structure of the company whilst any option has been granted and remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the company (other than an issue of shares as consideration in respect of a transaction), the company shall (if applicable) make corresponding alterations (if any), in accordance with the GEM Listing Rules and any applicable guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplementary guidance issued on 5 September 2005), to:

- (1) the number and/or nominal amount of shares subject to the options already granted so far as they remain exercisable; and/or
- (2) the subscription price; and/or
- (3) the maximum number of shares referred to in sub-paragraphs (iii) and (iv) above provided that:
 - (aa) no such alteration shall be made in respect of an issue of shares or other securities by the company as consideration in a transaction;
 - (bb) any such alterations must be made so that each grantee is given the same proportion of the equity capital of the company as that to which he was previously entitled;
 - (cc) no such alterations shall be made which would result in the subscription price for a share being less than its nominal value; and
 - (dd) any such alterations, save those made on a capitalisation issue, shall be confirmed by an independent financial adviser or the auditors in writing to the directors, to be in their opinion fair and reasonable, as satisfying the requirements of provisions referred to in sub-paragraphs (bb) and (cc) above.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(xix) Cancellation of options

The Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where the 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 Scheme Mandate Limit approved by the shareholders.

(xx) Termination of the Share Option Scheme

The company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination and not then exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme and the GEM Listing Rules.

(xxi) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so. Any breach of the foregoing by the grantee shall entitle the company to cancel any option or part thereof granted to such grantee (to the extent not already exercised) without incurring any liability on the part of the company.

(xxii) Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period (subject to the provision referred to in sub-paragraph (xx));
- (b) the expiry of the periods referred to in sub-paragraphs (xii), (xiii) or (xvii), where applicable;
- (c) 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 sub-paragraph;
- (d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xvi);

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract or engagement contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence or (if so determined by the Board, the board of the relevant subsidiary or the board of the relevant associated company of the company, as the case may be) on any other ground on which an employer or a sourcing party would be entitled to terminate his employment or engagement at common law or pursuant to any applicable laws or under the grantee's service contract or supply contract with the company, the relevant subsidiary or the relevant associated company of the company (as the case may be);
- (f) the date of the commencement of the winding-up of the company referred to in sub-paragraph (xv);
- (g) the date on which the grantee commits a breach of sub-paragraph (xxi); or
- (h) the date on which the option is cancelled by the Board as set out in sub-paragraph (xix).

(xxiii) *Alterations to the Share Option Scheme*

- (1) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the GEM Listing Rules by resolution of the Board except that the following alterations must be approved by a resolution of the shareholders in general meeting:
 - (aa) any changes to the definitions of Eligible Participant, grantee and option period;
 - (bb) any changes to the terms and conditions of the Share Option Scheme to the advantage of the grantees of the options;
 - (cc) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature;
 - (dd) any changes to the terms of options granted; and
 - (ee) any changes to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme except where such alterations take effect automatically under the existing terms of the Share Option Scheme,

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

provided that: (aa) the amended terms of the Share Option Scheme or the options must comply with Chapter 23 of the GEM Listing Rules; and (bb) no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all shares then subject to the option granted under the Share Option Scheme.

- (2) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be amended or altered in any respect by resolution of the Board without the approval of the shareholders or the grantee(s) to the extent such amendment or alteration is required by the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.
- (3) The company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xxiv) *Conditions*

The Share Option Scheme is conditional on:

- (aa) the Listing Committee of the Stock Exchange granting approval of the [REDACTED] of, and permission to deal in, the shares in issue, the shares to be issued pursuant to the Capitalisation Issue, the [REDACTED] and any shares which may fall to be issued pursuant to the exercise of the [REDACTED] and any options under the Share Option Scheme;
- (bb) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (cc) the commencement of dealings in the shares on the Stock Exchange.

2. Present status of the Share Option Scheme

(i) *Approval and adoption of the rules of the Share Option Scheme*

The rules of the Share Option Scheme were approved and adopted by the sole Shareholder on [●].

(ii) *Approval of the Stock Exchange required*

The Share Option Scheme is conditional, among other matters, on the Stock Exchange granting the [REDACTED] of, and permission to deal in, such number of shares to be issued pursuant to the exercise of the options under the Share Option Scheme up to the 10% of the shares in issue as at the [REDACTED].

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(iii) Application for listing

Application has been made to the Stock Exchange for the [REDACTED] of, and permission to deal in, the shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the company shall not exceed [REDACTED] shares, being 10% of the total number of shares in issue (assuming the [REDACTED] is not exercised) as at the [REDACTED] unless the company obtains the approval of the shareholders in general meeting for renewing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the company will not be counted for the purpose of calculating the 10% limit mentioned above.

(iv) Grant of option

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

(v) Value of options

The 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 options. The directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders will enter into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract (e) referred to in the paragraph headed "Further information about the business of our Group – Summary of material contracts" in this appendix) to provide indemnities in respect of, among other matters, any liability which might be incurred by any member of our Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur up to the date on which the [REDACTED] becomes unconditional.

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

2. Litigation

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

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Stock Exchange for the [REDACTED] of, and permission to deal in, the shares in issue and to be issued as mentioned in this document, any shares which may be allotted and issued upon the exercise of the [REDACTED] and 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 on the Stock Exchange.

The Sponsor satisfies the independence criteria applicable to sponsors under Rule 6A.07 of the GEM Listing Rules. The Sponsor is entitled to the sponsor's fee in the amount of HK\$[REDACTED].

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$[REDACTED] and are payable by our Company.

5. Promoter

- (a) Our Company has no promoter for the purpose of the GEM Listing Rules.
- (b) Save as disclosed herein, within the two years immediately preceding the date of this document, no amount or benefit has been paid or given to the promoter in connection with the [REDACTED] or the related transactions described in this document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this document are as follows:

Name:	Qualifications
Messis Capital Limited	licensed corporation holding a licence to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mazars Tax Services Limited	Tax adviser

7. Consents of experts

Each of the experts named in the paragraph headed "Other information – Qualifications of experts" in this appendix has given and has not withdrawn its respective written consent to the issue of this document with copies of its reports and/or letters and/or opinions and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named in the paragraph headed "Other information – Qualifications of experts" in this appendix has any shareholding interests in any member of 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.

8. Binding effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of CWUMPO so far as applicable.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

9. Financial adviser

We have appointed Veda Capital Limited as our financial adviser in respect of the [REDACTED]. The appointment of financial adviser was not made pursuant to the requirements of the GEM Listing Rules, and is separate and distinct from the appointment of the Sponsor (which is required to be made by our Company pursuant to the GEM Listing Rules). The Sponsor is responsible for fulfilling its duties as sponsor to our Company's application to the Stock Exchange for the [REDACTED], and the Sponsor has not relied on any of the work performed by our financial adviser in fulfilling those duties. The roles of our financial adviser in the [REDACTED] are different from that of the Sponsor, and include principally the following aspects:

- advise and assist our Company on the selection and hiring of working parties involved in the [REDACTED] process, and the coordination of the working parties;
- advise our Company on the structure, timing and strategy of the [REDACTED] including the Reorganisation and Listing group structure; and
- advise our Company on the financial aspects of the [REDACTED] process including our financial condition and our planned use of [REDACTED].

10. Share registrar

Our Company's principal register of members will be maintained in the Cayman Islands by our Cayman Islands share registrar, [REDACTED], and a register of members will be maintained in Hong Kong by our Hong Kong Branch Share Registrar, [REDACTED]. Unless our Directors otherwise agree, all transfers and other documents of title of the shares must be lodged for registration with and registered by our share registrar in Hong Kong and may not be lodged in the Cayman Islands.

11. Bilingual [REDACTED]

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

12. Miscellaneous

Save as disclosed in this document:

- (a) within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or of any of our subsidiaries 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; and

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
- (b) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (d) all necessary arrangements have been made enabling the shares to be admitted into CCASS;
- (e) our Company has no outstanding convertible debt securities;
- (f) neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares or management shares or deferred shares or any debentures;
- (g) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
- (h) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2015 (being the date to which the latest audited combined financial statements of our Group were made up); and
- (i) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this document.

APPENDIX V **DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the section headed "Other information – Consents of experts" in Appendix IV to this document, and copies of the material contracts referred to in the section headed "Further information about the business of our Group – Summary of material contracts" in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co., at 19/F, Prosperity Tower, No. 39 Queen's Road Central, 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 of Association and the Articles of Association;
- (b) the accountants' report of our Group dated the date of this document prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this document;
- (c) the audited combined financial statements of the companies comprising our Group for the two years ended 31 December 2015;
- (d) the report on unaudited pro forma financial information of our Group prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this document;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;
- (f) the Companies Law;
- (g) the rules of the Share Option Scheme;
- (h) the material contracts referred to in the paragraph headed "Further information about the business of our Group – Summary of material contracts" in Appendix IV to this document;
- (i) the written consents referred to in the paragraph headed "Other information – Consents of experts" in Appendix IV to this document; and
- (j) the service contracts and letters of appointment referred to in the paragraph headed "Further information about Directors, management, staff and experts – Particulars of service contracts" in Appendix IV to this document.