This section sets forth a summary of the laws and regulations applicable to our business and operations in Hong Kong. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

INTRODUCTION

The SFC

The SFO is the principal legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and leveraged foreign exchange markets, the offering of investments to the public in Hong Kong, intermediaries and their conduct of regulated activities. In particular, Part V of the SFO deals with licensing and registration matter.

The SFO is administered by the SFC which is an independent statutory regulatory body responsible for regulating the securities and futures markets and credit rating services in Hong Kong. The SFC works to strengthen and protect the integrity and soundness of Hong Kong's securities and futures markets for the benefit of investors and the industry.

As set out in the SFO, SFC's regulatory objectives are:

- to develop and maintain the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- to help the public understand the workings of the securities and futures industry;
- to provide protection for the investing public;
- 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 government of Hong Kong in maintaining the financial stability of Hong Kong by taking appropriate actions in relation to the securities and futures industry.

The SFC has four operational divisions which are Corporate Finance, Intermediaries (including Licensing and Intermediaries Supervision), Enforcement and Supervision of Markets. The SFC is also supported by the Corporate Affairs and Legal Services divisions.

Types of regulated activities

Schedule 5 to the SFO stipulates 13 types of regulated activities and provides a detailed definition for each of them. These regulated activities comprise:

- 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
- Type 11 Dealing in OTC derivative products or advising on OTC derivative products[1]
- Type 12 Providing client clearing services for OTC derivative transactions[1]
- Type 13 Providing depositary services for relevant CISs

Type of intermediaries

Below are the four types of intermediaries that are regulated by the SFC:

1. ***Licensed corporation***: a corporation (not being an authorised financial institution) which is granted a licence to carry on one or more than one regulated activity under section 116 of the SFO; and

   Temporary licensed corporation: a corporation (not being an authorised financial institution) which is granted a temporary licence to carry on, for a period of not exceeding three months, one or more than one regulated activity under section 117 of the SFO (except for Types 3, 7, 8 and 9 regulated activities).

2. ***Responsible officer:*** a licensed representative who is also approved as a responsible officer under section 126 of the SFO to supervise the regulated activity of the licensed corporation to which he/she is accredited.

3. ***Licensed representative:*** an individual who is granted a licence under section 120(1) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he/she is accredited; and

   Provisional licensed representative: an individual who is granted a provisional licence under section 120(2) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he/she is accredited (prior to the grant of his/her licence under section 120(1) of the SFO; and

   Temporary licensed representative: an individual who is granted a temporary licence under section 121 of the SFO to carry on, for a period not exceeding 3 months, one or more than one regulated activity for a corporation licensed under section 116 or 117 to which he/she is accredited.

4. ***Registered institution:*** an authorised financial institution which is registered to carry on one or more than one regulated activity (other than Type 3 (leveraged foreign exchange trading) and Type 8 (securities margin financing) under section 119 of the SFO, where an authorised financial institution means an authorised institution as defined in section 2(1) of the Banking Ordinance (i.e. a bank, a restricted licence bank or a deposit-taking company).

[1] *Not yet in operation for licensing purposes.*

OVERVIEW OF LICENSING REQUIREMENTS

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

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

must be licensed by the SFC to carry out that regulatory activity, unless one of the exemptions under the SFO applies.

Any individual who: (a) performs any regulated function in relation to a regulated activity carried on as a business; or (b) holds himself/herself out as performing such regulated activity, must be licensed separately under the SFO as a licensed representative accredited to his principal, unless one of the exemptions under the SFO applies.

Licensed corporation

For application as a licensed corporation, the applicant has to be incorporated and the licensed corporation has to satisfy the SFC that it has proper business structure, good internal control systems and qualified personnel to ensure the proper management of risks that it will encounter in carrying on the proposed regulated business as detailed in the business plan submitted to the SFC. Detailed guidelines to meet the requirements and expectations of the SFC are contained in the following:

- Guidelines on Competence;
- the Code of Conduct;
- the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC

Responsible officers

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

Qualification and experience required for being a responsible officer

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

Qualification and experience required for being a licensed representative

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

Section 129(1) of the SFO sets out a number of matters that the SFC shall have regard to in assessing a person's fitness and properness, which include his/her:

- financial status or solvency;
- education or the qualifications or experience having regard to the nature of the functions to be performed;
- ability to carry on the regulated activity concerned competently, honestly and fairly; and
- reputation, character, reliability and financial integrity.

The above fit and proper criteria serve as the fundamental basis when the SFC considers each licence or registration application. Detailed guidelines are contained in the Fit and Proper Guidelines, the Licensing Information Booklet and the Guidelines on Competence published by the SFC.

The Fit and Proper Guidelines apply to a number of persons including the following:

- an individual who applies for licence or is licensed under Part V of the SFO;
- a licensed representative who applies for approval or is approved as a responsible officer under Part V of the SFO;
- a corporation which applies for licence or is licensed under Part V of the SFO;
- an authorised financial institution which applies for registration or is registered under Part V of the SFO;

- an individual whose name is to be or is entered in the register maintained by the Hong Kong Monetary Authority under section 20 of the Banking Ordinance; and

- an individual who applies to be or has been given consent to act as an executive director of a registered institution under section 71C of the Banking Ordinance.

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

- decisions made by such relevant authorities as stated in section 129(2)(a) of the SFO or any other authority or regulatory organisation, whether in Hong Kong or elsewhere, in respect of that person;

- in the case of a corporation, any information relating to:

  – any other corporation within the group of companies; or

  – any substantial shareholder or officer of the corporation or of any of its group companies;

- in the case of a corporation licensed under section 116 or section 117 of the SFO or registered under section 119 of the SFO or an application for such licence or registration:

  – any information relating to any other person who will be acting for or on its behalf in relation to the regulated activity; and

  – whether the person has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions;

- in the case of a corporation licensed under section 116 or section 117 of the SFO or an application for the licence, any information relating to any person who is or to be employed by, or associated with, the person for the purposes of the regulated activity; and

- the state of affairs of any other business which the person carries on or proposes to carry on.

The SFC is obliged to refuse an application to be licensed if the applicant fails to satisfy the SFC that the applicant is a fit and proper person to be licensed. The onus is on the applicant to prove to the SFC that the applicant is fit and proper to be licensed for the regulated activity.

The Code of Conduct

Pursuant to section 169 of the SFO, SFC has published the Code of Conduct for the purpose of giving guidance relating to the practices and standards with which intermediaries and their representatives are ordinarily expected to comply in carrying on the regulated activities for which they are licensed or registered.

The SFC has modelled the Code of Conduct on principles developed and recognized by the International Organization of Securities Commissions and other principles the SFC believes to be fundamental to the undertaking of a licensed or registered person's business.

General Principle 1. Honesty and fairness

In conducting its business activities, a licensed or registered person should act honestly, fairly, and in the best interests of its clients and the integrity of the market.

General Principle 2. Diligence

In conducting its business activities, a licensed or registered person should act with due skill, care and diligence, in the best interests of its clients and the integrity of the market.

General Principle 3. Capabilities

A licensed or registered person should have and employ effectively the resources and procedures which are needed for the proper performance of its business activities.

General Principle 4. Information about clients

A licensed or registered person should seek from its clients information about their financial situation, investment experience and investment objectives relevant to the services to be provided.

General Principle 5. Information for clients

A licensed or registered person should make adequate disclosure of relevant material information in its dealings with its clients.

General Principle 6. Conflicts of interest

A licensed or registered person should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its clients are fairly treated.

General Principle 7. Compliance

A licensed or registered person should comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

General Principle 8. Client assets

A licensed or registered person should ensure that client assets are promptly and properly accounted for and adequately safeguarded.

General Principles 9. Responsibility of senior management

The senior management of a licensed or registered person should bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the firm. In determining where responsibility lies, and the degree of responsibility of a particular individual, regard shall be had to that individual's apparent or actual authority in relation to the particular business operations, and in considering the conduct of representatives under the Code of Conduct, the SFC will consider their levels of responsibility within the firm, any supervisory duties they may perform, and the levels of control or knowledge they may have concerning any failure by their firms or persons under their supervision to follow the Code of Conduct.

A failure by any person to comply with any provision of the Code of Conduct that applies to it (a) shall not by itself render it liable to any judicial or other proceedings, but in any proceedings under the SFO before any court the Code of Conduct shall be admissible in evidence, and if any provision set out in the Code of Conduct appears to the court to be relevant to any question arising in the proceedings it shall be taken into account in determining the question; and (b) the SFC shall consider whether such failure tends to reflect adversely on the person's fitness and properness.

ON-GOING COMPLIANCE OBLIGATIONS

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.

Minimum capital requirements on licensed corporations

Pursuant to section 145 of the SFO, depending on the types of regulated activity a licensed corporation conducts, a licensed corporation is required to maintain at all times paid-up share capital and liquid capital not less than the specified amounts specified in the FRR.

The following table summaries the minimum paid-up capital and liquid capital that a licensed corporation is required to maintain for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Regulated activity	Minimum paid-up share capital	Minimum liquid capital
Type 1 (dealing in securities)		
(a) in the case where the corporation is an approved introducing agent or a trader	Not applicable	HK$500,000
(b) in the case where the corporation provides securities margin financing	HK$10,000,000	HK$3,000,000
(c) in any other case	HK$5,000,000	HK$3,000,000
Type 4 (advising on securities)		
(a) in the case where the licensed corporation in question is subject to the specified licensing condition	Not applicable	HK$100,000
(b) in any other case	HK$5,000,000	HK$3,000,000
Type 9 (asset management)		
(a) in the case where the licensed corporation in question is subject to the specified licensing condition	Not applicable	HK$100,000
(b) in any other case	HK$5,000,000	HK$3,000,000

Source: Schedule 1 to the FRR and the Licensing Handbook published by the SFC

If the licensed corporation is licensed 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 highest amount required among those regulated activities.

Other key on-going obligations for compliance by licensed corporations and/or other intermediaries

Outlined below are other key on-going obligations for compliance by licensed corporations and/or other intermediaries:

Submission of audited accounts

Licensed corporations and associated entities of intermediaries (except for those which are authorised financial institutions) are required to submit their audited accounts and other required documents within four months after the end of each financial year under section 156(1) of the SFO. Furthermore, if a licensed corporation ceases carrying on all of the regulated activities for which it is licensed, it should submit to the SFC its audited accounts and other required documents, made up to the date of cessation, not later than four months after the date of the cessation under section 156(2) of the SFO. The same submission requirement applies to an associated entity (which is not an authorised financial institution) of an intermediary upon its ceasing to be such an associated entity under section 156(2) of the SFO.

Submission of electronic financial resources returns (e-FRR)

Licensed corporations which are engaged in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities shall have to submit monthly e-FRR to the SFC no later than 3 weeks after the end of the month concerned as required under section 56 of the FRR.

Payment of annual fees

Licensed corporations, licensed persons and registered institutions should pay annual fees within one month after each anniversary date of their licenses or registrations under section 138(2) of the SFO, details of the annual fees applicable to Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities are set out in the Licensing Information Booklet:

Types of intermediary	**Annual fees for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities**
Licensed corporation	HK$4,740 per regulated activity
Licensed representative (not approved as responsible officer)	HK$1,790 per regulated activity
Licensed representative (approved as responsible officer)	HK$4,740 per regulated activity

Record keeping requirements

Licensed Corporation must keep records in accordance with the requirements under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong), which requires licensed corporations to keep proper records. It prescribes the records that are to be kept by licensed corporations to ensure that they maintain comprehensive records in sufficient details relating to their businesses and client transactions for proper accounting of their business operations.

Notification to the SFC of certain events and changes

Licensed corporations, licensed representatives and registered institutions are required to notify the SFC of certain events and changes in their particulars within the specified time limit pursuant to section 135 of the SFO and the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong), details of which are contained in the Licensing Information Booklet.

Obligation for substantial shareholders

Under section 132 of the SFO, a person (including a corporation) has to apply for SFC's approval prior to becoming or continuing to be, as the case may be, a substantial shareholder of a corporation licensed under section 116 of the SFO. A person who has become aware that he has become a substantial shareholder of a licensed corporation without SFC's prior approval should, as soon as reasonably practicable and in any event within three business days after he becomes so aware, apply to the SFC for approval to continue to be a substantial shareholder of the licensed corporation.

Continuous professional training

Licensed corporation must ensure that their licensed staff fulfills this requirement.

The SFC has issued a guideline entitled "Guidelines on Continuous Professional Training" pursuant to section 399 of the SFO. There is the annual requirement that every licensed individual must undertake at least 5 CPT hours (out of the 10 CPT hours for licensed representatives and 12 CPT hours for responsible officers) each calendar year of continuous professional training on topics directly relevant to the regulated activities for which he or she is licensed at the time the CPT hours are undertaken. Failure to comply with the guidelines on continuous professional training may reflect adversely on the fitness and properness of a person to continue to carry on the regulated activity.

Licensed corporation are held primarily responsible for planning and implementing a continuous education programme best suited to the training needs of the individuals they engage which will enhance their industry knowledge, skills and professionalism. Licensed corporation should at least annually evaluate their training programs and make commensurate adjustments to cater for the training needs of the individuals they engage.

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 Anti-Money Laundering Guideline.

Set out below is a brief summary of the principal legislations in Hong Kong that are concerned with money laundering and terrorist financing.

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

The Anti-Money Laundering and Counter-Terrorist Financing Ordinance 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 Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

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

It is an offence under the Drug Trafficking (Recovery of Proceeds) Ordinance if a person deals with any property knowing or having reasonable grounds to believe it to represent the proceeds of drug trafficking. The Drug Trafficking (Recovery of Proceeds) Ordinance requires a person to report to an authorised officer if he/she knows or suspects that any property (directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking. Failure to make such disclosure constitutes an offence under the Drug Trafficking (Recovery of Proceeds) Ordinance.

(3) Organised and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong)

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

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

The United Nations (Anti-Terrorism Measures) Ordinance 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 United Nations (Anti-Terrorism Measures) Ordinance 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 United Nations (Anti-Terrorism Measures) Ordinance.

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.

PREVENTION OF BRIBERY ORDINANCE

The Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) prohibits all forms of bribery and corruption. Any director or employee is prohibited from soliciting, accepting or offering any bribe in conducting a company's business or affairs, whether in Hong Kong or elsewhere. In particular, in conducting all business or affairs of a company, the director or employee must comply with the Prevention of Bribery Ordinance and must not, among others, solicit or accept any advantage from others as a reward for or inducement to doing any act, abstaining from doing any act or showing favour in relation to the company's business or affairs, or offer any advantage to an agent of another as a reward for or inducement to doing any act, abstaining from doing any act or showing favour in relation to his principal's business or affairs. Depending on the offence committed, maximum penalties for the above offences under the Prevention of Bribery Ordinance are a fine of HK$500,000 and imprisonment for 7 years.

In addition, under the common law, it is an offence to bribe a person performing a public duty or for such a person to solicit or accept a bribe.

PERSONAL DATA (PRIVACY) ORDINANCE

The collection and processing of personal data in Hong Kong are governed by the Personal Data (Privacy) Ordinance (Cap. 486) ("PDPO"). For information to constitute "personal data" under the PDPO, it must (a) relate directly or indirectly to a living individual, (b) be information from which the individual is reasonably identifiable, and (c) be in a form in which access to, or processing of, the data is practicable.

The PDPO is implemented through six Data Protection Principles governing: (i) collection, (ii) accuracy and retention, (iii) use, (iv) security, (v) openness, and (vi) data access and correction. Compliance is monitored and enforced by the Office of the Privacy Commissioner for Personal Data.

A licensed corporation carrying on business in Hong Kong is required to comply with the Code of Conduct, which requires licensees to safeguard client information and maintain confidentiality, and not to disclose client information to third parties except with proper authority or as required or permitted by law.

SUPERVISION BY THE SFC

SFC supervises licensed corporations and intermediaries operating in the market. SFC conducts on-site inspections and off-site monitoring to ascertain and supervise intermediaries' business conduct and compliance with relevant regulatory requirements and to assess and monitor the financial soundness of intermediaries.

Disciplinary power of the SFC

Under Part IX of the SFO, the SFC may take disciplinary action against a regulated person (including a licensed person or a registered institution) if that person is found to be guilty of misconduct or not fit and proper to be or remain the same type of regulated person (sections 194 and 196 of the SFO).

Section 194 of the SFO deals with disciplinary actions in respect of licensed persons, etc. The SFC may exercise any of the following disciplinary actions against a regulated person which means a person who is or at the relevant time was any of the following types of person:

- a licensed person;
- a responsible officer of a licensed corporation; or
- a person involved in the management of the business of a licensed corporation.

Subject to the due process for exercising disciplinary powers laid down in section 198 of the SFO, the SFC may exercise any of the below disciplinary actions against a regulated person:

- revocation or suspension of a licence or a registration;
- revocation or suspension of part of a licence or registration in relation to any of the regulated activities for which a regulated person is licensed or registered;
- revocation or suspension of the approval granted to a responsible officer;
- public or private reprimand on a regulated person;
- prohibition of application for licence or registration;
- prohibition of application to become a responsible officer, executive officer or relevant individual;
- fine up to HK$10 million or 3 times the profit gained or loss avoided as a result of the conduct in question, whichever is higher.

APPROVAL REQUIRED FOR [REDACTED]

For Shareholders' approval in relation to the **[REDACTED]**, please refer to the section headed "Statutory and general information – A. Further information about our Company – 3. Resolutions in writing of our Shareholders passed on [•] 2026" in Appendix IV to this document.