
RISK FACTORS

Prospective investors should carefully consider all of the information in this document including the risks and uncertainties described below before making an investment in the [REDACTED]. Prospective investors should pay particular attention to the fact that the legal and regulatory environment of Hong Kong may differ in some respects from that prevailing in other countries. The business, financial condition or results of operation of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and prospective investors may lose all or part of their investment.

RISKS RELATING TO THE OPERATIONS OF OUR GROUP

Risks associated with securities brokerage services

Risk of operational and trading system failure

Our Group relies heavily on our BSS to execute customers' instructions accurately and promptly as well as to process a large number of transactions simultaneously during peak periods. A delay in execution of customers' instructions would occur in the event of a system failure of our BSS.

Our Group's BSS is provided by a vendor recognised by the Stock Exchange. It may be vulnerable to a number of disruptions such as computer viruses and hacking. Such disruptions may cause data corruption and interruptions, delay or cessation in executing customers' trading instructions, which could have a material adverse effect on our business operations. Any hacking into our system may also jeopardise the security of confidential information (such as customer data or trading records) stored in our computer systems and cause losses to our Group. During the Track Record Period, we recorded no material disruption to our BSS. Please refer to the paragraphs headed "Suppliers and vendors" and "Internal control" under the section headed "Business" of this document for our internal control policies with regards to our BSS.

Risk of trading errors

During the course of providing securities brokerage services, trading errors may occur such as errors made on taking customer's instruction (i.e. incorrect stock code, quantity of the transaction or incorrect buy/sell order) or incorrect input of customer's instruction or customer's account number. We have to bear the losses resulting from any of the aforesaid trading errors. In the event that the trading errors are not effectively prevented or controlled, or rectification measures could not cover the loss incurred, the financial results of our Group would be adversely affected. During the Track Record Period and up to the Latest Practicable Date, we recorded four error trades amounting to losses of approximately HK\$1,100 and HK\$4,100 for each of the two years ended 31 December 2013 and 2014 respectively, one of which was made upon testing our online trading platform prior to its official launch. Please refer to the paragraph headed "Internal control" under the section headed "Business" of this document for details.

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Risks associated with securities-backed lending services

Our collaterals may not be sufficient to cover the outstanding balance of our securities-backed loans in case of default

We provide securities-backed lending services to customers, comprising margin financing under our SFC Type 1 licence as well as money lending services under our Money Lenders Licence. As at 31 December 2014, our Group's margin loan portfolio amounted to approximately HK\$101.9 million. As at 31 December 2014, there were no outstanding loans under our money lending service.

A margin loan provided to a customer is required to be maintained within the margin value of the customer's pledged securities. In the event of any adverse movement in the prices of the customers' pledged securities, we may make a margin call requesting the customer to deposit additional funds, sell the pledged securities or pledge additional securities to top up his or her margin value. In the event that a customer is unable to meet a margin call, we are entitled to dispose of the pledged securities and use the sale proceeds thereof towards repayment of the loan. During the Track Record Period, there was no instance that a customer was unable to meet a margin call. However, there is a risk that the amount recovered from the disposal of the pledged securities may fall short of the outstanding amount of the loan. We would suffer a loss if we fail to recover the shortfall from our customers.

Similarly, the securities pledged to us as collateral under our money lending service may not be sufficient to cover the amount of our outstanding loan in the event of default by the customers. Our internal control procedures are designed to monitor fluctuations in the value of securities pledged to us. 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.

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

Our money lending service 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. In the event that our Money Lenders Licence is not renewed for any reason, our money lending service will have to be suspended.

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Risk associated with placing and underwriting services

During the Track Record Period, we only conducted placing transactions on a best-effort basis. Placing commission accounted for approximately 1.6% and 16.2% of our revenue for the two years ended 31 December 2013 and 2014 respectively.

In the case of fund-raising for customers on a best-effort basis, if the securities are undersubscribed or if market conditions become unfavourable, the entire fund-raising exercise may be cancelled and our Group may not be able to generate commission income from such fund-raising exercises.

Moreover, the placing or underwriting commission generated by our Group is directly related to the number of placing exercises we are involved in and/or the amount of funds the customers intend to raise. Our Directors consider that this would be subject to external factors which are beyond our control, such as whether the secondary market for fund-raising exercises is active under the prevailing financial market environment. There is no assurance that the performance of our Group's placing and underwriting services will not be affected by such external factors.

Risk of non-compliance with rules and regulations

The Hong Kong financial market in which we operate is highly regulated. There are changes in rules and regulations from time to time in relation to the regulatory regime for the financial service industry, including but not limited to, the SFO, the Companies Ordinance, the FRR, the GEM Listing Rules, the Stock Exchange Trading Rules and the Takeovers Code. Any such changes might result in an increase in our cost of compliance, or might restrict our business activities. If we fail to comply with the applicable rules and regulations from time to time, we may be subject to fines, or even suspension or revocation of some or all of our licences for carrying on our business activities. Accordingly, our business operations and financial results might be materially and adversely affected.

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

As at the Latest Practicable Date, as far as our Directors are aware, there is no ongoing investigation against any member of our Group, our Responsible Officers or Licensed Representatives and/or our Directors or persons concerned and/or involved in our management. Nevertheless, there is no assurance that there will not be any investigations taken against any of them. Please refer to the paragraph headed "Historical compliance matters" under the section headed "Business" of this document for details regarding our compliance matters during the Track Record Period.

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Risk of dependence on the performance of the financial markets of Hong Kong

Our financial results are primarily dependent upon the performance of the financial markets of Hong Kong as a whole. The Hong Kong financial markets are directly affected by, among others, the global and local political and economic environments.

Any sudden downturn in the global political and economic environments, which are beyond our control, may adversely affect the financial market sentiment in general. Severe fluctuation in market and economic sentiments may also lead to a prolonged period of sluggish market activities which would in turn have an 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 results in times of difficult or unstable economic and political conditions. Historical profit levels of our Group should not be unduly relied upon as an indication of our future financial performance.

Our business depends on the continuing efforts of our key executives and senior management

Our Group is controlled by Mr. Henry Cheung and his son, Mr. Jonathan Cheung. They are our Company's executive Directors, and together with the support of our senior management team, are principally responsible for managing our Group. Our Group's success is, to a significant extent, attributable to the strategies and visions of our executive Directors as well as our existing senior management team who play significant roles in our Group's day-to-day operations, as disclosed in the section headed "Directors, senior management and employees" of this document.

Given that the competition for competent personnel in the industry is intense, we may not be able to attract or retain the services of the necessary key personnel for our business in the future. Should our key senior management personnel cease to be involved in our management in the future and we fail to find suitable replacements, our operations, growth prospects and profitability could be materially and adversely affected. In addition, we may need to incur additional costs to recruit, train and retain these key personnel.

As at the Latest Practicable Date, our Group had three Responsible Officers. Under the licensing requirements of the SFO, we must at all times maintain at least two Responsible Officers for each regulated activity. Our Group would be exposed to operational disruptions should any two of the Responsible Officers resign or all become sick and cannot carry out their duties at the same time. This may result in temporary suspension of the licences and eventually cessation of our business operations. In such event, our business operations and financial results will be adversely affected.

Risk associated with the deficiency of our internal control system

Our business and prospects may be materially and adversely affected if our risk management and internal control systems are ineffective or inadequate. Any deficiencies in these systems and practices could (i) adversely affect our ability to timely and accurately record, process, summarise and report financial and other data; and (ii) adversely affect efficiency and increase the potential likelihood of financial reporting errors and non-compliance with rules and regulations.

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While we have put in place internal control policies, there is no assurance that they will be properly implemented or adequate and effective for the continuously changing business environment in which we operate. In view of the continuous development of the market, our business operations and financial results may be materially affected.

We are dependent on our risk management policies and our staff's adherence to these policies which identify, monitor and control a variety of risks related to human error, client defaults, market movements, fraud and money laundering. Our risk management procedures are based on a review of the internal control environment and are designed to test those controls on both regular and ad hoc basis. These methods may not adequately prevent losses, particularly under extreme market movements, which may be significantly greater than we anticipate and greater than historical changes in market prices. In addition, if our testing and quality control practices are unable to prevent software or hardware failures, our risk management methods may not adequately prevent losses from technical errors. Our risk management methods rely on both technical and human controls and supervision which may be prone to error. These methods may not protect us against all risks or may protect us less than anticipated, in which case our business, financial condition and results of operations may be adversely affected.

Risk of customer credit

Our Group recorded outstanding amounts due from cash customers, HKSCC and margin customers of approximately nil, HK\$7.0 million and HK\$73.6 million respectively as at 31 December 2013, and approximately HK\$49,000, nil and HK\$101.9 million respectively as at 31 December 2014.

As stipulated by HKSCC, all securities transactions must be settled within T+2. In the case that our customers fail to transfer sufficient funds to our Group to settle their transactions within T+2, our Group will be required to settle on behalf of such customers using our own resources. Therefore, our Group needs to maintain sufficient resources for the abovementioned settlements and is exposed to potential default in payment by our customers.

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 or the pledged assets are not sufficient to cover the necessary amount, our financial results may be materially and adversely affected.

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

During our Track Record Period, our largest customer contributed to approximately 27.8% and 12.9% of our total revenue for each of the two years ended 31 December 2013 and 2014 respectively. In addition, our top five customers accounted for approximately 79.2% and 49.7% of our total revenue for the year ended 31 December 2013 and 2014 respectively. Each of the top five customers for each of the years ended 31 December 2013 and 2014 was an Independent Third Party.

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Our results will continue to depend on (i) our ability to continue to secure accounts from 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.

Risk of failure to detect illegal or improper activities including money laundering

Our Group may not be able to detect money laundering and other illegal or improper activities fully or in a timely manner, which could expose our Group to liabilities for fines and other penalties and may affect our business.

Our Group is required to comply with applicable anti-money laundering laws and regulations in Hong Kong, for example, the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC, which has been effective since July 2012. These laws and regulations require our Group, among other things, to carry out customer due diligence and to report suspicious transactions to the applicable regulatory authorities. While our Group has policies and procedures aimed at detecting and preventing the use of our operations for money laundering activities and other illegal or improper activities, such policies and procedures may not preclude customers' intentional fraud. To the extent that our Group fails to identify money laundering activities promptly and fully comply with the applicable laws and regulations, the relevant government agencies may impose fines and/or other penalties on our Group, which may significantly affect our business operations and financial results.

Risk of uncertainties in our expansion plan

As set out in more details in the section headed "Future plans and use of proceeds" of this document, our Group intends to continue to expand our securities-backed lending services. Such expansion is based on current intentions and assumptions and the future execution may be subject to capital investment and human resources constraints. Furthermore, our expansion plan may also be hindered by other factors beyond our control, such as the general market conditions, the performance of the financial service industry, and the economic and political environment in Hong Kong, the PRC and overseas. Therefore our expansion plan may not materialise in accordance with the timetable or at all.

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We have a limited operating history

Our operating subsidiaries PSL and PCGL commenced business operations in December 2012 and March 2013 respectively. Due to this limited operating history, it may be difficult to evaluate our business prospects and future financial performance. There is no assurance that we can maintain our profitability and growth in the future. Moreover, our future operating results depend on a number of factors, including our ability to manage our growth, retain our customers and provide the financial services suited to the needs of our customers. Prospective investors should not unduly rely on our performance during the Track Record Period as an indication of our business prospects and our performance in the future.

Our financial performance and results of operations for the year ending 31 December 2015 will be affected by non-recurring listing expenses

The total amount of listing expenses in connection with the Listing is estimated to be approximately HK\$15.0 million, which represents approximately 70.7% of our Group's net profit for the year ended 31 December 2014. During the year ended 31 December 2014, our Group recognised listing expenses of approximately HK\$1.7 million and our Group estimates that the listing expenses of approximately HK\$8.3 million will be charged to our combined statement of comprehensive income for the year ending 31 December 2015. The balance of approximately HK\$5.0 million is expected to be charged against equity. Expenses in relation to the Listing are non-recurring in nature but we expect that it will materially affect our Group's financial performance and results of operations for the year ending 31 December 2015.

In view of the above, prospective investors should be informed that the financial results of our Group for the year ending 31 December 2015 will be materially and adversely affected by the non-recurring expenses in relation to the Listing. Therefore, prospective investors are specifically warned that given the non-recurring listing expenses, our Group's net profit for the year ending 31 December 2015 is expected to show a decline as compared to that of the previous financial year.

RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

Risk of market competition

The financial service industry in Hong Kong has a large number of participants which makes the industry highly competitive. As at 31 December 2014, there were 540 Exchange Participants comprising 500 trading Exchange Participants and 40 non-trading Exchange Participants. New participants may enter into the industry so long as they obtain the requisite licences and permits.

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 histories than that of our Group. Apart from large multinational financial institutions, our Group also faces competition from local small- and medium-sized financial

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services firms which offer a similar range of services. 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 further price reduction, which in turn may erode our market share and have an adverse impact on our operating performance and financial results.

RISKS RELATING TO ECONOMIC AND POLITICAL CONDITIONS IN HONG KONG

Risk of political and economic considerations

Our business and operations are based in Hong Kong and our Group derived all our income in Hong Kong during the Track Record Period. Accordingly, our business, financial conditions, results of operations and prospects are affected by government policies, as well as economic, social, political and legal developments in Hong Kong. In particular, events with adverse impact on investors' confidence and risk appetites, such as general deterioration of the Hong Kong economy or mass civil disobedience movements, may lead to a reduction in trading activities and in turn our business performance.

As an open economy, Hong Kong's domestic economy is also affected by many other unpredictable factors such as economic, social, legal and political developments in the PRC, fluctuations in global interest rates, and changes in local and 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 of taxation changes in Hong Kong

Under the prevailing Hong Kong laws and regulations, our profit is subject to taxation in Hong Kong. There is no assurance that the prevailing tax laws and regulations will not be revised or amended in the future. Any revision or amendment in tax laws and regulations may have an adverse impact on our business operations and financial results.

RISKS RELATING TO [REDACTED] AND SHARE PERFORMANCE

Risk of marketability and possible price and trading volatility of the Shares

Prior to the [REDACTED], there has been no public market for the Shares, and there is no assurance that an active trading market for the Shares will develop or be sustained upon completion of the [REDACTED].

The market price and trading volume of the Shares may be highly volatile. Factors such as variations in our income, earnings or cash flows, and/or announcements of new investments and strategic alliances could cause the market price of the Shares to change substantially. Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be trading. There is no assurance that these developments will or will not occur in the future and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, the Shares may be subject to changes in the market price which may not be directly related to our financial or business performance.

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Risk of dilution of the Shareholders' equity interests

Our Group may need to raise additional funds in the future to finance, inter alia, expansion or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the ownership percentage of the Shareholders in our Company may be reduced and Shareholders may experience dilution in their shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Risk of impact of granting options under the Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme although no options have been granted thereunder as at the Latest Practicable Date.

Any exercise of the options to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the ownership percentage of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue.

Under the HKFRS, the costs of the options to be granted to staff 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.

Risk of future sales of Shares by existing Shareholders

There is no assurance that the substantial Shareholders or Controlling Shareholders will not dispose of the Shares held by them after the lock-up period. Our Group cannot predict the effect, if any, that any future sales of the Shares by any substantial Shareholder or Controlling Shareholder may have on the market price of the Shares. Sale of a substantial amount of Shares by any of them, or the market perception that such sale may occur, could materially and adversely affect the prevailing market price of the Shares.

Prior dividend distributions are not an indication of our future dividend policy and we may not be able to pay any dividends on our Shares

Details of the dividend payments by our Group during the Track Record Period are set out in the paragraph headed "Dividend policy" under the section headed "Financial information" of this document.

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The declaration and payment of dividends during the Track Record Period 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, future prospects and cash requirements of our Group. Any declaration, payment and amount of dividends is at the discretion of our Directors, and will be subject to, among other things, our constitutional documents and the Cayman Islands law.

Termination of the Underwriting Agreement

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

Minority shareholders protection under the laws of the Cayman Islands

Our Company's corporate affairs are governed by the Memorandum, the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of the minority shareholders may differ in some respects from those in Hong Kong. As a result, remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong. For details, please refer to Appendix III to this document.

RISKS RELATING TO THIS DOCUMENT

Risk of accuracy and completeness of statistics and facts

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

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Information contained in press articles or other media

We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage regarding our Group or the [REDACTED], and such information that was not sourced from or authorised by us. We make no representation as to appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media about our business or financial projections, share valuation or other information. Accordingly, in all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such press articles or other media coverage.

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

This document contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms. Those statements include, among other things, the discussion of our Group's growth strategy and expectations concerning our future operations, liquidity and capital resources. Prospective investors of the 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. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group's control. 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. Please refer to the section headed "Forward-looking statements" of this document for further details.